Technology

GoldenMars

# Goldenmars Technology Holdings Limited

# 晶芯科技控股有限公司

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

*(Stock Code:3638)*

# 2016

# Annual Report

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. George Lu *(Chief Executive Officer (appointed on 2 June 2016) and Chairman)*
Ms. Shen Wei
Ms. Lau Wing Sze *(resigned as Chief Executive Officer on 2 June 2016)*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Loo Hong Shing Vincent
Mr. Pang Chung Fai Benny
Mr. Yeung Wai Fai Andrew *(appointed on 2 June 2016)*
Mr. Wan Tak Shing *(resigned on 2 June 2016)*

## AUTHORISED REPRESENTATIVES

Ms. Lau Wing Sze
Mr. Wong Kwok Ming *(appointed on 14 March 2016)*
Mr. George Lu *(appointed on 1 March 2016 and resigned on 14 March 2016 )*
Mr. Lo Kam Hon Gary *FCCA, CPA* *(passed away on 1 March 2016)*

## COMPANY SECRETARY

Mr. Wong Kwok Ming *(appointed on 1 April 2016)*
Mr. Tung Sze Ho Dicky *(appointed on 1 March 2016 and resigned on 1 April 2016)*
Mr. Lo Kam Hon Gary *FCCA, CPA* *(passed away on 1 March 2016)*

## AUDIT COMMITTEE

Mr. Yeung Wai Fai Andrew *(Chairman (appointed on 2 June 2016))*
Mr. Wan Tak Shing *(Chairman (resigned on 2 June 2016))*
Mr. Pang Chung Fai Benny
Mr. Loo Hong Shing Vincent

## REMUNERATION COMMITTEE

Mr. Loo Hong Shing Vincent *(Chairman)*
Mr. Pang Chung Fai Benny
Mr. Yeung Wai Fai Andrew *(appointed on 2 June 2016)*
Mr. Wan Tak Shing *(resigned on 2 June 2016)*

## NOMINATION COMMITTEE

Mr. Pang Chung Fai Benny *(Chairman)*
Mr. George Lu
Mr. Loo Hong Shing Vincent

## CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Kwok Ming *(Chairman (appointed on 14 March 2016))*
Mr. George Lu *(Chairman (appointed on 1 March 2016 and resigned on 14 March 2016))*
Mr. Lo Kam Hon Gary *(Chairman (passed away on 1 March 2016))*
Ms. Lau Wing Sze
Ms. Lu Qinzhen

## REGISTERED OFFICE

PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

29th Floor
Enterprise Square Two
3 Sheung Yuet Road
Kowloon Bay
Kowloon, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 5A Block 1
Xin Yuan Industrial Zone
Xin Tian Shui Ku Road
Fu Yong Bao An District
Shenzhen the PRC

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Centre
99 Queen's Road Central
Hong Kong

# CORPORATE INFORMATION

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

## BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

## LEGAL ADVISERS TO THE COMPANY

*As to Hong Kong law*
Angela Ho & Associates
Unit 1405, 14/F,
Tower 1, Admiralty Centre,
18 Harcourt Road,
Hong Kong

*As to PRC law*
Zhong Lun Law Firm
Level 10 & 11, Two IFC
8 Century Avenue
Pudong New Area, Shanghai
People's Republic of China
200120

*As to Cayman Islands law*
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

## AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
22nd Floor, Prince's Building
Central
Hong Kong

## COMPLIANCE ADVISER

China Everbright Capital Limited
24/F Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## STOCK CODE

3638

## COMPANY WEBSITE ADDRESS

www.goldenmars.com
(information contained in this website does not form part of this report)

# FINANCIAL SUMMARY

## HIGHLIGHTS

Revenue for the year ended 31 March 2016 was approximately HK$1,206.2 million, representing an increase of approximately HK$285.9 million or 31.1% from that of the year ended 31 March 2015 ("Last Corresponding Year").

Profit attributable to equity holders of the Company for the year ended 31 March 2016 was approximately HK$23.4 million, representing a decrease of approximately HK$1.9 million from approximately HK$25.3 million for the Last Corresponding Year.

Basic and diluted earnings per share attributable to equity holders of the Company for the year ended 31 March 2016 and the Last Corresponding Year were approximately HK0.67 cent and HK0.83 cent, respectively.

No final dividend in respect of the year ended 31 March 2016 was proposed (2015: same).

## FINANCIAL SUMMARY

A summary of the results and of the financial position of the Group for the last five financial years is set out as follows:

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Results** | | | | | |
| Revenue | **1,206,159** | 920,269 | 787,650 | 511,799 | 461,715 |
| Gross profit | **61,630** | 56,130 | 52,530 | 49,809 | 45,799 |
| Profit before income tax | **30,519** | 32,649 | 24,243 | 23,891 | 83,504 |
| Profit for the year attributable to equity holders of the Company | **23,448** | 25,347 | 16,790 | 17,876 | 76,500 |
| **Financial position** | | | | | |
| Total assets | **476,942** | 478,012 | 391,846 | 287,664 | 264,039 |
| Total liabilities | **211,463** | 270,730 | 223,671 | 176,046 | 170,449 |
| Total equity | **265,479** | 207,282 | 168,175 | 111,618 | 93,590 |

I represent the Board of Directors (the "Board") of Goldenmars Technology Holdings Limited (the "Company") to present the audited annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2016 (the "Current Year") for shareholders' review.

2016 is a year of joy for the Group as we celebrated the successful transfer of the Group's listing from the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of The Stock Exchange of Hong Kong Limited ("Main Board"). On 30 March 2016, the Company's shares started trading on the Main Board. The attainment of this significant breakthrough of the Group was made possible by the dedication of every member of the Group and the continuous support from our business partners and shareholders. The Group expects that the successful transfer of the venue for listing will enhance its corporate image and boost investors' and business partners' confidence in the Group, thereby facilitating future growth and business development, providing better access to capital and bringing other corresponding benefits to the Group.

Looking back at 2015 and the first quarter of 2016, the market conditions of DRAM and CPU were relatively stable, while the industry maintained a healthy development trend. Through tighter risk control and better operation leverage, we managed to continuously expanded our DRAM chips, NAND flash chips and CPU chips businesses with significant growth in the Current Year.

The Group recorded revenue of approximately HK$1,206.2 million for the Current Year, up by approximately 31.1% from that of the Last Corresponding Year. Gross profit margin of approximately 5.1% was recorded for the Current Year and approximately 6.1% was recorded for the Last Corresponding Year. Profit attributable to equity holders of the Company was approximately HK$23.4 million for the Current Year, decreased by approximately HK$1.9 million from that of the Last Corresponding Year.

Looking ahead, the business situation in 2016 will remain challenging. The Group needs to keep on tight control of its operations and remain cautious in expanding its business by minimising risks. The Group will continue to mark the People's Republic of China (the "PRC") as its major market and will adhere to the strategy of lifting its market share and competitiveness through integration and improvement of its overall team strength. The Group will also continue to prudently examine any market opportunities to further improve profitability and enhance capital functioning of the Group. These initiatives are expected to become the new growth driver and the long-term sustainable source of revenue for the Group. While there will be challenges, we believe that there will also be opportunities for the Group to continue to succeed and utilise its competitive advantages to enhance shareholders' value. We believe that there will also be opportunities for the Group to embark on the next cycle of advancement.

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to members of the Board, the management team and all staff members for their efforts and contributions!

**George Lu**
*Chairman*

Hong Kong, 17 June 2016

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECT

### Business Review

The Group principally operates in the DRAM, NAND flash and CPU industry which is dynamic and competitive and there have been constant changes in new technologies in the industry. Looking back in 2015, the Group effectively made good use of business and management strategies to cater for the overall challenging and rapidly changing market. The Group continuously maintained robust business strategies and appropriate inventory management during the year under review. Attributed to the industry development and rise in market demand in the DRAM, NAND flash and CPU business, the Group's overall revenue for the Current Year recorded an increase of 31.1% compared to that of last year. During the year under review, the robust and healthy business model upheld by the Group coupled with the efforts contributed by the experienced sales force, the Group was able to further improved its market penetration and competitiveness. The Group also managed to further enhance its long term and close business relationships with suppliers and customers and obtained full support from suppliers while effectively satisfying customer needs at the same time.

### Outlook

Looking ahead, the global economic environment will remain challenging in 2016. The Group understands the challenges and will continue to focus on improving operational efficiency, cost saving and strict risk control in facing the economic uncertainty.

Despite the uncertainties and competitive landscape, the Group will continuously and proactively look for market opportunities. The Group looks forward to its further development in 2016. With the increasing demand in recent years for data centres and the trend of constant upgrade in the specifications of handheld mobile devices, coupled with the official launch of DDR4 in January 2016 and the expected launch of new products by manufacturers in the coming years, it is expected that the supply of and demand for DRAM will remain steady in the long term. To achieve its long term target of sustained profitability, the Group will continue to actively expand its market share, strictly control costs and enhance capital functioning, with the view of further improving profitability of the Group and continuing to generate better returns and long term values for shareholders.

## FINANCIAL REVIEW

### Revenue and Gross Profit Margin

The Group's revenue increased by approximately 31.1% from approximately HK920.3 million for the Last Corresponding Year to approximately HK$1,206.2 million for the Current Year.

Increase in revenue was mainly resulted from increase in trading orders of DRAM chips, NAND flash chips and CPU chips driven by increase in market demand, which was partially offset by the decrease in revenue from DRAM modules.

Gross profit margin of approximately 5.1% for the Current Year remained fairly stable when compared with the approximately 6.1% recorded for the Last Corresponding Year. Decrease in gross profit margin was mainly caused by the relatively lower gross profit margin earned from CPU chips as compared with other products.

### Selling Expenses

The decrease in selling expenses by approximately HK$0.5 million was mainly due to the decrease in employee benefit expenses following the enhancement of organisational structure in previous year.

### General and Administrative Expenses

General and administrative expenses for the Current Year increased by approximately HK$3.6 million from the Last Corresponding Year, which was mainly caused by increase in professional expenses incurred for the transfer of listing of shares from GEM to Main Board, and was partially offset by the decrease in employee benefit expenses and overall general and administrative expenses following the enhancement of organisational structure and strict cost control in previous year.

### Other (Loss)/Income

It mainly represented foreign exchange loss recognised in currency translation which was partially offset by bank interest income and repair and testing income earned for the Current Year.

### Income Tax Expense

Income tax expense remained fairly stable as the amount of Hong Kong assessable profits were relatively stable in both the Current Year and Last Corresponding Year.

### Profit for the Year Attributable to Equity Holders of the Company

The decrease in profit attributable to equity holders of the Company by approximately HK$1.9 million for the Current Year was mainly attributable to the increase in general and administrative expenses and finance costs during the year.

### Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: same).

### Investment Accounted for Using Equity Method

Bozhou Botong Information Technology Company Limited ("Bozhou Botong") commenced its production since December 2014 and it recorded a loss of approximately HK$31.4 million and HK$18.8 million for the year ended 31 March 2016 and 2015 respectively. The Group's share of its loss amounted to approximately HK$4.5 million and HK$3.7 million was recognised in the consolidated income statement for the year ended 31 March 2016 and 2015 respectively. During the year, Bozhou Botong effected an increase in registered capital whereby a new investor injected additional capital to Bozhou Botong amounting to RMB40,000,000. As a result, the Group's equity interest in Bozhou Botong was further reduced from 16.74% to 12.42% and a dilution gain of HK$1,382,000 (2015: HK$633,000) was recognised. Under the revised shareholders' agreement, the Group did not possess joint control over the financial and operating activities of Bozhou Botong. However, as the Group still retained a 25% voting right at the board of Bozhou Botong, the directors considered that the Group was still able to exercise significant influence on the financial and operating policies of Bozhou Botong after such dilution. Accordingly, Bozhou Botong was accounted for as an associate as at 31 March 2016. There were no significant changes in the accounting treatment of Bozhou Botong, and the Group continued to use equity method to account for the Group's investment in Bozhou Botong in its consolidated financial statements which is same as that in prior year.

**Inventories and Trade Receivables**

The Group has enhanced the inventory control policy to manage business risks associated with its principal activities, which resulted in the decrease in inventories by approximately 47.8% and improvement in inventories turnover days from 25 days for the Last Corresponding Year to 8 days for the Current Year.

The Group, upon internal approval, may grant credit periods after taking into account a number of factors, including among others, the credit history and historical sales performance of customers.

The Group has granted more favourable credit terms to certain customers to enhance its competitive edge and resulted in the increase in trade receivables by approximately HK$47.0 million and trade receivables turnover days from 37 days for the Last Corresponding Year to 50 days for the Current Year.

**Liquidity, Financial Resources, Capital Structure and Fund Raising Activities**

On 20 March 2015, the Company entered into a placing agreement with a placing agent in connection with the Placing (as defined below) and the closing price at 19 March 2015 was at HK$1.42 per share as quoted on the Stock Exchange. (Reference to the announcement of the Company dated 20 March 2015). On 9 April 2015, the Company completed a placing of total 29,880,000 ordinary shares under general mandate, of nominal value of HK$298,800 in the capital of the Company at a price of HK$1.20 per placing share to not less than six independent third parties (the "Placing"). The reason for the Placing was for the purpose of strengthen the financial position of the Group and broaden the shareholders' base. The net proceeds, after deducting the placing commission and other related expenses payable by the Company, were approximately HK$34.8 million. The Company intended to use such net proceeds as general working capital. (Reference to the announcement of the Company dated 9 April 2015).

During the Current Year, the long-term funding and general working capital required by the Group were primarily derived from the income generated from its core business operations and the net proceeds from the placing of new shares under general mandate, and were used to settle the trade payables. The Group's liquidity position was well-managed in the Current Year.

As at 31 March 2016 and 2015, the Group was at a healthy financial position as the cash and cash equivalents and pledged deposits at bank were higher than its borrowings (that is net cash position). The current ratio of the Group, calculated by dividing the total current assets by total current liabilities, was also improved from approximately 1.5 in the Last Corresponding Year to approximately 1.9 in the Current Year.

The Group's financial resources are sufficient to support its business operations.

The capital of the Company comprises only ordinary shares.

**Capital Commitments**

As at 31 March 2016 and 2015, there is no significant capital commitment.

### Pledge of Assets

As at 31 March 2016, the Group has pledged the properties with carrying values of approximately HK$45.3 million to secure general banking facilities granted to the Group.

As at 31 March 2015, the Group has pledged the properties and bank deposits with aggregate carrying values of approximately HK$62.5 million to secure general banking facilities granted to the Group.

### Foreign Currency Exposure

The Group exposes to certain foreign currency risk primarily with respect to Renminbi and United States dollar. During the year, Renminbi devalued against the Hong Kong dollar and the US dollar. The Group generated a foreign exchange loss of approximately HK$2.2 million which was mainly arisen from the currency translation of the Renminbi-denominated bank balances and receivables. The Group has taken appropriate measures by reducing the foreign currency translation risk. As at 31 March 2016, the Group had no significant exposure to fluctuations in foreign exchange rates. The Group's Renminbi-denominated cash and bank balances has significantly decreased by approximately HK$7.9 million, from approximately HK$9.0 million as at 31 March 2015 to approximately HK$1.1 million as at 31 March 2016.

The Group will continue to manage the net exposure of foreign exchange risk to keep at an acceptable level from time to time. No hedging or other alternatives have been implemented.

### Contingent Liabilities

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

### Employees and Emolument Policy

As at 31 March 2016, the Group had a total of 47 employees. Employee benefit expenses, including Directors' remuneration for the year ended 31 March 2016, amounted to approximately HK$9.9 million (2015: HK$10.7 million). The Group's remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The Group offers a comprehensive and competitive remuneration and benefits package to all its employees. In addition, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible persons who contribute to the success of the Group's operations.

The Group has also adopted other employee benefit including a provident fund scheme for its employees in Hong Kong, as required under the Mandatory Provident Fund Schemes Ordinance, and has participated in employee pension schemes organised and governed by the relevant local governments for its employees in the PRC.

## USE OF PROCEEDS

On 9 September 2013 (the "Listing Date"), the Company completed the placing of 69,000,000 shares of par value of HK$0.01 each at an issue price of HK$0.90 per share. The net proceeds from the placing were approximately HK$36 million. The use of the net proceeds from GEM Listing Date to 30 September 2015 had been disclosed in the annual report 2014, annual report 2015 and interim report 2015 of the Company. As disclosed in the Prospectus, a total of HK$20.0 million of the net proceeds from the placing were expected to be applied up to 31 March 2016 for (i) increasing market share, (ii) strengthening R&D and design capability, (iii) enhancing quality control and improving product capability, and (iv) general working capital purpose.

Up to 31 March 2016, approximately HK$3.6 million out of the HK$20.0 million had been applied as follows:

| | **Intended use of proceeds as shown in the Prospectus from the Listing Date up to 31 March 2016 HK$'000** | Actual use of proceeds up to 31 March 2016 HK$'000 |
|---|---|---|
| Increase market share | **7,300** | 713 |
| Strengthen R&D and design capability | **7,700** | 590 |
| Enhance quality control and improve production capability | **3,000** | 300 |
| General working capital | **2,000** | 2,000 |
| **Total:** | **20,000** | 3,603 |

The remaining HK$32.4 million which had not yet been utilised during the period and was rescheduled for strengthening R&D and design capability, and enhancing quality control and improving product capability from 1 April 2016 onwards. An analysis comparing the business plan as set out in the Prospectus with the Group's actual business progress up to 31 March 2016 is set out below:

| **Business plan as shown in the Prospectus from the Listing Date up to 31 March 2016** | **Actual business progress up to 31 March 2016** |
|---|---|
| ***Increase market share*** | |
| • expand our sales and marketing team to focus on soliciting of new customers, engage in marketing and advertising | Employed 5 new sales/marketing personnel in Taiwan branch |
| • continue to participate in electronic and computer products exhibitions | Participated in the Hong Kong Electronics Fair (Autumn Edition) 2013 held in October 2013. |

| Business plan as shown in the Prospectus from the Listing Date up to 31 March 2016 | Actual business progress up to 31 March 2016 |
|---|---|
| ***Strengthen R&D and design capability*** | |
| • conduct researches on the latest technologies with focus on developing and improving existing and new products, mainly DRAM modules, USB flash drives and SSD product design | Strengthen personnel on improving quality |
| • purchase of hardware for PCB correction for DRAM modules, purchase of software for PCB design, two types of software design, flash control testing equipment, hardware for SSD design and development, hardware for development of USB flash drivers, hardware and software for testing USB flash drives, and ancillary software for USB flash drives and SSD | Bought some testing equipments to strengthen R&D |
| • employ PCB designers and engineers | Rescheduled as further elaborated below |
| ***Enhance quality control and improve production capability*** | |
| • purchase of quality control, testing and other ancillary machines | Bought some testing machines to enhance quality |
| • purchase of various DRAM module testing software and hardware | Bought some testing machines to enhance quality |
| General working capital | Used as general working capital |

**Reschedule of business plan**

In September 2013, a fire accident occurred at a production plant of SK Hynix Inc. in Wuxi, the PRC. There are only a handful of DRAM chip manufacturers worldwide and, SK Hynix has been one of the important players. The plant produces around 12 to 15 percent of global computer memory chips. Although SK Hynix indicated the fire accident did not cause material damage to the plant, the market conditions for DRAM chips were impacted by such fire accident, which caused a significant imbalance in demand and supply in the DRAM chips market.

Despite SK Hynix is a not a major supplier of the Group, in view of the unstable market conditions at that time, the Group decided to hold up the implementation of its business plan, mainly in the area of R&D and purchase of testing machines and related testing software and hardware, till the market condition resume to stable.

Although the market condition resumed to normal in 2014 and 2015, the Group continued to hold up the use of proceeds tentatively given the delay in launching DDR4 as elaborated below.

DRAM chip and module market is characterised by industry standard. As disclosed in the Prospectus that according to the industry expert, PC chip-sets and memory chips need to be paired in harmony with each other. Given Intel has moved to processors that generally only run with DDR3 DRAM technology, it was expected that DDR3 should remain in the market through 2014 and 2015, and the industry expert then expected that the upcoming generation DDR4 will become major form factor. It takes time for DDR4 to become popular. DDR4 has just been official launched by DRAM chip makers in January 2016 and there are only very limited DDR4 motherboard in the market. Both motherboard makers and computer manufacturers would need time to test using DDR4 chips in their products. DRAM chip makers in turn need to collect feedbacks from its customers to enhance the performance of their DRAM chips. To the best information of the Directors, it is expected that DDR4 would only become more popular when more computers products are equipped with DDR4 chips and modules in late 2016. As the technology development for DDR4 has been postponed, the management considered it appropriate to postpone the plan for use of proceed and to expend more resources on R&D and enhance of product quality on the upcoming generation of DDR4 memory products rather than existing DDR3 products.

In view of the above, the Directors decided to postpone its planned R&D activities, as well as the purchase of corresponding testing machines, in order to achieve a better economic benefit for the Group. Plan for the use of proceeds with revised schedule are set out below:

| | | Six months ending | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Actual use of proceeds up to 31 March 2016** | **30 September 2016** | **31 March 2017** | **30 September 2017** | **31 March 2018** | **30 September 2018** | **31 March 2019** | **30 September 2019** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Increase market share | 713 | 627 | 1,280 | 1,380 | 1,380 | 2,300 | 2,880 | 2,580 | 13,140 |
| Strengthen R&D and design capability | 590 | 1,680 | 1,040 | 8,464 | 510 | 510 | 510 | 556 | 13,860 |
| Enhance quality control and improve production capability | 300 | 560 | 510 | 560 | 510 | 960 | 1,051 | 949 | 5,400 |
| General working capital | 2,000 | 500 | 500 | 600 | – | – | – | – | 3,600 |
| Total | 3,603 | 3,367 | 3,330 | 11,004 | 2,400 | 3,770 | 4,441 | 4,085 | 36,000 |

As at the date of this announcement, 10.0% out of HK$36 million had been applied for the above business plan.

The Directors will constantly evaluate the Group's business plan and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. George LU (陸建明),** aged 53, our founder and is also the Chief Executive Officer ("CEO") of the Group since 2 June 2016 and the chairman of the Board of Directors. Mr. Lu is responsible for the overall management, operations and strategic development of the Group's business and has over thirteen years of experience in the DRAM industry. Mr. Lu is also a member of Nomination Committee. Mr. Lu is the spouse of Ms. Shen Wei, an Executive Director and a Controlling Shareholder of the Company, and is also the elder brother of Ms. Lu Qinzhen, a senior management of our Group. Mr. Lu is also the CEO, an executive director and the chairman of the Board of Directors of Hang Fat Ginseng Holdings Company Limited (Stock Code: 911), a company listed on the Main Board of the Stock Exchange, and he is responsible for corporate strategic planning and overall business development.

**Ms. SHEN Wei (沈薇),** aged 52, is also a founder of Group, and is responsible for the financial and administrative management of the Group. Ms. Shen has acquired over thirteen years of experience in general administration management of DRAM business. Ms. Shen studied Pharmacology at the China Pharmaceutical University and graduated with a Bachelor of Science degree in 1987. Ms. Shen also obtained a Master of Science degree in Toxicology from the University of New Mexico in 1991 and worked as a postgraduate researcher in the School of Pharmacy, Department of Pharmacy of the University of California, San Francisco from 1991 to 1994. Ms. Shen is the spouse of Mr. Lu, an Executive Director, the CEO and the Chairman of our Company and the sister-in-law of Ms. Lu Qinzhen, a senior management of our Group. Ms. Shen is also a non-executive director of Hang Fat Ginseng Holdings Company Limited (Stock Code: 911), a company listed on the Main Board of the Stock Exchange, and she is responsible for giving strategies and business guidance to that company.

**Ms. LAU Wing Sze (劉詠詩),** aged 40, was appointed as an Executive Director and the CEO of the Group in June 2012 and is responsible for procurement and inventory control. Ms. Lau joined Goldenmars Technology (Hong Kong) Limited, a wholly owned subsidiary of the Group in July 2005. Ms. Lau has more than eight years of experience in management of DRAM business. Ms. Lau graduated with a Higher Diploma in Business Studies from the City University of Hong Kong in 1998. Ms. Lau also obtained a Master of Business Administration which is a long distance course from the University of Bradford. Ms. Lau is also a member of the Corporate Governance Committee. Ms. Lau resigned as the CEO but remains an Executive Director of our Company with effect from 2 June 2016.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. LOO Hong Shing Vincent (盧康成),** aged 50, was appointed as an independent Non-Executive Director in June 2012. Mr. Loo has over 28 years of experience in the accounting, auditing, corporate finance and business advisory areas. Prior to joining the Group, Mr. Loo has over 17 years of auditing experience with Messrs. PricewaterhouseCoopers in Hong Kong. Mr. Loo joined Hengan International Group Company Limited (Stock Code: 1044), a company listed on the Main Board of the Stock Exchange, in 2004 as the chief financial controller and was appointed as its Executive Director in 2005. Mr. Loo is currently involved in the financial management and compliance aspects of that company. Mr. Loo graduated from the Hong Kong Polytechnic University with a Professional Diploma in Accountancy in 1988 and has been a member of the Hong Kong Institute of Certified Public Accountants since 1992 and a fellow member of the Association of Chartered Certified Accountants since 1996. Mr. Loo is also the chairman of the Remuneration Committee.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. PANG Chung Fai Benny (彭中輝),** aged 43, has been our independent Non-Executive Director since June 2012. Mr. Pang has been the member of each of the Audit Committee and Remuneration Committee of the Company and the chairman of the Nomination Committee of the Company. Mr. Pang is the managing partner of Messrs. Pang & Co., in association with Loeb & Loeb LLP. Between 1997 and 2009, Mr. Pang practiced as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He has been admitted as a legal practitioner of the Supreme Court of New South Wales, Australia since 1997 and as a solicitor of the High Court of Hong Kong since 2009. He is a member of both the Law Society of New South Wales, Australia and the Law Society of Hong Kong. Mr. Pang has been appointed as an independent non-executive director of Yuanda China Holdings Limited (Stock Code: 2789), a company listed on the Main Board of the Stock Exchange, since 2011. Mr. Pang has also been appointed as an independent non-executive director of China Bio-Med Regeneration Technology Limited (GEM Stock Code: 8158), a company listed on GEM, since 2012.

**Mr. Yeung Wai Fai Andrew (楊煒輝),** Mr. Yeung, aged 43, was appointed as an independent Non-Executive Director on 2 June 2016. Mr. Yeung has been the head of investment banking and advisory of Kim Eng Securities (Hong Kong) Limited, since July 2015. He has also been appointed as an independent non-executive director of Eversol Corporation (stock code: 3647.TT), which is listed on the Taiwan GreTai Securities Market, from June 2014 to June 2016. Mr. Yeung was the head of corporate finance advisory of Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, from August 2014 to May 2015. Mr. Yeung has over 16 years of experience in investment and private banking. Prior to joining Edmond de Rothschild (Suisse) S.A., Hong Kong Branch, he was the managing director of DBS Asia Capital Limited and he worked at DBS Asia Capital Limited for over 10 years. He worked as the corporate finance associate in BNP Paribas Peregrine Capital Limited, from April 2000 to May 2002. Mr. Yeung graduated from the Hong Kong Polytechnic University with a bachelor of arts in accountancy in 1994. Mr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants.

## SENIOR MANAGEMENT

**Mr. Wong Kwok Ming (黃國明),** aged 39, was appointed as the Chief Financial Officer of the Group on 14 March 2016 and the Company Secretary of the Company on 1 April 2016. Mr. Wong is responsible for overall financial and accounting affairs, treasury management and risk management of the Group as well as the overall company secretarial matters of the Company. Mr. Wong has over 17 years of experience in the areas of auditing, accounting, taxation, capital markets, business advisory and corporate finance covering various industry sectors. Mr. Wong has worked at PricewaterhouseCoopers Hong Kong for over 10 years in audit and assurance department with his last position as senior manager and he worked at a well-established and sizable manufacturing company as the chief financial officer after he left PricewaterhouseCoopers. Mr. Wong possesses a Master Degree in Accounting from Curtin University of Technology. Mr. Wong is a Practicing Certified Public Accountant in Hong Kong and he is also a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong is the chairman of the Corporate Governance Committee of the Company. Mr. Wong is also an executive director of Hang Fat Ginseng Holdings Company Limited (Stock Code: 911), a company listed on the Main Board of the Stock Exchange, and he is responsible for corporate finance of that company.

**Ms. LU Qinzhen (陸芹珍),** aged 46, is the finance manager and the vice-chairman of the board of directors of Bodatong Technology (Shenzhen) Company Limited ("Bodatong"), a wholly owned subsidiary of the Group. Ms. Lu joined Bodatong in May 2007. Ms. Lu is responsible for accounting and financial management of Bodatong. Ms. Lu graduated from Suzhou Zhonghua Correspondence School of Accounting (蘇州市中華會計函授學校) in 2003, majoring in accounting (long distances course). Ms. Lu is also a member of the Corporate Governance Committee. Ms. Lu is the younger sister of Mr. George Lu, an Executive Director and sister-in-law of Ms. Shen Wei, an Executive Director.

**Mr. LI Guotao (李國濤),** aged 38, is the deputy general manager of Bodatong. Mr. Li joined Bodatong in September 2011 and is responsible for the general management of Bodatong. Prior to joining the Group, he was employed as the manager for manufacturing systems and management representative at Kongtop Industrial Company Limited from 2009 to 2011. From 2008 to 2009, Mr. Li worked as the manager at the engineering department of Hongfutai Electronic Science and Technology Company Limited.

**Mr. LIANG Zhiyuan (梁智淵),** aged 35, is the general manager of the research and development division of Bodatong. He joined Bodatong in May 2007 and is primarily responsible for the research, design and development and resolving problems relating to product technology. Prior to joining our Group, Mr. Liang worked for Kinwei Technology (Shenzhen) Co., Ltd. (建威科技(深圳)有限公司) during 2004 to 2007 as an engineer responsible for designs of various products such as DRAM modules and USB flash drives. Mr. Liang graduated with a Bachelor in Control Technology and Instrument from Guilin University of Electronic Technology (桂林電子科技大學) in 2003.

# REPORT OF THE DIRECTORS

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

## PRINCIPAL ACTIVITIES

The Company is an investment holding company.

## PRINCIPAL SUBSIDIARIES AND INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

Details of the principal subsidiaries and investment accounted for using equity method as at 31 March 2016 are set out in Notes 7 and 8 to the consolidated financial statements respectively.

## BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's future development are provided in the Chairman's Statement and the Management Discussion and Analysis on page 5 and pages 6 to 12 respectively of this annual report. In addition, a summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4 of this annual report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 37 and 38 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: same).

## USE OF PROCEEDS

The proceeds (net of underwriting fees and other listing expenses) from the placing on the Listing Date on 9 September 2013 were approximately HK$36 million. For details of the use of the above proceeds, please refer to the "Use of Proceeds" paragraph under the section headed "Management Discussion and Analysis" on pages 10 to 12 of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in Note 6 to the consolidated financial statements.

## DONATIONS

Charitable donations amount to HK$1,000,000 were made by the Group during the year (2015: Nil).

## BORROWINGS

Details of the Group's borrowings as at 31 March 2016 are set out in Note 16 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company are set out in Note 13 to the consolidated financial statements.

Details of the shares issued in the year ended 31 March 2016 are set out in Note 13 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive rights under the Company's articles of association or the relevant law of the Cayman Islands, being the jurisdiction in which the Company was incorporated which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

## RESERVES

Details of the movements in the reserves of the Company and the Group during year are set out in Notes 30(a) to the consolidated financial statements and the consolidated statement of changes in equity on pages 39 and 40, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company's reserves available for distribution to equity holders, comprising the share premium, contributed surplus and retained earnings, amounted to approximately HK$190.4 million.

Under the Companies Law of the Cayman Islands, the share premium account of the Company in the amount of HK$99.8 million may be applied for paying distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

| | |
|---|---|
| Purchases | |
| – the largest supplier | 33.0% |
| – five largest suppliers combined | 92.1% |
| Sales | |
| – the largest customer | 53.7% |
| – five largest customers combined | 91.4% |

None of the Directors, or any of their close associates or any shareholder (which to the best knowledge of the Directors own more than 5% of the Company's issued share capital) had any beneficial interest in the major suppliers or customers noted above.

## PRINCIPAL RISKS AND UNCERTAINTIES

The directors are aware that the Group is exposed to various risks, including some which are specific to the Group or the industries in which the Group operates. The directors managed that significant risks which may adversely affect the Group's performance and ability to deliver on its strategies, as well as those which may present positive opportunities, are identified, reported, monitored, and managed on a continuous basis. The financial risk management policies and practices of the Group are shown in Note 3 to the consolidated financial statements.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the directors and management are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operations of the Group. During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## RELATIONSHIPS WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers to meet its immediate and long-term goals. Regular and continuous communication with our suppliers, customers and other stakeholders are carried out through regular meetings, conferences, and promotional events.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with the relevant laws and regulations in relation to its business including safety workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. The Group has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole. The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Our commitment to protect the environment is also well reflected by our continuous efforts in promoting green awareness in our daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group encourages the principle of recycling and reducing. The Group has put efforts to implement green office practices such as double-sided printing and copying, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance in the daily business operations.

## BOARD OF DIRECTORS

The Directors who were in office during year and up to the date of this report are named as follows:

**Executive Directors**
Mr. George Lu *(CEO (appointed on 2 June 2016) and Chairman)*
Ms. Shen Wei
Ms. Lau Wing Sze *(resigned as CEO on 2 June 2016)*

**Independent Non-Executive Directors**
Mr. Loo Hong Shing Vincent
Mr. Pang Chung Fai Benny
Mr. Yeung Wai Fai Andrew (Appointed on 2 June 2016)
Mr. Wan Tak Shing (Resigned on 2 June 2016)

In accordance with Articles 16.18 of the Articles of Association, Ms. Shen Wei and Mr. Pang Chung Fai Benny will retire from office by rotation and being eligible, have offered themselves for re-election at the forthcoming Annual General Meeting ("AGM").

## CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of them to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical information of the Directors and senior management of the Group are set out on pages 13 to 15 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company, pursuant to which each of them has agreed to act as an Executive Director for three years with effect from the Listing Date. The appointment of an Executive Director may be terminated by the giving of three months' written notice by the Company to that Executive Director or vice versa.

Each of the independent Non-Executive Directors has been signed a letter of appointment with the Company with a term of three years. The appointment of an independent Non-Executive Director may be terminated by the giving of three months' written notice by the Company to that independent Non-Executive Director or vice versa.

None of the Directors proposed for re-election at the AGM and stated in the paragraph headed "Board of Directors" above, has entered into any other service contract with the Company.

## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in Notes 31 and 21 to the consolidated financial statements respectively.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

**Long positions in ordinary shares of the Company**

| Name of Director | Capacity/nature of interest | Number of issued ordinary shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Mr. George Lu | Interest of controlled corporation (Note 1) | 179,640,000 | 61.13 |
| Ms. Shen Wei | Interest of controlled corporation (Note 1) | 179,640,000 | 61.13 |
| Ms. Lau Wing Sze | Interest of controlled corporation (Note 2) | 360,000 | 0.12 |
| Ms. Lau Wing Sze | Beneficial owner | 1,578,000 | 0.54 |

(1) Each of Mr. George Lu and Ms. Shen Wei, husband and wife, holds 50% interest in Forever Star Capital Limited ("Forever Star"), a company incorporated in the British Virgin Islands, respectively. Therefore, both of them are deemed to be interested in all the shares which are beneficially owned by Forever Star.

(2) The 360,000 shares were registered in the name of Nice Rate Limited, a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Ms. Lau Wing Sze.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, so far as it was known by or otherwise notified to any Directors or the chief executive of the Company, the following interest of which would fall to be disclosed under Division 2 and 3 of part XV of the SFO, or the particulars of the corporations or persons (other than a Director or the chief executive of the Company) which had 5% or more interests in the shares and the underlying Shares as recorded in the register kept under section 336 of the SFO were as follows:

**Long positions in ordinary shares of the Company**

| Name | Nature of interest | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|
| Forever Star Capital Limited | Beneficial owner (Note 1) | 179,640,000 | 61.13 |
| China Goldjoy Group Limited | Interest of controlled corporation (Note 2) | 27,174,000 | 9.25 |
| Tinmark Development Limited | Interest of controlled corporation (Note 2) | 27,174,000 | 9.25 |
| Yao Jianhui | Interest of controlled corporation (Note 2) | 27,174,000 | 9.25 |

(1) Each of Mr. George Lu and Ms. Shen Wei holds 50% interest in Forever Star Capital Limited respectively.

(2) According to the disclosure forms filed by China Goldjoy Group Limited, Tinmark Development Limited and Yao Jianhui and on 17 March 2016, the respective interests in the shares of the Company were as follows:

| Name of controlled corporation | Name of controlling shareholder | % control | Direct interest (Y/N) | | Number of shares | Approximate percentage of issued share capital |
|---|---|---|---|---|---|---|
| Tinmark Development Limited | Yao Jianhui | 100 | N | Long position | 27,174,000 | 9.25 |
| China Goldjoy Group Limited | Tinmark Development Limited | 49.99 | N | Long position | 27,174,000 | 9.25 |
| Great Sphere Developments Limited | China Goldjoy Group Limited | 100 | N | Long position | 27,174,000 | 9.25 |
| Bao Xin International Asset Management Limited | Great Sphere Developments Limited | 100 | N | Long position | 27,174,000 | 9.25 |
| Hong Kong Bao Xin Asset Management Limited | Bao Xin International Asset Management Limited | 100 | Y | Long position | 27,174,000 | 9.25 |

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall under the provisions of Divisions 2 and 3 of Part XV of the SFO to be disclosed to the Company, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company's existing share option scheme was conditionally approved by a written resolution of the Shareholders of our Company dated 21 August 2013 ("the date of adoption"). A summary of the principal terms of the share option scheme is set out in the paragraph headed "Share Option Scheme" in Appendix V to the Prospectus. No option was granted, exercised or lapsed under the share option scheme since the date of adoption on 21 August 2013.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, at no time during the year was the Company, or any of its subsidiaries a party to any arrangements to enable the Directors, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

## INTEREST OF COMPLIANCE ADVISER

On 17 June 2014, the Company has appointed China Everbright Capital Limited ("China Everbright") as compliance adviser. As notified by China Everbright, except for the compliance adviser agreement entered into between the Company and China Everbright dated 17 June 2014, neither China Everbright nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 March 2016 and up to the date of this report which is required to be notified to the Company.

## DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2016.

## COMPETING INTEREST OF DIRECTORS, CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

For the year ended 31 March 2016, none of the Directors, controlling shareholders of the Company or any of their respective associates (as defined under the Listing Rules) is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interests, which is required to be disclosed under the Listing Rules.

## DEED OF NON-COMPETITION

Each of Forever Star Capital Limited, Mr. George Lu, Ms. Shen Wei and Ms. Lau Wing Sze (together as the "Controlling Shareholders") had entered into a deed of non-competition dated 21 August 2013 (the "Deed of Non-Competition") in favour of the Company (for itself and on behalf of all members of the Group), pursuant to which, each of the Controlling Shareholders would not, and would use his/its best endeavours to procure his/its associates (except any members of our Group) not to directly or indirectly carry on, engage, participate or hold any right or interest in or render any services to or otherwise be interested and/or involved (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which may be in competition with the business carried on by the Group from time to time, except where the Company's approval is obtained.

Details of the Deed of Non-Competition are set out in the section headed "Relationship with our Controlling Shareholders – Non-Competition Undertakings" of the Prospectus.

The Company confirms that each of the Controlling Shareholders have complied with the Deed of Non-Competition throughout the year ended 31 March 2016. In order to ensure the Controlling Shareholders have complied with the Deed of Non-Competition, each of the Controlling Shareholders have provided to the Company a written confirmation that (i) in respect of his/its compliance with the Deed of Non-Competition for the year ended 31 March 2016 and no personal interests were ever declared by any Controlling Shareholders who are also Directors at the Directors' meetings; and (ii) stating that they and their respective associates did not directly or indirectly, carry on or hold any right or interests in or render any services to, or is otherwise involved in, any business which may be in competition with the business carried on by the Group from time to time.

The independent Non-Executive Directors of the Company have also reviewed the status of the compliance by each of the Controlling Shareholders with the undertakings in the Deed of Non-Competition and have confirmed that, as far as they can ascertain, there is no breach by any of the Controlling Shareholders of the undertakings in the Deed of Non-Competition given by them.

## EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Board on the basis of position, duties and performance of the employees.

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings according to the Model Code as set out in Appendix 10 to the Listing Rules. The Company had made specific enquiries of all Directors and was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 March 2016.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) throughout the Current Year and up to the date of this report.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

## EVENT AFTER REPORTING PERIOD

Details of event after reporting date are set out in Note 32 to the consolidated financial statements.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 25 to 32 of this annual report.

## REVIEW BY AUDIT COMMITTEE

The audited consolidated financial statements of the Group for the year ended 31 March 2016 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the consolidated financial statements of the Group for the year ended 31 March 2016 comply with applicable accounting standards, the Listing Rules and that adequate disclosures have been made.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2016 have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

**George Lu**
*Chairman*

Hong Kong, 17 June 2016

*As at the date of this report, the Executive Directors of the Company are Mr. George Lu, Ms. Shen Wei and Ms. Lau Wing Sze; and the independent Non-Executive Directors of the Company are Mr. Loo Hong Shing Vincent, Mr. Pang Chung Fai Benny and Mr. Yeung Wai Fai Andrew.*

The Board is committed to maintaining a good corporate governance standard. The Board believes that a good corporate governance standard will provide a framework for the Group to formulate the business strategies and policies, and manage the associated risks through effective internal control procedures. It will also enhance the transparency of the Group and strengthen the accountability to the shareholders and creditors. In this regard, a Corporate Governance Committee of the Board has been established with primary responsibility for developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board.

The Company has adopted the requirements under the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company had complied with the code provisions set out in the CG Code for the year ended 31 March 2016, to the extent applicable and permissible.

Accordingly, the Board is pleased to present the Corporate Governance Report for the Current Year.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings according to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors, all the Directors confirmed that they had complied with the required standard of dealings and the Company's code of conduct regarding securities transactions by Directors during the year ended 31 March 2016.

## BOARD OF DIRECTORS

Throughout the Current Year and as at the date of this annual report, the Board comprises six members, three of which are Executive Directors, namely Mr. George Lu who is the CEO of the Company (appointed on 2 June 2016) and the Chairman of the Company, Ms. Shen Wei and Ms. Lau Wing Sze who was the CEO of the Company (resigned as the CEO of the Company on 2 June 2016). Three other members are independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent, Mr. Pang Chung Fai Benny, Mr. Wan Tak Shing (resigned on 2 June 2016) and Mr. Yeung Wai Fai Andrew (appointed on 2 June 2016). The biographical details of the Directors and relationship between them (if any) are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 15 of this annual report.

The Articles of Association provide that one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election.

The Board is responsible for the formulation of the Group's business strategies and overall policies, and monitoring the performance of the management and corporate governance functions. The Executive Directors are delegated with the power to execute the business strategies, develop and implement the policies in the daily operation of the Group. The independent Non-Executive Directors provide their professional advices to the Group whenever necessary.

Composition of the Board, including names of the independent Non-Executive Directors, is disclosed in all corporate communications to shareholders of the Company.

All Directors have full and timely access to all the information and accounts of the Group. The Directors may seek independent professional advice in appropriate circumstances, at the expense of the Company. The Company will, upon request, provide separate independent professional advice to the Directors to assist them to discharge their duties to the Company. The Company has arranged appropriate insurance cover for the Directors.

## ATTENDANCE OF DIRECTORS AT MEETINGS

The Board held twelve Board meetings and two general meetings (including one annual general meeting and one extraordinary general meeting) during the Current Year and up to the date of this annual report.

The attendances of the Directors at various meetings held during the Current Year and up to the date of this annual report are set out below:

| | Number of meetings attended/held | | | | | |
|---|---|---|---|---|---|---|
| | General meetings | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings | Corporate Governance Committee meetings |
| Mr. George Lu | 2/2 | 12/12 | N/A | N/A | 3/3 | N/A |
| Ms. Shen Wei | 2/2 | 12/12 | N/A | N/A | N/A | N/A |
| Ms. Lau Wing Sze | 2/2 | 12/12 | N/A | N/A | N/A | 2/2 |
| Mr. Loo Hong Shing Vincent | 1/2 | 12/12 | 5/5 | 3/3 | 3/3 | N/A |
| Mr. Pang Chung Fai Benny | 2/2 | 12/12 | 5/5 | 3/3 | 3/3 | N/A |
| Mr. Wan Tak Shing (resigned on 2 June 2016) (Note 1) | 2/2 | 10/10 | 4/4 | 2/2 | N/A | N/A |
| Mr. Yeung Wai Fai Andrew (appointed on 2 June 2016) (Note 2) | N/A | 2/2 | 1/1 | 1/1 | N/A | N/A |

Notes:

1 Mr. Wan Tak Shing resigned as the independent Non-Executive Director, chairman of the audit committee and member of the remuneration committee with effect from 2 June 2016. His attendance was shown with reference to the number of the meetings held before his cessation as the independent Non-Executive Director, chairman of the audit committee and member of the remuneration committee

2 Mr. Yeung Wai Fai Andrew was appointed as the independent Non-Executive Director, chairman of the audit committee and member of the remuneration committee with effect from 2 June 2016. His attendance was shown with reference to the number of the meetings held after his appointment as the independent Non-Executive Director, chairman of the audit committee and member of the remuneration committee

Code provision A.6.7 of the CG Code requires that independent Non-Executive Directors shall attend general meetings and develop a balanced understanding of the views of Shareholders. Mr. Loo Hong Shing Vincent was unable to attend the extraordinary general meeting held on 5 May 2016 as he had other important engagement.

## DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

To assist directors' continuing professional development, the Group encourages all Directors to participate in continuous professional development to develop and refresh their knowledge and skills. All the directors also understand the importance of continuous professional development and all Directors had confirmed that they had complied with the code provision A.6.5 of the CG Code during the Year by participating in continuous professional development.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Thoughout the year ended 31 March 2016 and up to 2 June 2016, Mr. George Lu was the Chairman of the Company and Ms. Lau Sze Wing was the CEO of the Company. On 2 June 2016 (subsequent to year ended 31 March 2016), Ms. Lau Sze Wing resigned as the CEO of the Company and Mr. George Lu appointed as the CEO of the Company. As results, Mr. George Lu becomes the Chairman and also the CEO of the Company since 2 June 2016.

Code provision A.2.1 stipulates that the roles of Chairman and CEO should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

The current Chairman and CEO of the Company is Mr. George Lu. The Board believes that vesting the roles of both Chairman and CEO in the same person will not impair the balance of power and authority between the Directors and the management of the Company. Mr. George Lu has extensive experience in the industry which is beneficial and of great value to the overall development of the Company. The Board is of the view that although the Chairman is also the CEO, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals and meets from time to time to discuss issues affecting operation of the Company. The Board also believes that the current structure is conducive to strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent Non-Executive Directors, all of them has appropriate professional qualification or related financial management expertise. The Company has received a written confirmation of independence from each of the independent Non-Executive Directors. The Company considers that each of the independent Non-Executive Directors is independent.

## TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

All the independent Non-Executive Directors have signed letters of appointment with the Company with a term of three years.

## REMUNERATION COMMITTEE

The Board has established a Remuneration Committee with its role and function set out in its specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Remuneration Committee are to formulate the Company's remuneration policy and recommend remuneration packages of the Directors and senior management of the Company to the Board for approval. The Company remuneration policy is based on position, duties and performance of the employees. The employees' remuneration varies according to their positions, which may include salary, overtime allowance, bonus and various subsidies. The performance appraisal system varies according to the positions of the employees. The performance appraisal is supervised by Mr. George Lu, Ms. Lau Wing Sze, Mr. Lo Kam Hon Gary who passed away on 1 March 2016, Chairman of the Corporate Governance Committee (ceased to be the Chairman of the Corporate Governance Committee on 1 March 2016) and Mr. Wong Kwok Ming (appointed as the Chairman of Corporate Governance Committee on 14 March 2016).

During the Current Year and as at the date of this annual report, the Remuneration Committee comprised three independent Non-Executive Directors, namely Mr. Loo Hong Shing Vincent as the chairman of the Remuneration Committee, Mr. Pang Chung Fai Benny, Mr. Wan Tak Shing (resigned on 2 June 2016) and Mr. Yeung Wai Fai Andrew (appointed on 2 June 2016).

During the Current Year and up to the date of this annual report, three meetings of the Remuneration Committee were held to make recommendation to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and on the establishment of a procedure for developing policy on such remuneration; and determine or recommend to the Board on the remuneration packages of all the Executive Directors and the senior management, and recommend to the Board of the remuneration of the Non-Executive Directors. All members of the Remuneration Committee attended the meetings.

## NOMINATION COMMITTEE

The Nomination Committee with specific written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company.

During the Current Year and as at the date of this annual report, the Nomination Committee comprised two independent Non-Executive Directors, namely Mr. Pang Chung Fai Benny as the Chairman of the Nomination Committee, Mr. Loo Hong Shing Vincent and Mr. George Lu, an Executive Director.

Major responsibilities of the Nomination Committee are to formulate and implement the policy for nominating candidates for election by shareholders at the general meeting (either to fill a casual vacancy or as an addition to the Board), assess the independence of Non-Executive Directors and propose re-election of retiring Directors.

During the Current Year and up to the date of this annual report, three meetings of the Nomination Committee were held to review the structure and composition of the Board, identify individuals suitably qualified to become Board members, select or make recommendations to the Board on the selection of nomination individuals nominated for directorships, adoption of the board diversity policy and revised written terms of reference to the Nomination Committee. All members of the Nomination Committee attended the meetings.

## BOARD DIVERSITY POLICY

During the Current Year, the Board adopted a board diversity policy setting out the approach to achieve diversity on the Board. The Company considered diversity of board members can be achieved through consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. All Directors appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

## AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference in accordance with the provisions set out in the CG Code, which are posted on the websites of the Stock Exchange and the Company. The principal duties of the Audit Committee are to review the Company's financial statement, accounts, quarterly and interim results and to provide advice and comments thereon to the Board. The Audit Committee will also be responsible for reviewing and supervising the Group's financial reporting and internal control procedures.

During the Current Year and as at the date of this annual report, the Audit Committee comprised three independent Non-Executive Directors, namely Mr. Wan Tak Shing as the Chairman of the Audit Committee (resigned on 2 June 2016), Mr. Yeung Wai Fai Andrew as the Chairman of the Audit Committee (appointed on 2 June 2016), Mr. Loo Hong Shing Vincent and Mr. Pang Chung Fai Benny. The Audit Committee held five meetings during the Current Year and up to the date of this annual report to review the quarterly results, interim results, annual results, risk management and internal control system of the Group. Two of the meetings were attended with the Company's independent auditor so that the members of the Audit Committee could exchange their views and concerns on the financial reporting process of the Group with the auditor. All members of the Audit Committee attended all meetings held.

## CORPORATE GOVERNANCE COMMITTEE

The Board has established a Corporate Governance Committee with written terms of reference in accordance with the provisions set out in the CG Code and Corporate Governance Report as set out in the Listing Rules, which are posted on the websites of the Company.

Its primary functions include: (i) to develop and review the Company's policies and practices on corporate governance and make recommendations to our Board; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Group; (v) to review the Company's compliance with the CG Code as set out in Appendix 14 to the Listing Rules and disclosure in the Corporate Governance Report as required under Appendix 14 to the Listing Rules; and (vi) to consider other matters, as authorised by the Board.

# CORPORATE GOVERNANCE REPORT

During the Current Year and as at the date of this annual report, the Corporate Governance Committee comprised Executive Directors and senior management of the Company, namely Mr. Lo Kam Hon Gary as the Chairman of the Corporate Governance Committee (passed away and ceased to be the Chairman of the Corporate Governance Committee on 1 March 2016), Mr. George Lu (appointed as the Chairman of the Corporate Governance Committee on 1 March 2016 and resigned on 14 March 2016), Mr. Wong Kwok Ming (appointed as the Chairman of the Corporate Governance Committee on 14 March 2016), Ms. Lau Wing Sze and Ms. Lu Qinzhen. The Corporate Governance Committee held two meeting during the Current Year and up to the date of this annual report and each committee member had full attendance for all the meetings.

## CORPORATE GOVERNANCE FUNCTIONS

The Board and the Corporate Governance Committee have reviewed the Company's policies and practices on corporate governance and compliance with the CG Code, reviewed and monitored the training and continuous professional development of Directors and senior management and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the Current Year.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the financial statements of the Group which give a true and fair view of the state of affairs of the Group and of its profit and cash flows for the year ended 31 March 2016. The Directors have prepared the financial statements of the Group on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to the relevant statutory requirements.

The statement issued by the auditor of the Company, PricewaterhouseCoopers, regarding their reporting responsibilities is set out in the section headed "Independent Auditor's Report" on pages 33 to 34 of this annual report.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has the overall responsibilities for the internal control of the Group, including risk management. To facilitate effective and efficient operations and to ensure compliance with relevant laws and regulations, the Group emphases on the importance of the risk management and internal control system which is also indispensable to mitigating the Group's risk exposures. The Group's risk management and internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of the business objectives.

The risk management and internal control system is reviewed on an ongoing basis by the Board in order to make it practical and effective in providing reasonable assurance in relation to protection of material assets and identification of business risks. The Board is satisfied that, based on information furnished to it and on its own observations, the present internal controls of the Group are satisfactory.

The Group is committed to the identification, monitoring and management of risks associated with its business activities and has implemented a practical and effective control system which includes a defined management structure with limits of authority, a sound cash management system and periodic review of the Group's performance by the Audit Committee and the Board.

The Board has conducted review of the effectiveness of the risk management and internal control system and is of the view that the risk management and internal control system adopted during the year ended 31 March 2016 is sound and is effective to safeguard the interests of the shareholders' investment and the Group's assets.

## AUDITOR'S REMUNERATION

The auditor, PricewaterhouseCoopers, provide both audit and non-audit services to the Group. The Audit Committee is responsible for making recommendations to the Board on the appointment, re-appointment, removal and remuneration of the independent auditor.

For the year ended 31 March 2016, the fee for audit service and non-audit services provided to the Group amounted to approximately HK$1.1 million and HK$1.1 million respectively (2015: HK$1.1 million and nil).

## CONSTITUTIONAL DOCUMENTS

During the Current Year, there is no significant change in the Company's constitutional documents.

## COMMUNICATION WITH SHAREHOLDERS

The Company provides information in relation to the Group to the shareholders in a timely manner through a number of formal channels, including the annual general meeting, interim and annual reports, announcements and circulars. Such published documents together with the corporate information of the Group are also available on the Company's website (www.goldenmars.com).

Subject to applicable laws and regulations, including the Listing Rules and the Articles of Association as amended from time to time, shareholders may convene a general meeting/put forward proposals in accordance with the following provisions:

1. One or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company having the right of voting at general meetings can deposit a written request to convene an extraordinary general meeting ("EGM") at the principal place of business of the Company in Hong Kong, for the attention of the Board or the Company Secretary.

2. The written request must state the name of the shareholders concerned, their respective shareholdings, the objects of the meeting, including details of the business(es) and resolutions proposed to be considered and approved at the meeting, signed by the shareholders concerned.

3. The request will be verified with the Company's branch share registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to convene an EGM by serving sufficient notice in accordance with the statutory requirements to all the shareholders. On the contrary, if the request has been verified as not in order, the shareholders concerned will be advised of this outcome and accordingly, an EGM will not be convened as requested.

4. If within 21 days of such deposit of the requisition, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

5. The notice period to be given to the shareholders in respect of the EGM varies according to the nature of the proposal. Notice of the EGM at which the passing of a special resolution is to be considered, notice of the EGM shall be arranged to be sent to the shareholders at least 21 clear days or 10 clear business days (whichever is longer) before such EGM.

**Procedures for shareholders sending enquiries to the Board**

***1. Enquiries about shareholdings***

Shareholders should direct their enquiries about their shareholdings to the Company's branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.tricoris.com, or send email to is-enquiries@hk.tricorglobal.com or go in person to its public counter at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

***2. Enquiries about corporate governance or other matters to be put to the Board and the Company***

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company, for the attention of the Board or Company Secretary, by mail to 29th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. Shareholders may call the Company at (852) 2314 0822 for any assistance.

# INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

## TO THE SHAREHOLDERS OF GOLDENMARS TECHNOLOGY HOLDINGS LIMITED

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

We have audited the consolidated financial statements of Goldenmars Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 35 to 92, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF GOLDENMARS TECHNOLOGY HOLDINGS LIMITED (CONTINUED)

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

## OPINION

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

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 17 June 2016

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

| | Note | As at 31 March 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | **49,059** | 50,915 |
| Investment accounted for using equity method | 8 | **17,055** | 21,078 |
| Non-current deposits | 10 | **196** | 196 |
| Deferred tax assets | 17 | **28** | – |
| | | **66,338** | 72,189 |
| **Current assets** | | | |
| Inventories | 9 | **16,632** | 31,836 |
| Trade receivables | 10 | **187,588** | 140,579 |
| Deposits, prepayments and other receivables | 10 | **729** | 2,255 |
| Pledged deposits at bank | 11 | **–** | 15,790 |
| Cash and cash equivalents | 12 | **205,655** | 215,363 |
| | | **410,604** | 405,823 |
| **Total assets** | | **476,942** | 478,012 |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 March 2016

| | Note | As at 31 March 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | 13 | **2,939** | 2,640 |
| Other reserves | 14 | **157,463** | 123,013 |
| Retained earnings | | **105,077** | 81,629 |
| **Total equity** | | **265,479** | 207,282 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 17 | **–** | 68 |
| | | **–** | 68 |
| **Current liabilities** | | | |
| Trade payables | 15 | **42,881** | 31,206 |
| Other payables and accrued expenses | 15 | **4,160** | 6,950 |
| Borrowings | 16 | **162,498** | 231,131 |
| Current income tax liabilities | | **1,924** | 1,375 |
| | | **211,463** | 270,662 |
| **Total liabilities** | | **211,463** | 270,730 |
| **Total equity and liabilities** | | **476,942** | 478,012 |
| **Net current assets** | | **199,141** | 135,161 |
| **Total assets less current liabilities** | | **265,479** | 207,350 |

These consolidated financial statements on pages 35 to 92 were approved for issue by the Board of Directors on 17 June 2016 and were signed on its behalf

**George Lu**
Director

**Lau Wing Sze**
Director

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

| | Note | Year ended 31 March 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Revenue** | 5 | **1,206,159** | 920,269 |
| Cost of sales | 19 | **(1,144,529)** | (864,139) |
| **Gross profit** | | **61,630** | 56,130 |
| Selling expenses | 19 | **(1,873)** | (2,422) |
| General and administrative expenses | 19 | **(19,078)** | (15,523) |
| Other (loss)/income | 22 | **(1,129)** | 1,883 |
| **Operating profit** | | **39,550** | 40,068 |
| Gain on deemed partial disposal of interest in an investment accounted for using equity method | 8 | **1,382** | 633 |
| Share of loss of investment accounted for using equity method | 8 | **(4,488)** | (3,665) |
| Finance costs | 23 | **(5,925)** | (4,387) |
| **Profit before income tax** | | **30,519** | 32,649 |
| Income tax expense | 24 | **(7,071)** | (7,302) |
| **Profit for the year attributable to equity holders of the Company** | | **23,448** | 25,347 |
| **Earnings per share attributable to equity holders of the Company** | | | |
| Basic and diluted (restated) | 26 | **HK0.67 cent** | HK0.83 cent |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Comprehensive income** | | |
| Profit for the year | **23,448** | 25,347 |
| **Other comprehensive income** | | |
| *Item that may be subsequently reclassified to profit or loss* | | |
| Currency translation differences | **(31)** | 83 |
| **Total comprehensive income for the year attributable to equity holders of the Company** | **23,417** | 25,430 |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

| | | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other reserves | | | | | | | |
| | Note | Share capital | Share premium | Merger reserve Note 14(a) | Capital reserve Note 14(b) | Statutory reserve Note 14(c) | Exchange reserve | Sub total | Retained earnings | Total |
| | | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the year ended 31 March 2016** | | | | | | | | | | |
| Balance at 1 April 2015 | | 2,640 | 65,333 | 50,374 | 2,480 | 1,042 | 3,784 | 123,013 | 81,629 | 207,282 |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | 23,448 | 23,448 |
| **Other comprehensive income** | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | (31) | (31) | – | (31) |
| Total comprehensive income | | – | – | – | – | – | (31) | (31) | 23,448 | 23,417 |
| **Transaction with owners** | | | | | | | | | | |
| Issuance of shares by placing | 13 | 299 | 35,557 | – | – | – | – | 35,557 | – | 35,856 |
| Share issuance expenses | | – | (1,076) | – | – | – | – | (1,076) | – | (1,076) |
| **Balance at 31 March 2016** | | **2,939** | **99,814** | **50,374** | **2,480** | **1,042** | **3,753** | **157,463** | **105,077** | **265,479** |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 March 2016

| | Note | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Other reserves | | | | | | | |
| | Note | Share capital | Share premium | Merger reserve Note 14(a) | Capital reserve Note 14(b) | Statutory reserve Note 14(c) | Exchange reserve | Sub total | Retained earnings | Total |
| | | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **For the year ended 31 March 2015** | | | | | | | | | | |
| Balance at 1 April 2014 | | 2,490 | 51,806 | 50,374 | 2,480 | 1,042 | 3,701 | 109,403 | 56,282 | 168,175 |
| **Comprehensive income** | | | | | | | | | | |
| Profit for the year | | – | – | – | – | – | – | – | 25,347 | 25,347 |
| **Other comprehensive income** | | | | | | | | | | |
| Currency translation differences | | – | – | – | – | – | 83 | 83 | – | 83 |
| Total comprehensive income | | – | – | – | – | – | 83 | 83 | 25,347 | 25,430 |
| **Transaction with owners** | | | | | | | | | | |
| Issuance of shares by placing | 13 | 150 | 13,950 | – | – | – | – | 13,950 | – | 14,100 |
| Share issuance expenses | | – | (423) | – | – | – | – | (423) | – | (423) |
| Balance at 31 March 2015 | | 2,640 | 65,333 | 50,374 | 2,480 | 1,042 | 3,784 | 123,013 | 81,629 | 207,282 |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

| | Note | Year ended 31 March 2016 HK$'000 | 2015 HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | **22,844** | 12,576 |
| Income tax paid | | **(6,618)** | (8,041) |
| Net cash generated from operating activities | | **16,226** | 4,535 |
| **Cash flows from investing activities** | | | |
| Interest received | | **551** | 679 |
| Purchase of property, plant and equipment | 6 | **(1,247)** | (1,958) |
| Decrease in bank deposits with original maturity over three months | | **–** | 29,510 |
| Decrease/(increase) in pledged deposits at bank | | **15,790** | (492) |
| Net cash generated from investing activities | | **15,094** | 27,739 |
| **Cash flows from financing activities** | | | |
| Interest paid | | **(5,925)** | (4,387) |
| Drawdown of bank borrowings | | **862,719** | 721,327 |
| Repayment of bank borrowings | | **(931,352)** | (667,406) |
| Proceeds from issuance of ordinary shares | | **35,856** | 14,100 |
| Payment of listing and share issuance expenses | | **(1,076)** | (423) |
| Net cash (used in)/generated from financing activities | | **(39,778)** | 63,211 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(8,458)** | 95,485 |
| Cash and cash equivalents at beginning of year | | **215,363** | 119,734 |
| Effect of change in exchange rate | | **(1,250)** | 144 |
| Cash and cash equivalents at end of the year | 12 | **205,655** | 215,363 |

The notes on pages 42 to 92 are integral parts of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 February 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business is 29th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The Company is an investment holding company. Its subsidiaries (which together with the Company, are collectively referred to as the "Group") are principally engaged in (i) manufacturing and sales of dynamic random-access memory ("DRAM") modules, USB flash drives and other data memory products, and (ii) trading of DRAM chips, DRAM modules, NAND flash chips and CPU chips (the "Business").

The directors considered Mr. George Lu and Ms. Shen Wei, spouse of Mr. George Lu, to be the ultimate controlling shareholders.

The Company's shares were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 9 September 2013 up to 29 March 2016 and on Main Board of the Stock Exchange ("Main Board") since 30 March 2016.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

## 2 SUMMARY OF ACCOUNTING POLICIES

### 2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention. The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*(a)* New standards, amendments and interpretations which are relevant to the Group's operations and are mandatory for the financial year beginning on or after 1 April 2015:

'Annual improvements 2012' - these amendments include changes from the 2010–2012 cycle of the annual improvements project that affect the below standards:

(i) HKFRS 8, 'Operating segments', the standard is amended to require disclosure of the judgements made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported.

(ii) HKAS 16, 'Property, plant and equipment' and HKAS 38, 'Intangible assets', both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

(iii) HKAS 24, 'Related party disclosures', the reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity's employee or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

'Annual improvements 2013' – the amendments include changes from the 2011-2013 cycle of the annual improvements project that affect the below standards:

(i) HKFRS 3, 'Business combinations', it clarifies that HKFRS 3 does not apply to the accounting for the formation of any joint arrangement under HKFRS 11 in the financial statements of the joint arrangement.

(ii) HKFRS 13, 'Fair value measurement', it clarifies that the portfolio exception in HKFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of HKAS 39 or HKFRS 9.

(iii) HKAS 40, 'Investment property', it clarifies the interrelationship between HKAS 40 and HKFRS 3 when classifying property as investment property or owner-occupied property.

The Group has adopted these standards during the year, but these standards did not have significant impact on the Group's results and financial position.

There are no other new standards or amendments to the standards that are effective for the first time for the financial year beginning on or after 1 April 2015 that are expected to have a material impact on the Group.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

*(b) New Hong Kong Companies Ordinance (Cap.622)*

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

*(c)* The following new standards, amendments and interpretations are relevant to the Group, but are not yet effective for accounting periods beginning on 1 April 2015 and have not been early adopted:

| | | **Accounting periods beginning on or after** |
|---|---|---|
| Annual improvements 2012 to 2014 | Improvements to HKASs and HKFRSs | 1 January 2016 |
| HKFRS 11 (Amendment) | Accounting for acquisitions of interests in joint operations | 1 January 2016 |
| HKAS 1 (Amendment) | Disclosure initiative | 1 January 2016 |
| HKAS 16 and HKAS 38 (Amendment) | Clarification of acceptable methods of depreciation and amortisation | 1 January 2016 |
| HKAS 27 (Amendment) | Equity method in separate financial statements | 1 January 2016 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture | 1 January 2016 |
| HKFRS 15 | Revenue from contracts with customers | 1 January 2018 |
| HKFRS 9 | Financial instruments | 1 January 2018 |
| HKFRS 16 | Leases | 1 January 2019 |

Management is in the process of making an assessment of the impact of these new standards, amendments and interpretations but has considered on a preliminary basis that these standards will not have a significant impact on the Group's financial statements in the coming year.

### 2.2 Subsidiaries

*2.2.1 Consolidation*

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.2 Subsidiaries *(Continued)*

*2.2.1 Consolidation (Continued)*

Inter-company transactions, balances, income and expenses or transactions between group companies are eliminated. Profits and losses resulting from inter-company transaction that are recognised in asset are also eliminated. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

(a) Business combinations

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

Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(b) Changes in ownership interests in subsidiaries without change of control

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.2 Subsidiaries *(Continued)*

*2.2.1 Consolidation (Continued)*

(c) Disposal of subsidiaries

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

*2.2.2 Separate financial statements*

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

### 2.3 Associates

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.3 Associates *(Continued)*

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

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

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

Gains and losses on dilution of equity interest in associates are recognised in the consolidated income statement.

### 2.4 Joint ventures

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investment in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.5 Segment reportings

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

(c) *Group companies*

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each income statement are translated at average exchange rates; and

- all resulting exchange differences are recognised in the other comprehensive income.

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.6 Foreign currency translation *(Continued)*

*(c) Group companies (Continued)*

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

### 2.7 Property, plant and equipment

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

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

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Leasehold land classified as finance lease | Over the lease terms |
| Leasehold improvements | 5 years or over the remaining lease terms, whichever is a shorter period |
| Buildings | 40 to 50 years or over the lease terms, whichever is a shorter period |
| Machineries | 3 to 10 years |
| Office equipment | 5 years |
| Furniture and fixtures | 5 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.8 Impairment of investments in subsidiaries, investment accounted for using equity method and other non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.9 Financial assets

*2.9.1 Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables, deposits, pledged deposits at bank, cash and cash equivalents in the consolidated statement of financial position.

*2.9.2 Recognition and measurement*

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

*2.9.3 Offsetting financial instruments*

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.9 Financial assets *(Continued)*

*2.9.4 Impairment of financial assets*

Assets carried at amortised cost

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

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

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

Carrying amount of an impaired asset is reduced through the use of an allowance account, and the amount of loss is recognised in profit or loss, when a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

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

### 2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials and assembly cost. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.11 Trade and other receivables

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

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

### 2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks and bank deposits with original maturities of less than three months, but excludes pledged deposits at bank.

### 2.13 Share capital

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

### 2.14 Trade and other payables

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

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

### 2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statements over the period of the borrowings using the effective interest method.

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.16 Borrowing costs

All borrowing costs are recognised in consolidated income statement in the year in which they are incurred.

### 2.17 Current and deferred income tax

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

*(a) Current income tax*

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

*(b) Deferred income tax*

Inside basis differences

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

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

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.17 Current and deferred income tax *(Continued)*

*(b) Deferred income tax (Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint arrangements. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associates' or joint arrangements' undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

*(c) Offsetting*

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

### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

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

(a) *Sales of goods*

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Deposits received in advance from customers for goods that have not been delivered are recognised as "Receipt in advance" in the consolidated statement of financial position.

(b) *Interest income*

Interest income represents bank interest income and is recognised on time-proportion basis using the effective interest method.

(c) *Other service income*

Other service income is recognised when the related services are rendered.

### 2.20 Employee benefits

(a) *Pension obligations*

The Group participates in general defined contribution pension schemes. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.20 Employee benefits *(Continued)*

*(a) Pension obligations (Continued)*

In accordance with the rules and regulations in the People's Republic of China ("PRC"), the PRC based employees of the subsidiary participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organised by the relevant municipal and provincial governments in the PRC under which the subsidiary and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised in profit or loss as employee benefit expenses when they are incurred.

*(b) Bonus plans*

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

*(c) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the date of the statement of financial position. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

### 2.21 Leases

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

### 2.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2 SUMMARY OF ACCOUNTING POLICIES *(Continued)*

### 2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has not used any derivative financial instruments to hedge its risk exposures.

*(a) Market risk*

(i) Foreign exchange risk

The Group operates in Hong Kong and Mainland China and most of their transactions are denominated in Hong Kong dollar ("HK$"), Renminbi ("RMB") and United States dollar ("US$"). The Group is exposed to foreign exchange risk primarily through sales, purchases, capital expenditure and expenses transactions that are denominated in currencies other than the functional currencies of the group companies. The Group manages its exposures to foreign currency transactions by monitoring the level of foreign currency receipts and payments. The Group ensures that the net exposure to foreign exchange risk is kept to an acceptable level from time to time. The Group has not used any forward exchange contract to hedge against foreign exchange risk as management considers its exposure as not significant.

At 31 March 2016, if Hong Kong dollar had weakened/strengthened by 5% (2015: 5%) against RMB with all other variables held constant, pre-tax profit for the year would have been HK$1,000 lower/higher (2015: HK$1,115,000 higher/lower), primarily due to exchange loss/gain (2015: gain/loss) arising from revaluation of net RMB denominated monetary liabilities (2015: net RMB denominated monetary assets).

As the HK$ is pegged to the US$, the Group does not expect any significant movements in the US$/HK$ exchange rate.

(ii) Price risk

The Group is exposed to fluctuations in the market price of its products including DRAM chips, DRAM Modules, USB flash drives, NAND flash chips and CPU chips, the prices of which are influenced by global as well as regional supply and demand conditions. The Group is able to partially recover increase in costs from customers through price adjustments, which may partially mitigate the price risk. The Group has not used any derivative instruments to hedge such economic exposures.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(a) Market risk (Continued)*

(iii) Cash flow interest rate risk

The Group's interest rate risk arises mainly from bank borrowings. Borrowings carried at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash at banks held at variable rates.

The Group currently does not use any interest rate swap contracts or other financial instruments to hedge against its interest rate risk exposure. Management monitors interest rate fluctuations to ensure that exposure to interest rate risk is within an acceptable level.

Based on the sensitivity analysis performed by management, if interest rates had been 100 (2015: 100) basis points higher/lower on the Group's bank borrowings with all other variable held constant, the pre-tax profit for the year would have been HK$1,625,000 (2015: HK$2,331,000) lower/higher.

*(b) Credit risk*

Credit risk is managed at group level. Credit risk primarily arises from trade receivables and other receivables, deposits, pledged deposits at bank and cash and cash equivalents included in the consolidated statement of financial position which represent the Group's maximum exposure to credit risk in relation to its financial assets.

The credit risk on liquid funds is limited because cash at banks are placed with reputable financial institutions in Hong Kong and the PRC which management believes are of sound credit quality and without major credit risk.

The Group has concentrations of credit risk which arise from trade receivables from its customers. Trade receivables from the Group's five largest customers in aggregate accounted for 97% (2015: 98%) of the Group's total trade receivables at 31 March 2016. Management does not expect any losses from non-performance by these counterparties. The Group maintains frequent communications with these customers to ensure relevant transactions are running effectively and smoothly and balances are reconciled. Settlements from these customers are closely monitored on an ongoing basis by management of the Group to ensure any overdue debts are identified. Follow-up action is taken to recover the overdue debts.

For other receivables and deposits, the directors consider the Group's credit risk to be minimal taking into account the financial position of the counterparties.

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.1 Financial risk factors *(Continued)*

*(c) Liquidity risk*

With prudent liquidity risk management, the Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term bank borrowings.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within twelve months other than borrowings equal their carrying balances, as the impact of discounting is not significant.

| | **On demand** | **Less than 1 year** | **Between 1 and 2 years** | **Over 2 years** | **Total** |
|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **As at 31 March 2016** | | | | | |
| Borrowings and interest payable | 163,022 | – | – | – | 163,022 |
| Trade and other payables (excluding non-financial liabilities) | – | 46,784 | – | – | 46,784 |
| | **163,022** | **46,784** | **–** | **–** | **209,806** |
| **As at 31 March 2015** | | | | | |
| Borrowings and interest payable | 231,709 | – | – | – | 231,709 |
| Trade and other payables (excluding non-financial liabilities) | – | 33,592 | – | – | 33,592 |
| | 231,709 | 33,592 | – | – | 265,301 |

## 3 FINANCIAL RISK MANAGEMENT *(Continued)*

### 3.2 Capital risk management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (the sum of total equity and net debt), as shown in the consolidated statement of financial position. Net debt is calculated as total borrowings less pledged deposits at bank and cash and cash equivalents.

The Group's strategy was to maintain a solid capital base to support the operations and development of its business in the long term. The gearing ratios as at 31 March 2016 and 2015 were as follows:

| | **As at 31 March** | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Borrowings (Note 16) | **162,498** | 231,131 |
| Less: Cash and cash equivalents (Note 12) | **(205,655)** | (215,363) |
| Pledged deposits at bank (Note 11) | **–** | (15,790) |
| Net asset | **(43,157)** | (22) |
| Total equity | **265,479** | 207,282 |
| Total capital | **222,322** | 207,260 |
| Gearing ratio | **N/A** | N/A |

### 3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities including trade and other receivables, deposits, pledged deposits at bank, cash and cash equivalents, trade and other payables and bank borrowings approximate their respective fair values.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (a) Estimated impairment of inventories

The carrying value of inventory is reviewed by management at each reporting date to ensure that it is not recorded at a value higher than net realisable value. Management tests whether inventory suffered any impairment based on estimates of the net realisable value of the inventory.

Management estimates the net realisable value based primarily on current market conditions and the historical experience of manufacturing and selling products of similar nature and make allowance if the net realisable value is lower than the cost. These estimates could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Where the actual net realisable values are less than expected, an allowance may arise. Management reassess the estimations at the date of the statement of financial position.

### (b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on assessment of the recoverability of trade and other receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

### (c) Useful lives and depreciation of property, plant and equipment

The Group determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to industry cycles.

The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (d) Current and deferred income tax

The Group is principally subject to income taxes both in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to temporary differences are recognised when management expects it is probable that future taxable profits will be available to utilise against the temporary differences. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets in the period in which such estimates have been changed.

## 4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS *(Continued)*

### (e) Impairment of non-current assets (other than investment accounted for using equity method)

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

Management judgement is required in the area of asset impairment particularly in assessing: (i) whether an event has occurred that may indicate that the related asset values may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the projected performance and resulting future cash flow projections, it may be necessary to take an impairment charge to the consolidated income statement.

### (f) Impairment of investment accounted for using equity method

The Group makes provision for impairment of investment accounted for using equity method based on an assessment of the future economic benefits of the investments which will flow to the Group. The identification of provisions requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the investment in the period in which such estimate has been changed.

## 5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company ("CODM"). The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segment based on these reports.

The CODM considers that the Group has one single operating and reporting segment which is the manufacturing and sales of DRAM chips, DRAM modules, NAND flash chips, CPU chips, USB flash drives and related products. CODM assesses the performance of this single segment based on revenue and operating result.

## 5 REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue of the Group is analysed as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Sales of DRAM chips | **200,652** | 166,670 |
| Sales of DRAM modules | **153,646** | 222,822 |
| Sales of NAND flash chips | **241,056** | 119,867 |
| Sales of CPU chips | **600,253** | 397,338 |
| Sales of USB flash drives | **6,593** | 10,104 |
| Provision of assembly services | **3,584** | 1,638 |
| Others | **375** | 1,830 |
| | **1,206,159** | 920,269 |

Most of the Group's sales were carried out by a subsidiary in Hong Kong.

Revenue from top five customers is as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Revenue from top five customers | **1,102,604** | 752,187 |
| Total revenue | **1,206,159** | 920,269 |
| Percentage | **91%** | 82% |
| Number of customers that individually accounted for more than 10% of the Group's revenue | **2** | 3 |

For the year ended 31 March 2016, there were two customers that individually accounted for approximately 54% and 21% (2015: three customers – 46%, 15% and 15%) of the Group's revenue respectively.

The Group's total non-current assets (excluding investment accounted for using equity method) are located in the following regions:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Hong Kong | **47,926** | 49,140 |
| The PRC | **1,285** | 1,869 |
| Others | **72** | 102 |
| | **49,283** | 51,111 |

## 6 PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties HK$'000 | Leasehold improvements HK$'000 | Machineries HK$'000 | Office equipment HK$'000 | Furniture and fixtures HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2015** | | | | | | | |
| Opening net book amount | 48,094 | 786 | 2,499 | 210 | 110 | 470 | 52,169 |
| Additions | – | – | – | – | – | 1,958 | 1,958 |
| Disposals | – | – | – | (2) | – | – | (2) |
| Depreciation (Note 19) | (1,404) | (344) | (794) | (97) | (38) | (537) | (3,214) |
| Exchange realignment | – | (2) | 6 | – | (1) | 1 | 4 |
| Closing net book amount | 46,690 | 440 | 1,711 | 111 | 71 | 1,892 | 50,915 |
| **At 31 March 2015** | | | | | | | |
| Cost | 52,306 | 1,741 | 4,820 | 1,180 | 209 | 4,605 | 64,861 |
| Accumulated depreciation | (5,616) | (1,301) | (3,109) | (1,069) | (138) | (2,713) | (13,946) |
| Net book amount | 46,690 | 440 | 1,711 | 111 | 71 | 1,892 | 50,915 |
| **Year ended 31 March 2016** | | | | | | | |
| Opening net book amount | 46,690 | 440 | 1,711 | 111 | 71 | 1,892 | 50,915 |
| Additions | – | 430 | – | 47 | 28 | 742 | 1,247 |
| Disposals | – | – | – | – | (1) | – | (1) |
| Depreciation (Note 19) | (1,404) | (370) | (456) | (69) | (39) | (678) | (3,016) |
| Exchange realignment | – | (2) | (75) | (1) | (2) | (6) | (86) |
| Closing net book amount | 45,286 | 498 | 1,180 | 88 | 57 | 1,950 | 49,059 |
| **At 31 March 2016** | | | | | | | |
| Cost | 52,306 | 2,171 | 4,820 | 1,227 | 236 | 5,347 | 66,107 |
| Accumulated depreciation | (7,020) | (1,673) | (3,640) | (1,139) | (179) | (3,397) | (17,048) |
| Net book amount | 45,286 | 498 | 1,180 | 88 | 57 | 1,950 | 49,059 |

## 6 PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group's interests in leasehold properties are analysed as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| In Hong Kong, held on: | | |
| Leases of between 10 and 50 years | **45,286** | 46,690 |

Depreciation of the Group's property, plant and equipment has been charged to the consolidated income statement as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Cost of sales | **374** | 735 |
| General and administrative expenses | **2,642** | 2,479 |
| | **3,016** | 3,214 |

The Group's leasehold properties were pledged as collateral for the Group's bank borrowings as at 31 March 2016 (2015: same) (Note 16).

## 7 SUBSIDIARIES

The following is a list of the subsidiaries:

| Name | Place and date of incorporation | Principal activities | Particulars of issued registered/paid up capital | Interest held 2016 | 2015 |
|---|---|---|---|---|---|
| **Directly owned:** | | | | | |
| Golden Profit Global Trading Limited | British Virgin Islands ("BVI"), 16 November 2010 | Investment holding | 10,000 ordinary shares of US$1 each | 100% | 100% |
| **Indirectly owned:** | | | | | |
| Great Success Global Investments Limited | BVI, 4 January 2011 | Investment holding | 3 ordinary shares of US$1 each | 100% | 100% |
| Treasure Fantasy Limited | BVI, 10 January 2011 | Investment holding | 200 ordinary shares of US$1 each | 100% | 100% |
| Top Harvest Capital Limited | BVI, 4 January 2011 | Property holding | 100 ordinary shares of US$1 each | 100% | 100% |
| Goldenmars Technology Investments Ltd | BVI, 20 December 2013 | Investment holding | 100 ordinary shares of US$1 each | 100% | 100% |
| Goldenmars Technology (Hong Kong) Limited | Hong Kong, 26 April 2005 | Assembling and trading of electronic components and products | 43,000,000 ordinary shares totaling HK$43,000,000 | 100% | 100% |
| Boda Technology (International) Limited | Hong Kong, 10 April 2007 | Trading of electronic component and investment holding | 8,000,000 ordinary shares totaling HK$8,000,000 | 100% | 100% |
| Goldenmars Internet Media Company Limited (Former known as Goldenmars Textile Company Limited) | Hong Kong, 15 September 2014 | Trading of textile products | 100,000 ordinary shares totaling HK$100,000 | 100% | 100% |
| Bodatong Technology (Shenzhen) Company Limited | The PRC, 11 July 2007 | Manufacturing of electronic components | RMB10,000,000 registered capital | 100% | 100% |

## 8 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **21,078** | 24,010 |
| Gain on deemed partial disposal of interest in an investment accounted for using equity method | **1,382** | 633 |
| Share of loss for the year | **(4,488)** | (3,665) |
| Exchange realignment | **(917)** | 100 |
| At end of the year | **17,055** | 21,078 |

Details of the investment is as follows:

| Name of entity | Place of incorporation | Principal activities | Registered Capital as at 31 March 2016 | Registered Capital as at 31 March 2015 | Interest held by the Group as at 31 March 2016 | Interest held by the Group as at 31 March 2015 |
|---|---|---|---|---|---|---|
| Bozhou Botong Information Technology Company Limited ("Bozhou Botong") | The PRC | Manufacturing and sales of smartphone and computer peripheral products | RMB155,000,000 | RMB115,000,000 | 12.42% | 16.74% |

As at 31 March 2015, as the Group was able to exert joint control over the financial and operating activities of Bozhou Botong under the shareholders' agreement, the Group accounted for such investment as a joint venture.

During the year, Bozhou Botong effected an increase in registered capital whereby a new investor injected additional capital to Bozhou Botong amounting to RMB40,000,000. As a result, the Group's equity interest in Bozhou Botong was reduced from 16.74% to 12.42% and a dilution gain of HK$1,382,000 (2015: HK$633,000) was recognised. Under the revised shareholders' agreement, the Group did not possess joint control over the financial and operating activities of Bozhou Botong. However, as the Group still retained a 25% voting right at the board of Bozhou Botong, the directors considered that the Group was able to exercise significant influence on the financial and operating policies of Bozhou Botong. Accordingly, Bozhou Botong was accounted for as an associate as at 31 March 2016.

## 8 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD *(Continued)*

Set out below is the summarised financial information of the investment which has been accounted for using the equity method.

**Summarised statement of financial position**

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Non-current assets | **181,781** | 169,579 |
| Current assets | **75,735** | 44,737 |
| Non-current liabilities | **(20,150)** | (21,643) |
| Current liabilities | **(100,049)** | (66,758) |
| Net assets | **137,317** | 125,915 |

**Summarised statement of comprehensive income**

| | **2016** | 2015 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Revenue | **71,495** | 6,835 |
| Loss for the year | **(31,422)** | (18,767) |
| Other comprehensive income for the year | **–** | – |
| Total comprehensive income for the year | **(31,422)** | (18,767) |
| Dividend received from the investment | **–** | – |

**Reconciliation of summarised financial information**

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the investment.

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Opening net assets** | **125,915** | 68,600 |
| Loss for the year | **(31,422)** | (18,767) |
| Exchange realignment | **(5,718)** | 704 |
| Increase in capital | **48,542** | 75,378 |
| **Closing net assets** | **137,317** | 125,915 |
| Percentage of interest held in the investment | **12.42%** | 16.74% |
| **Carrying value at 31 March** | **17,055** | 21,078 |

## 8 INVESTMENT ACCOUNTED FOR USING EQUITY METHOD *(Continued)*

**Commitments and contingent liabilities of the investment**

The Group has no capital expenditure contracted for but not yet incurred and has no contingent liabilities in relation to its interest in the investment as at 31 March 2016 and 31 March 2015.

## 9 INVENTORIES

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Raw materials | **18,434** | 33,659 |
| Work-in-progress | **1,025** | 1,352 |
| Finished goods | **1,326** | 1,636 |
| | **20,785** | 36,647 |
| Less: provision for impairment of inventories | **(4,153)** | (4,811) |
| | **16,632** | 31,836 |

The cost of inventories recognised as expenses and included in cost of sales amounted to HK$1,142,674,000 (2015: HK$861,908,000).

Movements in provision for impairment of inventories are as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Beginning of the year | **4,811** | 6,014 |
| Reversal of impairment of inventories | **(658)** | (1,203) |
| End of the year | **4,153** | 4,811 |

## 10 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Non-current** | | |
| Non-current deposits | **196** | 196 |
| **Current** | | |
| Trade receivables | **187,771** | 140,579 |
| Less: provision for impairment | **(183)** | – |
| Trade receivables, net | **187,588** | 140,579 |
| Deposits | **126** | 110 |
| Prepayments | **516** | 2,095 |
| Value added tax receivables | **79** | 44 |
| Other receivables | **8** | 6 |
| Deposits, prepayments and other receivables | **729** | 2,255 |
| Total trade receivables and deposits, prepayments and other receivables | **188,513** | 143,030 |

The directors consider that the carrying amounts of trade receivables, deposits, prepayments and other receivables approximate their fair values as at 31 March 2016 (2015: same).

The Group grants credit period ranging from 5 days to 60 days (2015: 5 days to 85 days) to certain customers. The aging analysis of trade receivables (mostly denominated in US$) at the date of statement of financial position based on invoice date is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| 1 – 30 days | **134,393** | 74,852 |
| 31 – 60 days | **53,162** | 47,580 |
| 61 – 90 days | **33** | 18,145 |
| Over 90 days | **183** | 2 |
| | **187,771** | 140,579 |
| Less: Provision for impairment | **(183)** | – |
| | **187,588** | 140,579 |

## 10 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

As at 31 March 2016, trade receivables of approximately HK$20,142,000 (2015: HK$2,680,000), were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The aging analysis of these past due receivables is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| 1 – 30 days | **20,109** | 295 |
| 31 – 60 days | **–** | 1 |
| 61 – 90 days | **33** | 2,383 |
| Over 90 days | **–** | 1 |
| | **20,142** | 2,680 |

As at 31 March 2016, gross trade receivables of HK$182,943 (2015: nil) was fully impaired. The impaired receivables was related to balances due from a customer which the directors believe that the recoverability was remote. The aging analysis of these impaired receivables is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Over 90 days | **183** | – |
| | **183** | – |

Movements in the provision for impairment of trade receivables are as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **–** | – |
| Provision for impairment of trade receivables | **183** | – |
| At end of the year | **183** | – |

As at 31 March 2016 and 2015, the maximum exposures of the Group to credit risk were the carrying value of trade receivables mentioned above.

## 10 TRADE RECEIVABLES AND DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES
*(Continued)*

Trade receivables, deposits, prepayments and other receivables are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| HK$ | **454** | 251 |
| RMB | **413** | 383 |
| New Taiwan Dollar ("TWD") | **44** | 42 |
| US$ | **187,602** | 142,354 |
| | **188,513** | 143,030 |

The Directors consider the balances of deposits, prepayments and other receivables are neither past due nor impaired.

The Group does not hold any collateral as security for trade receivables, deposits and other receivables.

## 11 PLEDGED DEPOSITS AT BANK

As at 31 March 2015, the Group's pledged deposits at bank were denominated in RMB, interest bearing at 2% per annum, with maturity of one month and pledged as security of the Group's bank borrowings (Note 16).

## 12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Cash on hand** | | |
| RMB | **134** | 81 |
| HK$ | **3** | 5 |
| | **137** | 86 |
| **Cash at banks** | | |
| HK$ | **45,014** | 12,612 |
| RMB | **920** | 8,913 |
| TWD | **109** | 34 |
| US$ | **159,471** | 193,714 |
| Others | **4** | 4 |
| | **205,518** | 215,277 |
| | **205,655** | 215,363 |

The effective interest rate on cash at bank was 0.27% (2015: 0.32%) per annum.

The conversion of bank and cash balances denominated in RMB into foreign currencies in the PRC and the remittance of these deposits or cash out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 March 2016, the Group's cash at banks of HK$920,000 (2015: HK$2,380,000) were deposited at banks in the PRC.

## 13 SHARE CAPITAL

*Authorised shares:*

As at 31 March 2016, the total authorised number of ordinary shares is 8,000 million shares (2015: 8,000 million shares) with a par value of HK$0.01 per share (2015: HK$0.01 per share).

*Issued shares:*

| | **Number of shares issued and fully paid** | **Share capital** HK$'000 |
|---|---|---|
| As at 31 March 2014 | 249,000,000 | 2,490 |
| Issuance of shares by placing (Note) | 15,000,000 | 150 |
| As at 31 March 2015 | 264,000,000 | 2,640 |
| As at 31 March 2015 | 264,000,000 | 2,640 |
| Issuance of shares by placing (Note) | 29,880,000 | 299 |
| **As at 31 March 2016** | **293,880,000** | **2,939** |

Note:

On 9 April 2015, the Company issued 29,880,000 ordinary shares of HK$0.01 each at price of HK$1.20 each through placement for an aggregate consideration of approximately HK$35,856,000.

On 26 November 2014, the Company issued 15,000,000 ordinary shares of HK$0.01 each at price of HK$0.94 each through placement for an aggregate consideration of approximately HK$14,100,000.

Subsequent to 31 March 2016, the Company effected a subdivision of shares whereby each ordinary shares was subdivided into twelve ordinary shares of HK$0.000833 each. Refer to Note 32(a) for details. The above number of shares and par value of the Company has not reflected such subdivision of shares.

## 14 OTHER RESERVES

### (a) Merger reserve

The Group's merger reserve represents the difference between the share capital of the Company and the aggregate amount of share capital of other companies comprising the Group, after elimination of intra-group investments.

### (b) Capital reserve

The Group's capital reserve represents deemed contribution by the Controlling Shareholders as a shareholder acquired the remaining non-controlling interests of a subsidiary and contributed to the Group at no cost prior to 1 April 2011.

### (c) Statutory reserve

The Company's subsidiary in the PRC is required to transfer 10% of its profit after income tax calculated in accordance with the PRC accounting standards and regulations to the statutory reserve until the balance reaches 50% of its respective registered capital, where further transfers will be at their directors' discretion. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to equity holders of the PRC subsidiary in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory reserve after such issue is no less than 25% of share capital of the PRC subsidiary.

## 15 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Trade payables | **42,881** | 31,206 |
| Other payables and accrued expenses: | | |
| Accrued expenses | **3,876** | 2,358 |
| Receipt in advance | **257** | 4,564 |
| Other payables | **27** | 28 |
| | **4,160** | 6,950 |
| Total | **47,041** | 38,156 |

Payment terms granted by suppliers are mainly on credit. The credit period ranges from 30 to 60 days after the end of the month in which the relevant purchases occurred.

## 15 TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES *(Continued)*

The aging analysis of the trade payables based on invoice dates is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| 1 – 30 days | **42,450** | 30,748 |
| 31 – 60 days | **1** | 171 |
| 61 – 90 days | **35** | 119 |
| Over 90 days | **395** | 168 |
| | **42,881** | 31,206 |

Trade payables, accrued expenses and other payables of the Group are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| HK$ | **3,449** | 1,853 |
| RMB | **909** | 766 |
| TWD | **90** | 95 |
| US$ | **42,336** | 30,878 |
| | **46,784** | 33,592 |

## 16 BORROWINGS

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Bank loans | **15,306** | 22,678 |
| Trust receipt bank loans | **147,192** | 208,453 |
| | **162,498** | 231,131 |

## 16 BORROWINGS *(Continued)*

The maturities of the borrowings at the respective dates of the statement of financial position in accordance with the scheduled repayment dates (excluding any demand clauses) are as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Bank loans | | |
| Within one year | **2,042** | 7,372 |
| Between one and two years | **2,088** | 2,043 |
| Between two and five years | **6,551** | 6,409 |
| Over five years | **4,625** | 6,854 |
| | **15,306** | 22,678 |
| Trust receipt bank loans | | |
| Within one year | **147,192** | 208,453 |

The Group's bank loans that contain a clause giving the lenders the unconditional right to demand repayment at any time has been classified as current liability irrespective of the probability that the lender will invoke the clause without cause. As at 31 March 2016, the Group's bank loans that were due for more than one year amounting to HK$13,264,000 (2015: HK$15,306,000) contain such repayment on demand clauses and were therefore classified under current liabilities.

As at 31 March 2016, the weighted average effective interest rate on borrowings was 3.0% (2015: 2.1%) per annum.

As at 31 March 2016, the Group's borrowings are secured by the Group's leasehold properties (Note 6).

As at 31 March 2015, the Group's borrowings are secured by pledged deposits at bank (Note 11) and the Group's leasehold properties (Note 6).

Borrowings of the Group are denominated in the following currencies:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| HK$ | **15,306** | 17,401 |
| US$ | **147,192** | 213,730 |
| | **162,498** | 231,131 |

## 17 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Deferred tax assets | | |
| – Deferred tax assets to be recovered after more than 12 months | **(28)** | – |
| – Deferred tax assets to be recovered within 12 months | **–** | – |
| | **(28)** | – |
| Deferred tax liabilities | | |
| – Deferred tax liabilities to be recovered after more than 12 months | **–** | 68 |
| – Deferred tax liabilities to be recovered within 12 months | **–** | – |
| | **–** | 68 |
| Deferred tax (assets)/liabilities, net | **(28)** | 68 |

The movement on the deferred income tax is as follows:

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **68** | (36) |
| (Credited)/charged to consolidated income statement (Note 24) | **(96)** | 104 |
| At end of the year | **(28)** | 68 |

Movements of deferred tax assets:

| | Decelerated tax depreciation | |
|---|---|---|
| | As at 31 March | |
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **–** | (36) |
| (Credited)/charged to consolidated income statement | **(28)** | 36 |
| At end of the year | **(28)** | – |

## 17 DEFERRED INCOME TAX *(Continued)*

Movements of deferred tax liabilities:

| | Accelerated tax depreciation As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| At beginning of the year | **68** | – |
| (Credited)/charged to consolidated income statement | **(68)** | 68 |
| At end of the year | **–** | 68 |

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$4,426,000 (2015: HK$3,433,000) in respect of losses amounting to HK$17,700,000 (2015: HK$13,728,000) that can be carried forward against future taxable income. These losses will expire from 2018 to 2021.

## 18 FINANCIAL INSTRUMENTS BY CATEGORIES

| | As at 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| **Loans and receivables** | | |
| Assets as per consolidated statement of financial position | | |
| Trade receivables, deposits and other receivables, excluding prepayments | **187,997** | 140,935 |
| Pledged deposits at bank | **–** | 15,790 |
| Cash and cash equivalents | **205,655** | 215,363 |
| | **393,652** | 372,088 |
| **Other financial liabilities at amortised cost** | | |
| Liabilities as per consolidated statement of financial position | | |
| Trade and other payables (excluding non-financial liabilities) | **46,784** | 33,592 |
| Borrowings | **162,498** | 231,131 |
| | **209,282** | 264,723 |

## 19 EXPENSES BY NATURE

Expenses included in cost of sales, selling expenses, and general and administrative expenses are analysed as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Cost of inventories sold | **1,142,674** | 861,908 |
| Reversal of impairment of inventories (Note 9) | **(658)** | (1,203) |
| Provision for impairment of trade receivables (Note 10) | **183** | – |
| Auditor's remuneration | | |
| – Audit service | **1,120** | 1,126 |
| – Non-audit services | **1,060** | – |
| Depreciation of property, plant and equipment (Note 6) | **3,016** | 3,214 |
| Freight and transportation expense | **364** | 374 |
| Other legal and professional fees (a) | **2,873** | 1,175 |
| Employee benefit expenses (Note 20) | **9,854** | 10,723 |
| Operating lease rentals of premises | **629** | 683 |
| Utilities expense | **406** | 414 |
| Building management fee | **541** | 512 |
| Donation | **1,000** | – |
| Others | **2,418** | 3,158 |
| Total | **1,165,480** | 882,084 |

Note a: Legal and professional fee comprised, among others, fees incurred for transfer of the Company's listing status from GEM to Main Board amounting to HK$1,892,000 (2015: nil).

## 20 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Wages and salaries | **9,496** | 10,098 |
| Pension costs – defined contribution plans (Note a) | **427** | 548 |
| Others | **(69)** | 77 |
| | **9,854** | 10,723 |

## 20 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) *(Continued)*

(a) These mainly represent:

(i) the Group's contributions to the Mandatory Provident Funds (MPF) for employees working in Hong Kong. Under the MPF scheme, each of the group companies (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings with a maximum of HK$1,500 for employee's monthly contribution as defined under the Hong Kong Mandatory Provident Funds legislations.

(ii) the Group's contributions to defined contribution pension plans in the PRC for employees working in the PRC. These pension plans are organised by the respective municipal and provincial government of the PRC, and include elderly insurance, medical insurance and unemployment insurance at rates up to 20%, 7.5% and 2% respectively of the employees' basic salaries depending on the applicable local regulations.

The Group has no other material obligations for the payment of pensions and other post-retirement benefits of employees or retirees other than those disclosed above.

(b) On 21 August 2013 ("the date of adoption"), the Company conditionally approved a share option scheme (the"Scheme") under which options will be granted to eligible persons to subscribe for shares of the Company at subscription price which should not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a trading day ("Offer Date"); (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and (iii) the nominal value of the Company's shares, provided that for the purpose of calculating the subscription price, where the Company has been listed for less than five trading days, the issue price shall be used as the closing price for any business day falling within the period before listing.

No option has been granted since the date of adoption of the Scheme.

## 21 SENIOR MANAGEMENT EMOLUMENTS

### (a) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group are as follows:

| | **Year ended 31 March** | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Directors (Note 31) | **2,054** | 2,063 |
| Employees | **2,213** | 1,886 |
| | **4,267** | 3,949 |

## 21 SENIOR MANAGEMENT EMOLUMENTS *(Continued)*

### (a) Five highest paid individuals *(Continued)*

The five individuals where emoluments were the highest in the Group include three (2015: three) directors whose emoluments were reflected in Note 21(a) above. The emoluments payable to the remaining two (2015: two) non-director individuals during the year are as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Basic salaries | **2,137** | 1,805 |
| Pension costs – defined contribution plan | **76** | 81 |
| | **2,213** | 1,886 |

Remuneration of the two highest paid non-director individuals fell within the following bands:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| **Emolument Bands** | | |
| Nil to HK$500,000 | **–** | – |
| HK$500,001 to HK$1,000,000 | **1** | 1 |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |

### (b) Senior management's emoluments

The emoluments of the five (2015: four) senior management fell within the following bands:

| | Number of individuals | |
|---|---|---|
| | **2016** | 2015 |
| Nil to HK$500,000 | **4** | 3 |
| HK$500,001 to HK$1,000,000 | **–** | – |
| HK$1,000,001 to HK$1,500,000 | **1** | 1 |

## 22 OTHER (LOSS)/INCOME

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Freight income | **4** | 3 |
| Finance income | **551** | 679 |
| Exchange (losses)/gains | **(2,222)** | 165 |
| Repair and testing income | **520** | 1,520 |
| Loss on disposal of property, plant and equipment (Note 27(b)) | **(1)** | (2) |
| Others | **19** | (482) |
| Total | **(1,129)** | 1,883 |

## 23 FINANCE COSTS

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Finance costs | | |
| – Interest expense on bank borrowings | **5,925** | 4,387 |
| | **5,925** | 4,387 |

## 24 INCOME TAX EXPENSE

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Current income tax | | |
| – Hong Kong profits tax | **7,186** | 7,017 |
| – PRC corporate income tax | **–** | – |
| (Over)/under-provision in prior year | **(19)** | 181 |
| Deferred income tax (Note 17) | **(96)** | 104 |
| | **7,071** | 7,302 |

## 24 INCOME TAX EXPENSE *(Continued)*

The Group is subject to both Hong Kong profits tax and PRC corporate income tax.

Hong Kong profits tax has been provided for at a rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong. The subsidiary in the PRC is subjected to PRC corporate income tax at a rate of 25% (2015: 25%).

The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities in the respective jurisdictions as follows:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Profit before income tax | **30,519** | 32,649 |
| Tax calculated at domestic tax rates applicable to profits in the respective countries | **5,313** | 5,052 |
| Tax effects of: | | |
| – Expenses not deductible | **195** | 96 |
| – Income not subject to taxation | **(97)** | (77) |
| – Tax losses for which no deferred income tax was recognised | **1,679** | 2,050 |
| – (Over)/under-provision in prior year | **(19)** | 181 |
| Tax charge | **7,071** | 7,302 |
| Effective tax rate | **23.2%** | 22.4% |

## 25 DIVIDENDS

No final dividend for the years ended 31 March 2016 and 2015 were proposed.

## 26 EARNINGS PER SHARE

### (a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| Profit attributable to equity holders of the Company (HK$'000) | **23,448** | 25,347 |
| Weighted average number of ordinary shares in issue (Note 32(a)) | **3,518,722,623** | 3,050,136,984 |
| Basic earnings per share | **HK0.67 cent** | HK0.83 cent |

The weighted average number of ordinary shares in issue and basic earnings per share have taken into account the effect of the Share Subdivision that took place subsequent to 31 March 2016 (see Note 32(a)). Comparative figures have also been restated on the assumption that the Share Subdivision had been effected in prior year.

### (b) Diluted

There were no potential dilutive ordinary shares outstanding during the year ended 31 March 2016 and hence the diluted earnings per share are the same as basic earnings per share (2015: same).

## 27 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to cash generated from operations:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Profit before income tax | **30,519** | 32,649 |
| Adjustments for: | | |
| Depreciation (Note 6) | **3,016** | 3,214 |
| Reversal of impairment of inventories (Note 9) | **(658)** | (1,203) |
| Provision for impairment of trade receivables (Note 10) | **183** | – |
| Loss on disposal of property, plant and equipment (Note (b)) | **1** | 2 |
| Exchange losses/(gains) (Note 22) | **2,222** | (165) |
| Finance income (Note 22) | **(551)** | (679) |
| Finance costs (Note 23) | **5,925** | 4,387 |
| Gain on deemed partial disposal of interest in an investment accounted for using equity method (Note 8) | **(1,382)** | (633) |
| Share of loss of investment accounted for using equity method (Note 8) | **4,488** | 3,665 |
| Changes in working capital: | | |
| – Inventories | **15,862** | 56,103 |
| – Trade receivables | **(47,192)** | (92,348) |
| – Deposits, prepayments and other receivables | **1,526** | 9,988 |
| – Amount due from investment accounted for using equity method | **–** | 3,683 |
| – Trade payables | **11,675** | (10,461) |
| – Other payables and accrued expenses | **(2,790)** | 4,374 |
| Cash generated from operations | **22,844** | 12,576 |

(b) In the consolidated statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Net book amount of property, plant and equipment disposed (Note 6) | **1** | 2 |
| Loss on disposal of property, plant and equipment (Note 22) | **(1)** | (2) |
| Proceeds from disposal of property, plant and equipment | **–** | – |

## 28 COMMITMENTS

### (a) Operating lease commitments

The Group leases warehouses, production plant and office premise in the PRC and Taiwan under non-cancellable operating lease agreements. The lease terms are one year and the lease agreements are renewable at the end of the period at market rate.

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

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Not later than 1 year | **80** | 291 |
| Later than 1 year and not later than 5 years | **–** | – |
| | **80** | 291 |

### (b) Capital commitments

As at 31 March 2016 and 2015, there is no significant capital commitment.

## 29 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions, or vice versa. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

### (a) Transactions with related parties

During the years ended 31 March 2016 and 2015, no material transactions were undertaken by the Group with related parties.

### (b) Key management compensation

| | Year ended 31 March | |
|---|---|---|
| | **2016** | 2015 |
| | **HK$'000** | HK$'000 |
| Basic salaries and allowances | **4,547** | 4,140 |
| Pension costs – defined contribution plan | **107** | 113 |
| | **4,654** | 4,253 |

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

| | | As at 31 March | |
|---|---|---|---|
| | | **2016** | 2015 |
| | | **HK$'000** | HK$'000 |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Interests in subsidiaries | | **191,059** | 160,090 |
| **Current asset** | | | |
| Amount due from a subsidiary | | **2,234** | 2,234 |
| **Total assets** | | **193,293** | 162,324 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **2,939** | 2,640 |
| Other reserves | Note a | **190,354** | 159,684 |
| **Total equity** | | **193,293** | 162,324 |
| **Total equity and liabilities** | | **193,293** | 162,324 |
| **Net current assets** | | **2,234** | 2,234 |
| **Total assets less current liabilities** | | **193,293** | 162,324 |

The statement of financial position of the Company was approved by the Board of Directors on 17 June 2016 and was signed on its behalf

**George Lu**
Director

**Lau Wing Sze**
Director

## 30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company:

| | Share premium HK$'000 | Contributed surplus HK$'000 Note | (Accumulated losses)/ retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **For the year ended 31 March 2016** | | | | |
| Balance at 1 April 2015 | 65,333 | 95,114 | (763) | 159,684 |
| **Comprehensive income** | | | | |
| Loss for the year | – | – | (3,811) | (3,811) |
| Total comprehensive income | – | – | (3,811) | (3,811) |
| **Transaction with owners** | | | | |
| Issuance of shares by placement (Note 13) | 35,557 | – | – | 35,557 |
| Share issuance expenses | (1,076) | – | – | (1,076) |
| Balance at 31 March 2016 | **99,814** | **95,114** | **(4,574)** | **190,354** |
| **For the year ended 31 March 2015** | | | | |
| Balance at 1 April 2014 | 51,806 | 95,114 | 38 | 146,958 |
| **Comprehensive income** | | | | |
| Loss for the year | – | – | (801) | (801) |
| Total comprehensive income | – | – | (801) | (801) |
| **Transaction with owners** | | | | |
| Issuance of shares by placement (Note 13) | 13,950 | – | – | 13,950 |
| Share issuance expenses | (423) | – | – | (423) |
| Balance at 31 March 2015 | 65,333 | 95,114 | (763) | 159,684 |

Note: Contributed surplus

Contributed surplus represents the difference between the excess of the nominal value of the Company shares issued and the aggregate net asset value of the subsidiaries acquired pursuant to the Reorganisation.

## 31 BENEFITS AND INTERESTS OF DIRECTORS

### (a) Directors' emoluments

The remuneration of the directors for the year ended 31 March 2016 are set out below:

| | Fee HK$'000 | Salary HK$'000 | Discretionary bonus HK$'000 | Housing allowance HK$'000 | Estmatied monetary value of other benefit HK$'000 | Employer's contribution to a retirement benefit scheme HK$'000 | Remunerations paid or receivable in respect of accepting office as director HK$'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 March 2016** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Executive directors | | | | | | | | | |
| Mr. George Lu | 100 | 620 | – | – | – | 18 | – | – | 738 |
| Ms. Lau Wing Sze (Note (i)) | 100 | 656 | – | – | – | 18 | – | – | 774 |
| Ms. Shen Wei | 100 | 440 | – | – | – | 2 | – | – | 542 |
| | 300 | 1,716 | – | – | – | 38 | – | – | 2,054 |
| Independent non-executive directors | | | | | | | | | |
| Mr. Loo Hong Shing, Vincent | 139 | – | – | – | – | 7 | – | – | 146 |
| Mr. Pang Chung Fai, Benny | 139 | – | – | – | – | 7 | – | – | 146 |
| Mr. Wan Tak Shing (Note (ii)) | 139 | – | – | – | – | 7 | – | – | 146 |
| | 417 | – | – | – | – | 21 | – | – | 438 |

## 31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Directors' emoluments *(Continued)*

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

| | Fee | Salary | Discretionary bonus | Housing allowance | Estmatied monetary value of other benefit | Employer's contribution to a retirement benefit scheme | Remunerations paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Year ended 31 March 2015** | | | | | | | | | |
| **Name of directors** | | | | | | | | | |
| Executive directors | | | | | | | | | |
| Mr. George Lu | 100 | 620 | – | – | – | 17 | – | – | 737 |
| Ms. Lau Wing Sze (Note (i)) | 100 | 656 | – | – | – | 17 | – | – | 773 |
| Ms. Shen Wei | 100 | 440 | – | – | – | 13 | – | – | 553 |
| | 300 | 1,716 | – | – | – | 47 | – | – | 2,063 |
| Independent non-executive directors | | | | | | | | | |
| Mr. Loo Hong Shing, Vincent | 135 | – | – | – | – | 7 | – | – | 142 |
| Mr. Pang Chung Fai, Benny | 135 | – | – | – | – | 7 | – | – | 142 |
| Mr. Wan Tak Shing (Note (ii)) | 135 | – | – | – | – | 7 | – | – | 142 |
| | 405 | – | – | – | – | 21 | – | – | 426 |

Note:

(i) Lau Wing Sze was also the Chief Executive Officer ("CEO") of the Company as at 31 March 2016 and 2015. Lau Wing Sze resigned as the CEO but remains an executive director and George Lu has been appointed as the CEO with effect from 2 June 2016.

(ii) Wan Tak Shing resigned as director of the Company and Yeung Wai Fai, Andrew has been appointed as director of the Company with effect from 2 June 2016.

During the year, no director waived any emoluments.

## 31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the year ended 31 March 2016 (2015: same).

### (c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year ended 31 March 2016 (2015: same).

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

During the year ended 31 March 2016, no consideration was paid by the Company to third parties for making available directors' services (2015: same).

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

During the year ended 31 March 2016, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2015: same).

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

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company has a material interest, whether directly or indirectly, subsisted at the end of 31 March 2016 or at any time during the year ended 31 March 2016 (2015: same).

## 32 EVENTS AFTER THE REPORTING DATE

**(a)** By an ordinary resolution passed at an extraordinary general meeting on 5 May 2016, the Company effected a subdivision of its shares whereby every issued and unissued ordinary shares of HK$0.01 each were subdivided into twelve new ordinary shares ("Subdivided Shares") of HK$0.0008333 each (the "Share Subdivision"). Following the Share Subdivision which became effective on 6 May 2016, the Company's authorised share capital was divided from 8,000,000,000 shares of HK$0.01 each into 96,000,000,000 Subdivided Shares of HK$0.0008333 each, of which 3,526,560,000 ordinary shares were in issue and fully paid as at the date of the subdivision.

**(b)** On 15 June 2016, the Group signed an agreement with an independent third party to dispose of the entire 12.42% equity interest in Bozhou Botong, an associate for cash consideration of HK$22,680,000. The directors expect that the Company will recognise a gain on disposal of approximately HK$5,700,000 from such disposal, being difference between the consideration of disposal and the carrying value of the investment in associate as at the date of disposal.