Annual Report 2013

Poly Capital Holdings Limited
保興資本控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

* For identification purpose only

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"Company"	Poly Capital Holdings Limited
"Directors"	the directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"RMB"	Renminbi
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "cents"	Hong Kong dollars and cents
"US dollars"	United States dollars
"%"	per cent.

BOARD OF DIRECTORS

Executive Directors

Mr. Suen Cho Hung, Paul *(Chairman)*
Mr. Sue Ka Lok *(Chief Executive Officer)*
Mr. Bai Jianjiang
Ms. Lee Chun Yeung, Catherine

Independent Non-executive Directors

Mr. Wong Kwok Tai
Mr. Weng Yixiang
Mr. Lu Xinsheng

AUDIT COMMITTEE

Mr. Wong Kwok Tai *(Chairman)*
Mr. Weng Yixiang
Mr. Lu Xinsheng

REMUNERATION COMMITTEE

Mr. Weng Yixiang *(Chairman)*
Mr. Wong Kwok Tai
Mr. Lu Xinsheng
Mr. Sue Ka Lok

NOMINATION COMMITTEE

Mr. Lu Xinsheng *(Chairman)*
Mr. Wong Kwok Tai
Mr. Weng Yixiang
Mr. Sue Ka Lok

COMPANY SECRETARY

Ms. Chan Yuk Yee

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 1141)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 1501, 15th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
Bank of China (Hong Kong) Limited
BNP Paribas Hong Kong Branch
ABN AMRO Bank N.V.

LEGAL ADVISERS

Reed Smith Richards Butler
Troutman Sanders

AUDITOR

HLB Hodgson Impey Cheng Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.polycapital.com.hk

BUSINESS REVIEW

In September 2012, the Group entered into a conditional sale and purchase agreement to dispose of its pharmaceutical business at a consideration of HK$100,000,000. The transaction was approved by shareholders in the Company's special general meeting in October 2012 and the disposal was completed in November 2012. Accordingly, the results of the pharmaceutical division were accounted for as discontinued operation in the consolidated statement of comprehensive income for the current year and results of last year have also been restated.

Continuing operations

For the year ended 31 March 2013, the Group reported revenue of HK$757,600,000, decreased by 30% from the previous year (2012: HK$1,080,073,000), and gross profit of HK$28,477,000, showing a surge of over 15 times compared to last year (2012: HK$1,756,000). The decrease in revenue was mainly attributed to the decline in price of metal minerals traded by the Group's supply and procurement division, whereas the increase of gross profit was primarily due to the improved profitability of the Group's supply and procurement division, despite the drop of its revenue.

During the year under review, the Group's supply and procurement division continued to focus on the sourcing, transporting and supplying of metal minerals and recyclable metal materials. In addition, the division has expanded its business to supply and procurement of timber logs during the year. The division recorded a 30% decrease in revenue to HK$741,974,000 when comparing to the previous year (2012: HK$1,059,617,000). The decrease of the division's revenue was primarily attributed to the general decline in price of metal minerals in the Mainland, which in turn was mainly caused by the drop in demand for building materials resulting from the financial tightening measures imposed on the property sector by the Chinese government. In contrast to the drop in revenue, the division's results turned from loss of HK$15,165,000 in last year to profit of HK$14,703,000 in the current year. The turnaround of the division's results was mainly due to the absence of approximately HK$8 million loss incurred in the previous year resulting from the minerals content deviation of a shipment of iron ore transacted, and the efforts of the management in successfully increased profitability of the division through expanding its supplier and customer base and hence its market position as well as price negotiation power.

The Group's financing division recorded interest income of HK$10,105,000, showing a substantial increase of 129% when comparing to last year (2012: HK$4,418,000). Despite the rise of its revenue, the division's results turned from profit of HK$4,235,000 in last year to loss of HK$59,000 in the current year. The increase in the division's revenue was principally due to the comparatively higher average amount of loans advanced to customers over the previous year, whereas the loss results of the division was mainly attributed to an impairment loss of HK$10,449,000 (2012: nil) recognised for the loan made to a borrower with long track record. The impairment loss had fully offset the division's profit for the review year, with the result that a small loss was recorded by the division.

The Group's securities investment division recorded revenue of HK$5,521,000 (2012: HK$16,038,000) representing mainly dividend from equity securities investments and interest income from convertible bonds earned during the year. As a whole, the division reported a loss of HK$62,309,000 (2012: HK$414,792,000) constituted mainly of the unrealised holding loss totaling HK$69,251,000 (2012: HK$410,246,000) from holdings of listed equity securities, convertible bonds and interest bearing notes measured at fair values at the year end, the net realised gain from selling listed equity securities of HK$1,427,000 (2012: loss of HK$20,579,000), and dividend and convertible bonds interest income aggregated to HK$5,521,000 (2012: HK$16,038,000, including equity-linked notes interest income). During the review year, although the conditions of the United States economy have been stabilised, the Hong Kong stock market was still clouded with uncertainties mainly resulting from the continuation of the unstable financial and economic conditions in Europe and the slowdown of GDP growth of the Mainland economy. Investment sentiments were weak for a considerable period during the year and put pressure on prices of listed securities invested by the Group. At the year end, the Group's securities, convertible bonds and interest bearing notes portfolio was valued at HK$891,366,000 (2012: HK$715,251,000). The management expects that the division will perform better when investor confidence and positive market sentiments improve in the investment markets.

Discontinued operation

For the review year, the pharmaceutical division reported revenue of HK$17,451,000 (2012: HK$34,490,000) and incurred segment loss of HK$2,110,000 (2012: HK$8,053,000). On 7 September 2012, the Group entered into a conditional sale and purchase agreement to dispose of its pharmaceutical business at a consideration of HK$100,000,000. The transaction was approved by shareholders on 22 October 2012 in the Company's special general meeting and completed on 2 November 2012. A gain on disposal of the pharmaceutical business amounting to HK$11,865,000 (2012: nil) was recognised by the Group in the current year. As mentioned in the Company's circular dated 28 September 2012, as the pharmaceutical division had been incurring losses in the past years, the Board was of the view that the disposal would enable the Group to deploy resources in other business with better prospects, and was in the interests of the Company and its shareholders as a whole.

For the year ended 31 March 2013, the Group recorded loss attributable to owners of the Company of HK$60,928,000 (2012: HK$467,851,000) and basic loss per share of HK2.05 cents (2012: HK38.34 cents) from continuing and discontinued operations. The loss incurred by the Group was substantially reduced from last year and was mainly attributed to the decrease in loss incurred by the Group's securities investment division during the year.

PROSPECTS

The business environments in which the Group is operating are still filled with uncertainties and challenges, as such, the management will continue to manage the Group's businesses in a prudent and cautious manner with the view to ensure a stable prospect to shareholders. Looking ahead, the Group will continue to engage in its three remaining businesses, namely, supply and procurement of commodities, provision of finance and securities investment after disposal of its pharmaceutical business.

APPRECIATION

The year under review was again a challenging year of the Group. I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates and customers for their continuing support to the Group, and to my fellow directors and all staff members for their hard work during the past year.

Suen Cho Hung, Paul
Chairman

Hong Kong, 27 June 2013

OPERATIONS REVIEW

For the year ended 31 March 2013, the Group discontinued its pharmaceutical business and continued to engage in the businesses of supply and procurement of commodities, provision of finance and securities investment.

Continuing operations

During the year under review, the Group's supply and procurement division continued to focus on the sourcing, transporting and supplying of metal minerals and recyclable metal materials and has expanded its business scope covering timber logs. When compared to the previous year, the division recorded a 30% decrease in revenue to HK$741,974,000 (2012: HK$1,059,617,000). The decrease of the division's revenue was primarily attributed to the general decline in price of metal minerals in the Mainland, which in turn was mainly caused by the drop in demand for building materials resulting from the financial tightening measures imposed on the property sector by the Chinese government. In contrast to the drop in revenue, the division's results turned from loss of HK$15,165,000 in last year to profit of HK$14,703,000 in the current year. The loss made in last year was partly due to the very volatile metal minerals market appeared in the fourth quarter in 2011 that posed problems on the division in fixing prices for its commodities, which ultimately resulted in a shipment of goods being completed at a considerable loss; and partly due to the loss of approximately HK$8 million recorded by the division due to the deviation of minerals content of a shipment of iron ore transacted. The Group had initiated an arbitration claim against the supplier of that shipment and the case was finally settled through mediation. The Group was awarded a compensation of approximately HK$4.5 million, out of which approximately HK$2.6 million was recovered during the year ended 31 March 2012, and approximately HK$1.9 million was recovered in the current year. This amount, together with compensations for two other claims of similar nature, aggregated to approximately HK$4.4 million and was included as the Group's other income for the current year. Another major factor that led to the turnaround of the division's results in the current year is that the management has devoted great efforts in successfully expanding the division's supplier and customer base and has thereby enhanced the division's price negotiation power and profitability.

The Group's financing division recorded interest income of HK$10,105,000, showing a substantial increase of 129% when comparing with last year (2012: HK$4,418,000). Nevertheless, the results of the division turned from profit of HK$4,235,000 in last year to loss of HK$59,000 in the current year. The increase in the division's revenue was principally due to the comparatively higher average amount of loans advanced to customers over the previous year, whereas the division's loss was mainly attributed to an impairment loss of HK$10,449,000 (2012: nil) recognised for the loan advanced to a borrower with long track record. The Group had taken legal actions against the borrower and the court had judged that the borrower should repay all sums owed to the Group. However, based on information provided by the receiver (appointed by the Group) of the borrower, the borrower would not have sufficient realisable assets to repay the debts owed to the Group and accordingly, an impairment loss was recognised for the debts owed. The impairment loss had fully offset the division's profit for the review year, with the result that a small loss was recorded by the division. The loan portfolio held by the Group, after accounted for the impairment loss, amounted to HK$72,233,000 (2012: HK$66,838,000) at the year end.

The Group's securities investment division recorded revenue of HK$5,521,000 (2012: HK$16,038,000) representing mainly dividend from equity securities investments and interest income from convertible bonds earned during the year. As a whole, the division reported a loss of HK$62,309,000 (2012: HK$414,792,000) constituted mainly of the unrealised holding loss totaling HK$69,251,000 (2012: HK$410,246,000) from holdings of listed equity securities, convertible bonds and interest bearing notes measured at fair values at the year end, the net realised gain from selling listed equity securities of HK$1,427,000 (2012: loss of HK$20,579,000), and dividend and convertible bonds interest income aggregated to HK$5,521,000 (2012: HK$16,038,000, including equity-linked notes interest income). During the review year, although the conditions of the United States economy have been stabilised, the Hong Kong stock market was still clouded with uncertainties mainly resulting from the continuation of the unstable financial and economic conditions in Europe and the slowdown of GDP growth of the Mainland economy. Investment sentiments were weak for a considerable period during the year and put pressure on prices of listed securities invested by the Group. The Group's securities portfolio at the year end comprised mainly listed equity securities in conglomerate company, infrastructure company, property company, mining and resources company, industrial materials company, consumer electronics company, healthcare services company, agricultural machinery company, apparels and accessories company, automobile retailing company, financial services company and movies and entertainment company. At the year end, the Group's securities, convertible bonds and interest bearing notes portfolio was valued at HK$891,366,000 (2012: HK$715,251,000). The management expects that the division will perform better when investor confidence and positive market sentiments improve in the investment markets.

Discontinued operation

Before the completion of the Group's disposal of its interest in the pharmaceutical division, the division reported revenue of HK$17,451,000 (2012: HK$34,490,000) and incurred segment loss of HK$2,110,000 (2012: HK$8,053,000). On 7 September 2012, the Group entered into a conditional sale and purchase agreement to dispose of its pharmaceutical business at a consideration of HK$100,000,000 and a gain on the disposal of HK$11,865,000 (2012: nil) was recognised in the current year. As mentioned in the Company's circular dated 28 September 2012, the pharmaceutical division was selling Jinhua Qinggan, a Chinese medicine for treating patients infected with Influenza A (H1N1) and other types of influenza, as a prescription drug to designated medical institutions in Beijing and the division would only be able to market the medicine as a non-prescription drug to public subject to the issuance of a new drug certificate from the relevant authorities in the Mainland. The division had submitted medicine tests results in connection with the application of such certificate and had been awaiting for feedback and results of its application. However, as the issuance date of the new drug certificate was uncertain, and that the sales volume of the medicine had not yet reached a scale that could cover the division's operating costs, in particular, the high start-up costs in its early stage of operation even though substantial promotional expenses had been incurred in marketing Jinhua Qinggan, the division had been incurring losses in the past years. The Board was of the view that the disposal would enable the Group to deploy resources in other business with better prospects, and was in the interests of the Company and its shareholders as a whole. The disposal was approved by shareholders in the Company's special general meeting on 22 October 2012 and completed on 2 November 2012.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 31 March 2013, the Group had current assets of HK$1,286,389,000 (2012: HK$1,230,337,000) and liquid assets comprising cash and bank balances and short-term securities investment totaling HK$1,079,363,000 (2012: HK$1,029,865,000) (excluding pledged bank deposits for trade facilities granted by banks). The Group's current ratio, calculated based on current assets of HK$1,286,389,000 (2012: HK$1,230,337,000) over current liabilities of HK$80,998,000 (2012: HK$241,615,000), was at a strong ratio of about 15.88 at the year end (2012: 5.09).

The Group's finance costs for last year included an interest on convertible notes of HK$7,890,000 calculated in accordance with the Group's accounting policy on financial instruments, yet only part of that interest of HK$912,000 required cash settlement and the rest of that amount was not associated with any cash outlay. In September 2011, the Company repurchased all outstanding convertibles notes in an aggregate principal amount of HK$189,100,000 at the price of HK$187,209,000, representing a discount of 1% on the aggregate principal amount of such notes. The net gain on repurchase of the convertible notes amounted to HK$2,159,000 and was included as other income in last year.

At the year end, equity attributable to owners of the Company amounting to HK$1,130,637,000 (2012: HK$1,199,742,000) and is equivalent to an attributable amount of approximately HK$0.38 (2012: HK$0.40) per share of the Company. The decrease of the equity attributable to owners of the Company was mainly a result of the loss incurred by the Group during the year.

During the year ended 31 March 2013, the Company had issued placing notes in the aggregate principal amount of HK$100,000,000 which carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes. Details of the placing were stated in the Company's announcement dated 8 November 2012.

As at 31 March 2013, the Group's indebtedness comprised placing notes and bank advances for discounted bills totaling HK$147,615,000 (2012: HK$59,920,000 included bank advances for discounted bills and bank loans of the discontinued pharmaceutical division). The bank advances for discounted bills were denominated in US dollars, due within one year, and bore interests at floating rates. The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a low ratio of about 12% (2012: 5%).

With the amount of liquid assets on hand as well as credit facilities granted by banks, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

Pledge of Assets

At 31 March 2013, bank deposits of HK$24,981,000 (2012: HK$15,008,000) were pledged to secure for trade credit facilities granted to the Group.

At 31 March 2012, buildings and prepaid lease payments of the discontinued pharmaceutical division with carrying amount of HK$30,114,000 and HK$33,974,000 respectively were pledged to secure for bank loans of the division.

Contingent Liability

At 31 March 2013, the Group had no significant contingent liability (2012: nil).

Capital Commitment

At 31 March 2013, the Group had no significant capital commitment (2012: nil).

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 March 2013, in respect of the continuing operations, the Group had about 30 (2012: about 30) employees including directors. For the review year, total staff costs of the continuing operations, including directors' remuneration, amounted to HK$10,412,000 (2012: HK$10,081,000). Remuneration packages for employees and directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

EXECUTIVE DIRECTORS

Mr. Suen Cho Hung, Paul, *Chairman*

Aged 52, joined the Company as an Executive Director and the Chairman of the Company in November 2007. Mr. Suen is also a director of various members of the Group. He holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, minerals and raw materials, electrical and electronic consumer products, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is a substantial shareholder of the Company as disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" in the Report of the Directors. He is also an executive director and the chairman of both BEP International Holdings Limited (stock code: 2326) ("BEP International") and New Island Printing Holdings Limited (stock code: 377) ("New Island Printing"), and a non-executive director of Sunlink International Holdings Limited (stock code: 2336) ("Sunlink International"). All of the above companies are listed in Hong Kong.

Mr. Sue Ka Lok, *Chief Executive Officer and member of the Remuneration Committee and the Nomination Committee*

Aged 48, joined the Company as an Executive Director in November 2007 and was appointed the Chief Executive Officer of the Company in November 2009. Mr. Sue is also a director of various members of the Group. He holds a Bachelor of Economics degree from the University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Securities Institute. He has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is an executive director and the chief executive officer of BEP International, an executive director and the chairman of Sunlink International, and a non-executive director and the chairman of China Tycoon Beverage Holdings Limited (stock code: 209) ("China Tycoon"). All of the above companies are listed in Hong Kong.

Mr. Bai Jianjiang

Aged 50, joined the Company as an Executive Director in February 2010. Mr. Bai graduated from Henan College of Chinese Medicine (河南中醫學院) in the PRC and is the 13th generation successor of Bai's Yu Sheng Tang (白氏御生堂第十三代傳人). He has been the curator of Beijing Yu Sheng Tang Chinese Medicine Museum (北京御生堂中醫藥博物館館長) since 1999. Mr. Bai is currently the deputy chairman & deputy secretary-general of Chinese Medicine Professional Committee of Beijing Association of Chinese Medicine (北京中醫學會中醫藥專業委員會副會長兼副秘書長), a part-time professor of Henan College of Chinese Medicine (河南中醫學院兼職教授), a director of Beijing Association of Chinese Medicine (北京中醫藥學會理事), a youth committee member of Chinese Medical History Association (中華醫史學會青年委員), a committee member of Museum Association of China (中國博物館協會委員), a committee member of Beijing International Forum of Chinese Medicine (北京中醫藥國際論壇委員) and a member of Beijing Museum Association (北京博物館學會會員). Mr. Bai has profound knowledge in tradition, history and culture of Chinese medicine and also has extensive management experience in modern Chinese medicine business.

Ms. Lee Chun Yeung, Catherine

Aged 45, joined the Group in February 2009 and was appointed an Executive Director in October 2010. Ms. Lee is also a director of various members of the Group. She holds a Bachelor of Arts degree from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Languages) and a Master in Business Administration degree from the University of South Australia. Ms. Lee has extensive experience in international trading of metal minerals and commodities. Prior to joining the Group, she worked as an economist in a major commercial bank and a senior executive in a state-owned trading group in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Kwok Tai, *Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee*

Aged 74, joined the Company as an Independent Non-executive Director in August 2001. Mr. Wong graduated from the Deakin University in Geelong, Australia and holds a Diploma of Commerce. He is a Practising Certified Public Accountant and a fellow member of the CPA Australia and the Hong Kong Institute of Certified Public Accountants. Mr. Wong is the director of W. Wong CPA Limited and has more than 47 years of financial experience. He is also an independent non-executive director of China Power New Energy Development Company Limited (stock code: 735), China Tycoon and Takson Holdings Limited (stock code: 918), and was an independent non-executive director of New Century Group Hong Kong Limited (stock code: 234) until 4 September 2012. All of the above companies are listed in Hong Kong.

Mr. Weng Yixiang, *Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*

Aged 54, joined the Company as an Independent Non-executive Director in October 2007. Mr. Weng graduated from China Central Radio and TV University specialising in law and is also qualified as a senior economist in the PRC. He has over 20 years of experience in banking, investment and finance and had served as senior executive in government authorities and financial institutions in the PRC. Mr. Weng is the general manager of an investment management and consulting company in the PRC.

Mr. Lu Xinsheng, *Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee*

Aged 46, joined the Company as an Independent Non-executive Director in October 2007. Mr. Lu graduated from Sichuan University with a Bachelor of Science degree specialising in environmental chemistry. He has over 20 years of experience in trading business and has held senior positions in trading and logistics companies in the PRC.

SENIOR MANAGEMENT

Ms. Chan Yuk Yee, *Company Secretary*

Aged 45, joined the Company as Company Secretary in November 2008. Ms. Chan is also a director of a subsidiary of the Group. She holds a Master of Business Law degree from Monash University in Australia and is an associate member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Ms. Chan has over 10 years of experience in company secretarial practice. She is also an executive director and the company secretary of China Tycoon, an executive director of New Island Printing, and the company secretary of Sunlink International. All of the above companies are listed in Hong Kong.

Report of the Directors

The Directors hereby present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2013.

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 22 October 2012 and the subsequent approvals of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company has been changed from "Beijing Yu Sheng Tang Pharmaceutical Group Limited" to "Poly Capital Holdings Limited" and "保興資本控股有限公司" has been adopted as the Chinese name of the Company in replacement of "北京御生堂藥業集團有限公司" for identification purpose.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holdings and securities investment. Details of the principal activities of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on pages 34 to 35.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2013 (2012: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 116. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL, WARRANTS, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the Company's share capital and warrants, share options and convertible notes during the year are set out in notes 35, 36 and 32 to the consolidated financial statements, respectively.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 March 2013, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 37(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2013, the Company had no reserve available for distribution and/or distribution in specie as computed in accordance with the Companies Act 1981 of Bermuda. The Company's share premium account, in the amount of HK$1,522,928,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for approximately 61% of the total sales for the year and sales to the largest customer accounted for approximately 27%. Purchases from the Group's five largest suppliers accounted for approximately 81% of the total purchases for the year and purchases from the largest supplier accounted for approximately 32%.

None of the directors or any of their associates or any shareholders (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 Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive Directors:

Mr. Suen Cho Hung, Paul
Mr. Sue Ka Lok
Mr. Bai Jianjiang
Ms. Lee Chun Yeung, Catherine

Independent Non-executive Directors:

Mr. Wong Kwok Tai
Mr. Weng Yixiang
Mr. Lu Xinsheng

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Bai Jianjiang, Ms. Lee Chun Yeung, Catherine and Mr. Wong Kwok Tai will retire by rotation at the forthcoming annual general meeting ("AGM"). Mr. Bai Jianjiang will not offer himself for re-election and will therefore retire at the AGM whereas Ms. Lee Chun Yeung, Catherine and Mr. Wong Kwok Tai, being eligible, will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 10 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of a director of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

The remuneration of Mr. Bai Jianjiang has been revised down to HK$65,000 per annum under his service contract with a subsidiary of the Company with effect from 1 November 2012. The revised remuneration of Mr. Bai has been approved by the Remuneration Committee of the Company.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transaction" in this Report of the Directors and in note 41 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company:

Name of director	Capacity and nature of interest	Number of shares held	Total interests	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	863,460,316 *(Note 1)*	–	–
	Beneficial owner	6,000,000	869,460,316	29.32%

Long positions in the warrants of the Company:

Name of director	Capacity and nature of interest	Number of underlying shares	Total interests	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	163,943,386 *(Notes 1 & 2)*	–	–
	Beneficial owner	1,000,000 *(Note 3)*	164,943,386	5.56%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)

Notes:

1. These interests were held by Global Wealthy Limited ("Global Wealthy"), which was a wholly-owned subsidiary of Excelsior Kingdom Limited ("Excelsior Kingdom") which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Global Wealthy and Excelsior Kingdom. Accordingly, Mr. Suen was deemed to be interested in 863,460,316 shares and 163,943,386 underlying shares of the Company under the SFO.

2. These represented the interests of Global Wealthy in 163,943,386 units of warrants issued by the Company on 9 March 2012 (the "Warrants") which carry the rights to subscribe for 163,943,386 shares of the Company at the initial exercise price of HK$0.10 per share (subject to adjustments) (the "Exercise Price") during the period from 9 March 2012 to 7 March 2014 (both days inclusive) (the "Subscription Period").

3. These represented the interests of Mr. Suen in 1,000,000 units of Warrants which carry the rights to subscribe for 1,000,000 shares of the Company at the Exercise Price during the Subscription Period.

Save as disclosed above, as at 31 March 2013, none of the directors or chief executive of the Company had registered an interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Share Option Scheme" disclosure in note 36 to the consolidated financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 36 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2013, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares and underlying shares of the Company:

Name of shareholder	Capacity and nature of interest	Number of shares held	Number of underlying shares	Total interests	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	863,460,316 *(Note 1)*	163,943,386 *(Notes 1 & 2)*	–	–
	Beneficial owner	6,000,000	1,000,000 *(Note 3)*	1,034,403,702	34.88%
Excelsior Kingdom	Interest of controlled corporation	863,460,316 *(Note 1)*	163,943,386 *(Notes 1 & 2)*	1,027,403,702	34.64%
Global Wealthy	Beneficial owner	863,460,316 *(Note 1)*	163,943,386 *(Notes 1 & 2)*	1,027,403,702	34.64%
HEC Capital Limited ("HEC Capital")	Interest of controlled corporation	149,710,400 *(Note 4)*	41,618,400 *(Notes 4 & 5)*	191,328,800	6.45%

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

1. These interests were held by Global Wealthy, which was a wholly-owned subsidiary of Excelsior Kingdom which in turn was wholly owned by Mr. Suen. Mr. Suen is the sole director of Global Wealthy and Excelsior Kingdom. Accordingly, Mr. Suen and Excelsior Kingdom were deemed to be interested in 863,460,316 shares and 163,943,386 underlying shares of the Company under the SFO.

2. These represented the interests of Global Wealthy in 163,943,386 units of Warrants which carry the rights to subscribe for 163,943,386 shares of the Company at the Exercise Price during the Subscription Period.

3. These represented the interests of Mr. Suen in 1,000,000 units of Warrants which carry the rights to subscribe for 1,000,000 shares of the Company at the Exercise Price during the Subscription Period.

4. These interests were held by Murtsa Capital Management Limited ("Murtsa Capital"), which was a wholly-owned subsidiary of Hennabun Development Limited which in turn was wholly owned by HEC Capital. Accordingly, HEC Capital was deemed to be interested in 149,710,400 shares and 41,618,400 underlying shares of the Company under the SFO.

5. These represented the interests of Murtsa Capital in 41,618,400 units of Warrants which carry the rights to subscribe for 41,618,400 shares of the Company at the Exercise Price during the Subscription Period.

The interests of Mr. Suen, Excelsior Kingdom and Global Wealthy in 863,460,316 shares and 163,943,386 underlying shares of the Company referred to in note 1 above related to the same parcel of shares and underlying shares.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 31 March 2013 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTION

On 7 January 2013, the Company entered into a placing agreement (the "Placing Agreement") with CEPA Alliance Securities Limited as the placing agent (the "Placing Agent"), pursuant to which the Company agreed to place, through the Placing Agent, on a best effort basis, the notes up to the aggregate amount of HK$100,000,000 to be issued by the Company in the denomination of HK$10,000,000 each (the "Placing Notes") to independent third parties (the "Placing").

Mr. Suen, the Chairman and an Executive Director of the Company who held approximately 29.32% of the total issued share capital of the Company was also the chairman and an executive director of New Island Printing Holdings Limited (stock code: 377) ("New Island Printing") who held approximately 62.62% of the total issued share capital of New Island Printing, the holding company of the Placing Agent. As such, the Placing Agent was an associate of Mr. Suen and was a connected person of the Company within the meaning of the Listing Rules. The Placing Agreement constituted a connected transaction under Chapter 14A of the Listing Rules.

Assuming that the Placing Notes are fully placed, the Placing Agent would receive a Placing commission of HK$2,000,000 in cash to be deducted from the proceeds of the Placing. As the relevant percentage ratio in respect of the commission to be paid to the Placing Agent in connection with the Placing under Rule 14.07 of the Listing Rules was less than 5%, the Placing was only subject to reporting and announcement requirements and was exempted from independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the Placing were set out in the Company's announcement dated 7 January 2013. The Placing lapsed on 6 July 2013 and no Placing Notes had been placed under the Placing.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, subsidised training programme, share option scheme as well as discretionary bonuses.

The determination of directors' remuneration has taken into consideration of their respective responsibilities and contributions to the Company and with reference to market terms.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2013 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2013 have been audited by HLB Hodgson Impey Cheng Limited.

A resolution will be proposed at the forthcoming AGM to re-appoint HLB Hodgson Impey Cheng Limited as auditor of the Company.

The consolidated financial statements of the Company for the years ended 31 March 2011 and 2012 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change of the auditor of the Company in the preceding three years.

On behalf of the Board

Suen Cho Hung, Paul
Chairman

Hong Kong, 27 June 2013

The Board is committed to maintaining high standards of corporate governance practices at all times. The Board believes that good corporate governance helps the Company to safeguard the interests of its shareholders and to enhance the performance of the Group.

CORPORATE GOVERNANCE

The Company had adopted the principles and complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules for the year ended 31 March 2013, except for the following deviations with reasons as explained:

Code Provision A.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Deviation

The independent non-executive directors of the Company are not appointed for a specific term but shall retire from office by rotation at least once every three years as referred to in the bye-law 87 of the Company's Bye-laws which provides that at each annual general meeting one-third of the directors of the Company 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. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance is no less exacting than those set out in the CG Code.

Code Provision A.6.7

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Deviation

Two independent non-executive directors of the Company were unable to attend the annual general meeting of the Company held on 24 September 2012 (the "2012 AGM") as they had other important business engagements and one independent non-executive director of the Company was unable to attend the special general meeting of the Company held on 22 October 2012 (the "SGM") as he had an overseas engagement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company. The Board reviews and approves the objectives, strategies, direction and policies of the Group, the annual budget, annual and interim results, the management structure of the Company as well as other significant policy and financial matters. The Board has delegated the responsibility of day-to-day operations of the Group to the management of the Company.

As at the date of this annual report, the Board comprises seven directors, four of which are Executive Directors, namely Mr. Suen Cho Hung, Paul ("Mr. Suen") (Chairman), Mr. Sue Ka Lok ("Mr. Sue") (Chief Executive Officer), Mr. Bai Jianjiang, Ms. Lee Chun Yeung, Catherine and three are Independent Non-executive Directors, namely Mr. Wong Kwok Tai ("Mr. Wong"), Mr. Weng Yixiang and Mr. Lu Xinsheng. 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 the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the Directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of this annual report.

As disclosed in that section, both Mr. Suen and Mr. Sue are executive directors of BEP International Holdings Limited of which Mr. Suen is the chairman and a controlling shareholder. Mr. Suen is also a controlling shareholder of China Tycoon Beverage Holdings Limited of which Mr. Sue is a non-executive director and the chairman and Mr. Wong is an independent non-executive director. Mr. Suen is also a non-executive director and a controlling shareholder of Sunlink International Holdings Limited of which Mr. Sue is an executive director and the chairman. Save for the aforesaid, there is no other financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive Officer and among members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

BOARD OF DIRECTORS (continued)

During the year ended 31 March 2013, four regular Board meetings, the 2012 AGM and the SGM were held and the attendance of each director is set out as follows:

	Number of attendance		
Name of director	**Board meetings**	**2012 AGM**	**SGM**
Executive Directors			
Mr. Suen Cho Hung, Paul	4/4	1/1	0/1
Mr. Sue Ka Lok	4/4	1/1	1/1
Mr. Bai Jianjiang	4/4	0/1	0/1
Ms. Lee Chun Yeung, Catherine	4/4	1/1	0/1
Independent Non-executive Directors			
Mr. Wong Kwok Tai	4/4	1/1	0/1
Mr. Weng Yixiang	4/4	0/1	1/1
Mr. Lu Xinsheng	4/4	0/1	1/1

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the Chief Executive Officer ("CEO"). The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairman of the Board is currently held by Mr. Suen Cho Hung, Paul and the position of the CEO is currently held by Mr. Sue Ka Lok.

REMUNERATION COMMITTEE

The Remuneration Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Remuneration Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Wong Kwok Tai, Mr. Weng Yixiang and Mr. Lu Xinsheng, and one Executive Director, namely Mr. Sue Ka Lok. Mr. Weng Yixiang is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration; determining the remuneration packages of individual executive directors and senior management and making recommendations to the Board on the remuneration of non-executive directors. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met two times during the year ended 31 March 2013 to review the remuneration of the directors. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Weng Yixiang	2/2
Mr. Wong Kwok Tai	2/2
Mr. Lu Xinsheng	2/2
Mr. Sue Ka Lok	2/2

NOMINATION COMMITTEE

The Nomination Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Nomination Committee comprises four members, including three Independent Non-executive Directors, namely Mr. Wong Kwok Tai, Mr. Weng Yixiang and Mr. Lu Xinsheng, and one Executive Director, namely Mr. Sue Ka Lok. Mr. Lu Xinsheng is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met once during the year ended 31 March 2013 to review the structure, size and composition of the Board. The attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Lu Xinsheng	1/1
Mr. Wong Kwok Tai	1/1
Mr. Weng Yixiang	1/1
Mr. Sue Ka Lok	1/1

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 March 2013 is set out in the "Independent Auditor's Report" on pages 32 to 33 of this annual report.

For the year ended 31 March 2013, remuneration payable to the Company's auditor, HLB Hodgson Impey Cheng Limited, for the provision of audit services was HK$720,000. During the year, HK$536,000 was paid as remuneration to HLB Hodgson Impey Cheng Limited for the provision of non-audit related services including preparing accountants' reports for the Group's rights issue and very substantial disposal documents.

AUDIT COMMITTEE

The Audit Committee has specific written terms of reference as set out in the CG Code. As at the date of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Wong Kwok Tai, Mr. Weng Yixiang and Mr. Lu Xinsheng. Mr. Wong Kwok Tai is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 March 2013 and the attendance of each member is set out as follows:

Name of member	Number of attendance
Mr. Wong Kwok Tai	2/2
Mr. Weng Yixiang	2/2
Mr. Lu Xinsheng	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited financial statements of the Group for the year ended 31 March 2012 and recommended to the Board for approval;

2. reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 September 2012 and recommended to the Board for approval;

3. reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed the effectiveness of the internal control system of the Group; and

5. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 March 2013.

CORPORATE GOVERNANCE FUNCTIONS

In light of the amendments of the Listing Rules which became effective on 1 April 2012 and in order to establish the duties and responsibilities of the Board in performing its corporate governance functions, the Board has delegated certain corporate governance functions to the Audit Committee, which include (i) developing and reviewing policies and practices on corporate governance; (ii) reviewing and monitoring the training and continuous professional development of the directors and senior management; (iii) reviewing and monitoring policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

INTERNAL CONTROL

The Board recognises its responsibilities for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests. An internal control system, including a defined management structure with limits of authority, is designed to help achieving business objectives, safeguarding assets against unauthorised use, and maintaining proper accounting records for the provision of reliable financial information for internal use and for publication. The internal control system is set up to provide reasonable, but not absolute, assurance against material misstatement of financial statements or loss of assets and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

For the year ended 31 March 2013, the Board conducted a review of the effectiveness of the internal control system of the Group.

COMPANY SECRETARY

Ms. Chan Yuk Yee was appointed the Company Secretary of the Company on 5 November 2008. The biographical details of Ms. Chan are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 11 to 13 of this annual report. Ms. Chan has taken no less than 15 hours of the relevant professional training during the financial year ended 31 March 2013.

SHAREHOLDERS' RIGHTS

Procedures for shareholders to convene a special general meeting

According to bye-law 58 of the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

Procedures for shareholders to put forward proposals at general meetings

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or not less than one hundred shareholders, can request the Company in writing to:

(a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting;

(b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

Procedures for shareholders to propose a person for election as a director of the Company

According to bye-law 88 of the Company's Bye-laws, no person other than a director retiring at the general meeting of the Company shall, unless recommended by the directors for election, be eligible for election as a director at general meeting of the Company unless a notice signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the general meeting of the Company for which such notice is given of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected shall have been lodged at the Company's head office in Hong Kong or at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if the notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgement of such notice(s) shall commence on (and including) the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

SHAREHOLDERS' RIGHTS (continued)

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's head office in Hong Kong at Suite 1501, 15th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual and interim reports, notices, announcements and circulars and the Company's website at www.polycapital.com.hk.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
POLY CAPITAL HOLDINGS LIMITED
(FORMERLY KNOWN AS BEIJING YU SHENG TANG PHARMACEUTICAL GROUP LIMITED)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Poly Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 115, which comprise the consolidated and company statements of financial position as at 31 March 2013, and 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, in accordance with Section 90 of the Bermuda Companies Act 1981, 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.

AUDITOR'S RESPONSIBILITY (continued)

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 judgement, 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2013 and of the loss and cash flows of the Group 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.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practicing Certificate Number: P05029

Hong Kong, 27 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Revenue	7	**757,600**	1,080,073
Cost of sales		**(729,123)**	(1,078,317)
Gross profit		**28,477**	1,756
Net losses on investments at fair value through profit or loss	9	**(67,824)**	(430,825)
Other income and gains	7	**6,479**	12,418
Selling and distribution costs		**(891)**	(1,499)
Administrative expenses		**(22,080)**	(19,002)
Finance costs	8	**(1,811)**	(7,890)
Impairment loss recognised in respect of loan receivable and other receivable	9	**(10,449)**	–
Loss before taxation		**(68,099)**	(445,042)
Taxation	12	**(1,025)**	4,418
Loss for the year from continuing operations	9	**(69,124)**	(440,624)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	14	**7,930**	(28,246)
Loss for the year		**(61,194)**	(468,870)
Other comprehensive income			
Exchange differences on translating foreign operations		**2**	3,488
Other comprehensive income for the year, net of tax		**2**	3,488
Total comprehensive expense for the year		**(61,192)**	(465,382)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Loss for the year attributable to:			
Owners of the Company		**(60,928)**	(467,851)
Non-controlling interests		**(266)**	(1,019)
		(61,194)	(468,870)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(60,925)**	(464,323)
Non-controlling interests		**(267)**	(1,059)
		(61,192)	(465,382)
Loss per share attributable to owners of the Company	16		
From continuing and discontinued operations			
Basic and diluted (HK cents per share)		**(2.05)**	(38.34)
From continuing operations			
Basic and diluted (HK cents per share)		**(2.33)**	(36.11)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**3,152**	41,322
Prepaid lease payments	18	**–**	33,175
Other deposits		**–**	190
Intangible asset	19	**–**	135,558
Goodwill	20	**–**	9,935
Available-for-sale investment	22	**18,000**	–
Total non-current assets		**21,152**	220,180
Current assets			
Inventories	23	**–**	6,704
Accounts and bills receivable	24	**58,635**	57,447
Prepayments, deposits and other receivables	25	**50,571**	53,902
Loans receivable	26	**72,233**	66,838
Tax recoverable		**606**	573
Investments at fair value through profit or loss	27	**891,366**	715,251
Pledged bank deposits	28	**24,981**	15,008
Cash and bank balances	28	**187,997**	314,614
Total current assets		**1,286,389**	1,230,337
Current liabilities			
Accounts and bills payable	29	**6,469**	22,590
Other payables and accruals	30	**21,782**	159,053
Tax payable		**229**	52
Bank advances for discounted bills	24	**52,518**	31,169
Bank loans	31	**–**	28,751
Total current liabilities		**80,998**	241,615
Net current assets		**1,205,391**	988,722
Total assets less current liabilities		**1,226,543**	1,208,902

	Notes	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Placing notes	33	**95,097**	–
Deferred tax liabilities	34	**809**	10,953
Total non-current liabilities		**95,906**	10,953
Net assets		**1,130,637**	1,197,949
Capital and reserves			
Share capital	35	**296,563**	296,549
Reserves	37(a)	**834,074**	903,193
Equity attributable to owners of the Company		**1,130,637**	1,199,742
Non-controlling interests		**–**	(1,793)
Total equity		**1,130,637**	1,197,949

The consolidated financial statements on pages 34 to 115 are approved and authorised for issue by the Board of Directors on 27 June 2013 and are signed on its behalf by:

Suen Cho Hung, Paul *Director*	**Sue Ka Lok** *Director*

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	17	**6**	47
Investments in subsidiaries	21	**–**	–
Total non-current assets		**6**	47
Current assets			
Prepayments, deposits and other receivables	25	**336**	6,698
Amounts due from subsidiaries	21	**1,179,630**	961,547
Cash and bank balances	28	**60,527**	235,107
Total current assets		**1,240,493**	1,203,352
Current liabilities			
Amount due to a subsidiary	21	**17,139**	17,349
Other payables and accruals	30	**2,409**	1,064
Total current liabilities		**19,548**	18,413
Net current assets		**1,220,945**	1,184,939
Total assets less current liabilities		**1,220,951**	1,184,986
Non-current liabilities			
Placing notes	33	**95,097**	–
Deferred tax liabilities	34	**809**	–
Total non-current liabilities		**95,906**	–
Net assets		**1,125,045**	1,184,986
Capital and reserves			
Share capital	35	**296,563**	296,549
Reserves	37(b)	**828,482**	888,437
Total equity		**1,125,045**	1,184,986

Suen Cho Hung, Paul	**Sue Ka Lok**
Director	*Director*

The accompanying notes form an integral part of these financial statements.

	Notes	Share capital	Share premium (note 1)	Contributed surplus (note 2)	Convertible notes equity reserve (note 3)	Translation reserve (note 4)	Share option reserve (note 5)	Other reserve (note 6)	Accumulated losses	Sub-total	Non-controlling interests	Total
		Attributable to owners of the Company										
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2011		41,185	1,392,211	3,085	33,238	4,553	2,692	(124)	(179,281)	1,297,559	(734)	1,296,825
Loss for the year		–	–	–	–	–	–	–	(467,851)	(467,851)	(1,019)	(468,870)
Other comprehensive income/(expense) for the year		–	–	–	–	3,528	–	–	–	3,528	(40)	3,488
Total comprehensive income/(expense) for the year		–	–	–	–	3,528	–	–	(467,851)	(464,323)	(1,059)	(465,382)
Issue of shares		8,237	68,367	–	–	–	–	–	–	76,604	–	76,604
Rights issue of shares		247,109	74,133	–	–	–	–	–	–	321,242	–	321,242
Transaction costs attributable to issue of shares		–	(11,549)	–	–	–	–	–	–	(11,549)	–	(11,549)
Exercise of warrants		18	–	–	–	–	–	–	–	18	–	18
Repurchase of convertible notes		–	–	–	(33,238)	–	–	–	13,429	(19,809)	–	(19,809)
At 31 March 2012 and 1 April 2012		296,549	1,523,162	3,085	–	8,081	2,692	(124)	(633,703)	1,199,742	(1,793)	1,197,949
Loss for the year		–	–	–	–	–	–	–	(60,928)	(60,928)	(266)	(61,194)
Other comprehensive income/(expense) for the year		–	–	–	–	3	–	–	–	3	(1)	2
Total comprehensive income/(expense) for the year		–	–	–	–	3	–	–	(60,928)	(60,925)	(267)	(61,192)
Transaction costs attributable to issue of shares		–	(234)	–	–	–	–	–	–	(234)	–	(234)
Exercise of warrants	*35*	14	–	–	–	–	–	–	–	14	–	14
Lapse of share options		–	–	–	–	–	(2,692)	–	2,692	–	–	–
Disposal of subsidiaries	*39*	–	–	–	–	(8,084)	–	124	–	(7,960)	2,060	(5,900)
At 31 March 2013		**296,563**	**1,522,928**	**3,085**	**–**	**–**	**–**	**–**	**(691,939)**	**1,130,637**	**–**	**1,130,637**

Notes:

1. Share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

2. Pursuant to the capital reorganisation implemented during the year ended 31 March 2006, the credits arising from the capital reduction and share premium cancellation were transferred to the contributed surplus account of the Group where they had been utilised to eliminate the accumulated losses of the Group.

3. Under Hong Kong Accounting Standard ("HKAS") 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue of the convertible notes and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes equity reserve until the convertible notes are either converted (in which case it is transferred to share premium) or the convertible notes are redeemed (in which case it is released directly to accumulated losses).

4. Translation reserve represents exchange difference arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars), which is recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange difference accumulated in the exchange reserve will be reclassified to profit or loss on the disposal of the foreign operations.

5. Share option reserve represents the fair value of services received in exchange for the grant of the relevant share options, the total of which is based on the fair value of the share options at grant date. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

6. Other reserve represents the difference between the consideration paid to obtain additional 5% non-controlling interests in Ju Xie Chang (Beijing) Pharmaceutical Company Limited* ("Ju Xie Chang") (聚協昌（北京）藥業有限公司) and its carrying amount of net assets on the date of acquisition. The excess of the fair value of the consideration over the carrying amount of net assets acquired had been debited directly to equity.

* *Literal translation of its Chinese company name*

The accompanying notes form an integral part of these consolidated financial statements.

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Cash flows from operating activities			
Loss for the year		**(61,194)**	(468,870)
Adjustments for:			
Income tax expense/(credit) recognised in profit or loss	*12 and 14*	**926**	(9,895)
Finance costs	*8 and 14*	**3,735**	11,856
Bank interest income	*7 and 14*	**(1,005)**	(1,254)
Interest income from provision of finance	*7*	**(10,105)**	(4,418)
Impairment loss recognised in respect of intangible asset	*14*	**–**	21,704
Impairment loss recognised in respect of loan receivable and other receivable	*9*	**10,449**	–
Unrealised loss on investments at fair value through profit or loss	*9*	**69,251**	410,246
Depreciation of property, plant and equipment	*9 and 14*	**3,938**	3,429
Amortisation of prepaid lease payments	*14*	**463**	793
Gain on disposal of subsidiaries	*39*	**(11,865)**	–
Gain on disposal of property, plant and equipment	*7*	**–**	(87)
Gain on repurchase of convertible notes	*7*	**–**	(2,159)
Operating cash flows before movements in working capital		**4,593**	(38,655)
Decrease in inventories		**1,141**	7,475
(Increase)/decrease in accounts and bills receivable		**(19,372)**	243,095
(Increase)/decrease in prepayments, deposits and other receivables		**(29,928)**	8,665
Increase in loans receivable		**(15,395)**	(46,838)
Increase in investments at fair value though profit or loss		**(245,366)**	(637,821)
Decrease in other deposits		**190**	–
Decrease in accounts and bills payable		**(4,866)**	(196,090)
Increase in other payables and accruals		**14,933**	12,371
Cash used in operations		**(294,070)**	(647,798)
Interest on loans receivable received	*7*	**10,105**	4,418
Interest paid for convertible notes	*32*	**–**	(912)
Hong Kong Profits Tax paid		**(72)**	(1,129)
Net cash outflow from operating activities		**(284,037)**	(645,421)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Cash flows from investing activities			
Bank interest received	*7 and 14*	**1,005**	1,254
Increase in available-for-sale investment		**(18,000)**	–
Proceeds from disposal of property, plant and equipment		**–**	420
Purchases of property, plant and equipment	*17*	**(2,130)**	(4,487)
Net cash inflow from disposal of subsidiaries	*39*	**75,633**	–
(Increase)/decrease in pledged bank deposits	*28*	**(9,973)**	233,020
Net cash inflow from investing activities		**46,535**	230,207
Cash flows from financing activities			
Proceeds from rights issue		**–**	321,242
Proceeds from exercise of warrants	*35*	**14**	18
Proceeds from issue of shares		**–**	76,604
Transaction costs attributable to issue of shares		**(234)**	(11,549)
Increase in bank advances for discounted bills		**21,349**	31,169
Repayment of bank loans		**(5,166)**	(8,054)
Net proceeds from issue of placing notes	*33*	**94,900**	–
Repurchase of convertible notes		**–**	(187,209)
Net cash inflow from financing activities		**110,863**	222,221
Net decrease in cash and cash equivalents		**(126,639)**	(192,993)
Cash and cash equivalents at beginning of year		**314,614**	509,938
Effect of foreign exchange rate changes, net		**22**	(2,331)
Cash and cash equivalents at end of year	*28*	**187,997**	314,614

The accompany notes from an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Poly Capital Holdings Limited, formerly known as Beijing Yu Sheng Tang Pharmaceutical Group Limited (the "Company"), is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's ultimate holding company is Excelsior Kingdom Limited, which is incorporated in the British Virgin Islands (the "BVI"). Excelsior Kingdom Limited does not produce financial statements available for public use.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

The principal activities of the Company are investment holdings and securities investment. The activities of its principal subsidiaries are set out in note 21 to the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Company and its subsidiaries (the "Group") have applied, for the first time, the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning 1 April 2012.

HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets

The adoption of the above new and revised HKFRSs has had no material impact on the results and the financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

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

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income [1]
HKAS 19 (As revised in 2011)	Employee Benefits [2]
HKAS 27 (As revised in 2011)	Separate Financial Statements [2]
HKAS 28 (As revised in 2011)	Investments in Associates and Joint Ventures [2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [3]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine [2]
HKFRS (Amendments)	Annual Improvements to HKFRSs 2009-2011 Cycle [2]
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans [2]
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities [2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure [4]
HKFRS 9	Financial Instruments [4]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance [2]
HKFRS 10	Consolidated Financial Statements [2]
HKFRS 11	Joint Arrangements [2]
HKFRS 12	Disclosure of Interests in Other Entities [2]
HKFRS 13	Fair Value Measurement [2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

The Group is in the process of making an assessment of the impact upon initial application of the new and revised HKFRSs. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (or its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair values or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

Prepaid lease payments

Prepayment for obtaining land use rights is accounted for as prepaid lease payments and is charged to statement of comprehensive income on a straight-line basis over the lease terms.

Intangible asset

Intangible asset acquired in a business combination

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

Subsequent to initial recognition, intangible asset acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible asset

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

Impairment of tangible and intangible assets other than goodwill

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

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

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The accounting policies adopted in respect of each category of financial assets are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts and bills receivable, other receivables, loans receivable, pledged bank deposits, cash and bank balances and amounts due from subsidiaries of the Company) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

For AFS equity investments, a significant of prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial liabilities.

For certain categories of financial assets, such as accounts and bills receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, 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, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Warrants

Warrants issued by the Company to acquire a fixed number of the Company's own equity instruments for a fixed amount of any currency are equity instruments if the Company offers the warrants pro rata to all of its existing owners of the same class of its own-derivative equity instruments. When the warrants are exercised, the portion of subscription money with the nominal value of the ordinary shares is recognised to the share capital account while any excess of the subscription money over the nominal value of ordinary shares is taken into the share premium account.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Other financial liabilities

Financial liabilities (including accounts and bills payable, other payables, bank advances for discounted bills, bank loans, placing notes and amount due to a subsidiary of the Company) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirely, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit and loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises cash in hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingent liabilities and contingent assets

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, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingent liabilities and contingent assets (continued)

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Revenue recognition

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

Sales of goods are recognised when goods are delivered and titles have passed.

Sale of securities investments are recognised on a trade date basis.

Rental income is recognised on a straight-line basis over the lease terms.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognised when the shareholders' right to receive payment has been established.

Taxation

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

Current tax

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

Deferred tax

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax (continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Foreign currencies

The consolidated financial statements are presented in Hong Kong dollars. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. 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 jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Leasing

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

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charges to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Related parties transactions

A party is considered to be related to the Group if:

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

- (i) has control or join control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties transactions (continued)

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

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

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

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

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

A transaction is considered to be a related party transaction when there is a transfer of resources or, obligations between the Group and a related party, regardless of whether a price is charged.

Discontinued operation

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

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement of fair value less costs of sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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 discussed below.

(a) Income taxes

The Group is subject to income taxes in various jurisdictions. 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 income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of assets

The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash generating unit is determined based on value-in-use calculations which require the use of assumptions and estimates.

(c) Estimate of fair value of financial instruments

The fair value of financial assets (investments at fair value through profit or loss) and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

Group

Financial assets

	2013				2012			
	Loans and receivables	**Financial assets at FVTPL**	**AFS financial assets**	**Total**	Loans and receivables	Financial assets at FVTPL	AFS financial assets	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale investment	**–**	**–**	**18,000**	**18,000**	–	–	–	–
Accounts and bills receivable	**58,635**	**–**	**–**	**58,635**	57,447	–	–	57,447
Other receivables	**13,024**	**–**	**–**	**13,024**	41,810	–	–	41,810
Loans receivable	**72,233**	**–**	**–**	**72,233**	66,838	–	–	66,838
Investments at fair value through profit or loss								
– Held for trading	**–**	**811,985**	**–**	**811,985**	–	638,626	–	638,626
– Designated as at FVTPL	**–**	**79,381**	**–**	**79,381**	–	76,625	–	76,625
Pledged bank deposits	**24,981**	**–**	**–**	**24,981**	15,008	–	–	15,008
Cash and bank balances	**187,997**	**–**	**–**	**187,997**	314,614	–	–	314,614
	356,870	**891,366**	**18,000**	**1,266,236**	495,717	715,251	–	1,210,968

Financial liabilities

	2013 Financial liabilities at amortised cost	2012 Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Accounts and bills payable	**6,469**	22,590
Other payables	**6,490**	156,904
Bank advances for discounted bills	**52,518**	31,169
Bank loans	**–**	28,751
Placing notes	**95,097**	–
	160,574	239,414

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(a) Categories of financial instruments (continued)

Company

Financial assets

	2013				2012			
	Loans and receivables	Financial assets at FVTPL	AFS financial assets	Total	Loans and receivables	Financial assets at FVTPL	AFS financial assets	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other receivables	82	–	–	82	6,252	–	–	6,252
Amounts due from subsidiaries	1,179,630	–	–	1,179,630	961,547	–	–	961,547
Cash and bank balances	60,527	–	–	60,527	235,107	–	–	235,107
	1,240,239	–	–	1,240,239	1,202,906	–	–	1,202,906

Financial liabilities

	2013 Financial liabilities at amortised cost	2012 Financial liabilities at amortised cost
	HK$'000	*HK$'000*
Other payables	1,614	–
Amount due to a subsidiary	17,139	17,349
Placing notes	95,097	–
	113,850	17,349

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, accounts and bills receivable, other receivables, loans receivable, investments at fair value through profit or loss, pledged bank deposits, bank balances, accounts and bills payable, other payables, bank loans, bank advances for discounted bills and placing notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's principal financial assets include available-for-sale investment, accounts and bills receivable, other receivables, loans receivable, investments at fair value through profit or loss, pledged bank deposits and bank balances. The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 March 2013 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Market risk

(i) Foreign currency risk

Certain assets and liabilities of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, management considers the foreign exchange exposure is currently relative insignificant and will consider hedging significant foreign currency exposure should the need arises.

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

Assets

	2013	2012
	HK$'000	*HK$'000*
Renminbi ("RMB")	**29**	82,624
US dollars	**145,296**	79,679

Liabilities

	2013	2012
	HK$'000	*HK$'000*
RMB	**–**	198,745
US dollars	**25,273**	9,679

Sensitivity analysis

As HK$ are pegged to US dollars, it is assumed that there would be no material currency risk exposure between these two currencies and therefore is excluded from the analysis.

The Group is mainly exposed to the effects of fluctuation in RMB.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Market risk (continued)

(i) Foreign currency risk (continued)

Sensitivity analysis (continued)

The following table details the Group's sensitivity to a 5% (2012: 5%) increase and decrease in HK$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change of foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items. It also includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. For the year ended 31 March 2013, the positive number below indicates a decrease in loss where the HK$ weaken 5% against RMB. For the year ended 31 March 2012, the negative number below indicates an increase in loss where the HK$ weaken 5% against RMB. The Group's sensitivity to foreign currency has changed during the current year mainly due to the turnaround from the position of foreign currency denominated monetary net liabilities to foreign currency denominated monetary net assets. If HK$ strengthen 5% against RMB, there would be an equal and opposite impact on the loss as those referred to in the table below.

Impact of RMB

	2013	2012
	HK$'000	*HK$'000*
Loss *(note)*	**1**	(5,806)

Note: During the year ended 31 March 2013, the Group disposed several subsidiaries (note 39) whose assets and liabilities are denominated in RMB. The Group's foreign currency risk exposure in RMB has decreased substantially.

(ii) Price risk

The Group is exposed to equity security price risk through its investments at fair value through profit or loss (equity securities listed in Hong Kong, convertible bonds and interest bearing notes). Management manages this exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

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

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Market risk (continued)

(ii) Price risk (continued)

Sensitivity analysis (continued)

If equity prices had been 5% higher/lower:

- net loss for the year ended 31 March 2013 would decrease/increase by approximately HK$44,568,000 (2012: decrease/increase by HK$35,763,000). This is mainly due to the changes in fair value of investments at fair value through profit or loss; and

- other equity reserves would not increase/decrease.

The Group's sensitivity to equity prices has increased from prior year because the Group's has increased its investments at fair value through profit or loss.

(iii) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its bank saving balances, bank deposits and bank loans. The Group monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances, bank deposits and bank loans where necessary.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank saving balances, bank deposits and bank loans at the end of the reporting period. The analysis is prepared assuming bank balances and the amounts of liability outstanding at the end of the reporting period were held/outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2013 would increase/decrease by approximately HK$409,000 (2012: decrease/increase by HK$65,000). This is mainly attributable to the Group's exposure to interest rates on its bank saving balances, bank deposits and bank advances for discounted bills.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for operations, capital investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and cash reserve.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

Group

	Weighted average interest rate %	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2013							
Accounts and bills payable	–	4,742	1,727	–	–	6,469	6,469
Other payables	–	4,876	–	1,614	–	6,490	6,490
Placing notes	5.91%	–	–	–	100,000	100,000	95,097
		9,618	1,727	1,614	100,000	112,959	108,056

	Weighted average interest rate %	On demand HK$'000	Less than 3 months HK$'000	3 to 12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2012							
Accounts and bills payable	–	17,108	5,482	–	–	22,590	22,590
Other payables	–	22,593	3,997	130,314	–	156,904	156,904
Bank loans	9.42%	28,751	–	–	–	28,751	28,751
		68,452	9,479	130,314	–	208,245	208,245

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively;

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions; and

- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Level 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

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

Fair value measurements recognised in the consolidated statement of financial position (continued)

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
As at 31 March 2013				
Financial assets at FVTPL				
Held for trading investments	**811,985**	**–**	**–**	**811,985**
Investments designated as at FVTPL	**–**	**–**	**79,381**	**79,381**
Total	**811,985**	**–**	**79,381**	**891,366**
As at 31 March 2012				
Financial assets at FVTPL				
Held for trading investments	638,626	–	–	638,626
Investments designated as at FVTPL	–	–	76,625	76,625
Total	638,626	–	76,625	715,251

There were no transfers between Level 1 and Level 2 in both years.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
As at 1 April 2011	–
Purchases	77,000
Fair value loss in profit or loss	(375)
As at 31 March 2012 and 1 April 2012	76,625
Purchases	8,700
Fair value loss in profit or loss	(5,944)
As at 31 March 2013	**79,381**

The above fair value loss included in the consolidated statement of comprehensive income for the current year related to investment in convertible bonds and interest bearing notes (note 27(b)) held at the end of the reporting period.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT (continued)

(c) Capital risk management

The Group's objectives when managing capital to ensure that entities in the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debts, which include placing notes, bank advances for discounted bills, bank loans and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As a part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank borrowings and placing of notes. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debt divided by capital and total debt. During the years ended 31 March 2013 and 2012, the Group's strategy was to maintain a reasonable gearing ratio. The gearing ratio at 31 March 2013 and 2012 were as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Placing notes	**95,097**	–
Bank loans	**–**	28,751
Bank advances for discounted bills	**52,518**	31,169
Total debt	**147,615**	59,920
Equity attributable to owners of the Company	**1,130,637**	1,199,742
Capital and total debt	**1,278,252**	1,259,662
Gearing ratio	**0.12**	0.05

The increase in gearing ratio was due to the increase in total debt during the year.

The Group overall strategy remains unchanged during the year.

6. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

- the supply and procurement segment represents supply and procurement activities in metal minerals, recyclable metal materials and timber logs;

- the provision of finance segment represents provision of short-term loan financing activities; and

- the securities investment segment represents investment activities in equity securities, equity-linked notes, convertible bonds and interest bearing notes.

During the current year, as described in note 39, the Group disposed of its pharmaceutical business which was engaged in the production and sale of Chinese medicine. The pharmaceutical business was classified as discontinued operation as described in note 14.

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 March 2013

	Continuing operations				Discontinued operation	
	Supply and procurement HK$'000	Provision of finance HK$'000	Securities investment HK$'000	Sub-total HK$'000	Pharmaceutical HK$'000	Consolidated HK$'000
Segment revenue						
Sales to and income from external parties	741,974	10,105	5,521	757,600	17,451	775,051
Segment results	14,703	(59)	(62,309)	(47,665)	(2,110)	(49,775)
Unallocated other income and gains				1,294	–	1,294
Unallocated expenses				(19,917)	–	(19,917)
Finance costs				(1,811)	(1,924)	(3,735)
Loss before taxation				(68,099)	(4,034)	(72,133)
Taxation				(1,025)	99	(926)
Loss after taxation				(69,124)	(3,935)	(73,059)
Gain on disposal of subsidiaries				–	11,865	11,865
(Loss)/profit for the year				(69,124)	7,930	(61,194)
Assets and liabilities						
Segment assets	214,833	78,117	891,368	1,184,318	–	1,184,318
Unallocated assets						123,223
Total assets						1,307,541
Segment liabilities	77,858	529	–	78,387	–	78,387
Unallocated liabilities						98,517
Total liabilities						176,904
Other segment information						
Depreciation of property, plant and equipment and amortisation of prepaid lease payments						
– allocated	–	–	–	–	3,467	3,467
– unallocated						934
						4,401
Capital expenditure						
– allocated	–	–	–	–	570	570
– unallocated						1,560
						2,130
Impairment loss recognised in respect of loan receivable and other receivable	–	10,449	–	10,449	–	10,449
Gain on disposal of subsidiaries	–	–	–	–	(11,865)	(11,865)

6. SEGMENT INFORMATION (continued)

For the year ended 31 March 2012

	Continuing operations				Discontinued operation	
	Supply and procurement HK$'000	Provision of finance HK$'000	Securities investment HK$'000	Sub-total HK$'000	Pharmaceutical HK$'000	Consolidated HK$'000
Segment revenue						
Sales to and income from external parties	1,059,617	4,418	16,038	1,080,073	34,490	1,114,563
Segment results	(15,165)	4,235	(414,792)	(425,722)	(8,053)	(433,775)
Unallocated other income and gains				3,727	–	3,727
Unallocated expenses				(15,157)	–	(15,157)
Finance costs				(7,890)	(3,966)	(11,856)
Impairment loss recognised in respect of intangible asset				–	(21,704)	(21,704)
Loss before taxation				(445,042)	(33,723)	(478,765)
Taxation				4,418	5,477	9,895
Loss for the year				(440,624)	(28,246)	(468,870)
Assets and liabilities						
Segment assets	101,175	73,289	715,251	889,715	306,954	1,196,669
Unallocated assets						253,848
Total assets						1,450,517
Segment liabilities	41,102	250	–	41,352	209,783	251,135
Unallocated liabilities						1,433
Total liabilities						252,568
Other segment information						
Depreciation of property, plant and equipment and amortisation of prepaid lease payments						
– allocated	–	–	–	–	3,619	3,619
– unallocated						603
						4,222
Capital expenditure						
– allocated	–	–	–	–	2,618	2,618
– unallocated						1,869
						4,487
Impairment loss recognised in respect of intangible asset	–	–	–	–	21,704	21,704

6. SEGMENT INFORMATION (continued)

Reportable segment's assets are reconciled to total assets as follows:

	2013	2012
	HK$'000	*HK$'000*
Segment assets for reportable segment	**1,184,318**	1,196,669
Unallocated:		
Property, plant and equipment	**3,152**	2,526
Available-for-sale investment	**18,000**	–
Prepayments, deposits and other receivables	**10,230**	15,802
Cash and bank balances	**91,841**	235,520
Total assets	**1,307,541**	1,450,517

Reportable segment's liabilities are reconciled to total liabilities as follows:

	2013	2012
	HK$'000	*HK$'000*
Segment liabilities for reportable segment	**78,387**	251,135
Unallocated:		
Other payables and accruals	**2,611**	1,433
Placing notes	**95,097**	–
Deferred tax liabilities	**809**	–
Total liabilities	**176,904**	252,568

6. SEGMENT INFORMATION (continued)

Geographical information

The following table presents segment revenue from continuing operations and non-current assets for the Group's geographical segments for the years ended 31 March 2013 and 2012:

	Hong Kong		The People's Republic of China (the "PRC") (excluding Hong Kong)		Consolidated	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue						
Sales to and income from external parties	**15,626**	20,456	**741,974**	1,059,617	**757,600**	1,080,073
Other segment information						
Non-current assets	**21,152**	2,716	**–**	217,464	**21,152**	220,180

Segment revenue reported above represents revenue generated from external parties. There were no inter-segment sales in the current year (2012: nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit/loss earned by each segment which do not include intercompanies income and expenses, unallocated other income and gains, unallocated expenses, finance costs, impairment loss recognised in respect of intangible asset, taxation and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Information about major customers

Revenue from customers contributing over 10% of the total sales of the Group is mainly derived from the supply and procurement segment in both years. For the year ended 31 March 2013, there were three major customers contributing over 10% of the total sales amounting to approximately HK$205,225,000, HK$79,892,000 and HK$75,812,000 respectively. For the year ended 31 March 2012, there were four major customers contributing over 10% of the total sales amounting to approximately HK$284,330,000, HK$200,309,000, HK$119,924,000 and HK$113,591,000 respectively.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, income from provision of finance, and dividend and interest income from securities investments during the year.

An analysis of revenue, other income and gains is as follows:

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Continuing operations		
Revenue		
Sale of goods	**741,974**	1,059,617
Interest income from provision of finance	**10,105**	4,418
Dividend income on investment in listed equity securities	**2,325**	15,361
Interest income on investment in convertible bonds	**3,196**	609
Interest income on investment in equity-linked notes	**–**	68
	757,600	1,080,073
Other income and gains		
Bank interest income	**939**	1,206
Other interest income	**–**	13
Rental income	**488**	120
Gain on disposal of property, plant and equipment	**–**	87
Gain on repurchase of convertible notes *(note 32)*	**–**	2,159
Compensation received	**4,442**	8,473
Sundry income	**610**	360
	6,479	12,418

8. FINANCE COSTS

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Continuing operations		
Interest on:		
Convertible notes *(note 32)*	**–**	7,890
Placing notes *(note 33)*	**1,811**	–
	1,811	7,890

9. LOSS FOR THE YEAR

	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations		
The Group's loss for the year is arrived at after charging:		
Staff costs (including directors' remuneration – *note 10*):		
Wages and salaries	**9,953**	9,673
Pension scheme contributions	**459**	408
Total staff costs	**10,412**	10,081
Auditor's remuneration		
Current year	**720**	835
Over provision in prior year	**(29)**	(30)
	691	805
Cost of inventories sold	**718,205**	999,510
Depreciation of property, plant and equipment	**934**	603
Minimum lease payments in respect of land and buildings	**2,503**	1,263
Impairment loss recognised in respect of loan receivable and other receivable *(note 26)*	**10,449**	–
Net losses on investments at fair value through profit or loss:		
Proceeds on sales of listed equity securities investments	**(391,808)**	(230,820)
Less: cost of sales	**390,381**	251,399
Net realised (gain)/loss on investment in listed equity securities	**(1,427)**	20,579
Unrealised loss on investments at fair value through profit or loss		
– Held for trading	**63,307**	409,871
– Designated as at FVTPL	**5,944**	375
	69,251	410,246
Net losses on investments at fair value through profit or loss	**67,824**	430,825

At 31 March 2013, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2012: nil).

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**240**	240
	240	240
Other emoluments of executive directors:		
Salaries, other allowances and benefits in kind	**3,856**	4,115
Discretionary bonuses	**227**	–
Pension scheme contributions	**196**	185
	4,279	4,300
	4,519	4,540

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2013 ***HK$'000***	2012 *HK$'000*
Mr. Wong Kwok Tai	**120**	120
Mr. Weng Yixiang	**60**	60
Mr. Lu Xinsheng	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2012: nil).

10. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Salaries, other allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Pension scheme contributions *HK$'000*	Total remuneration *HK$'000*
2013				
Mr. Suen Cho Hung, Paul	**1,950**	**–**	**98**	**2,048**
Mr. Sue Ka Lok	**715**	**–**	**36**	**751**
Ms. Lee Chun Yeung, Catherine	**955**	**227**	**59**	**1,241**
Mr. Bai Jianjiang	**236**	**–**	**3**	**239**
	3,856	**227**	**196**	**4,279**
2012				
Mr. Suen Cho Hung, Paul	1,950	–	98	2,048
Mr. Sue Ka Lok	715	–	36	751
Ms. Lee Chun Yeung, Catherine	956	–	47	1,003
Mr. Bai Jianjiang	494	–	4	498
	4,115	–	185	4,300

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT'S REMUNERATION

The five highest paid employees for the year included three (2012: four) directors of the Company, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining two (2012: one) non-director, highest paid employees for the year is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Salaries, other allowances and benefits in kind	**859**	514
Discretionary bonuses	**75**	–
Pension scheme contributions	**47**	26
	981	540

The remuneration of the five highest paid employees for the year fell within the following bands:

	Number of individuals	
	2013	2012
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$3,000,000	**1**	1
	5	5

During the year, HK$75,000 were paid to or receivable by two of the five highest paid employees of the Group as discretionary bonuses (2012: nil). No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2012: nil).

For the years ended 31 March 2013 and 2012, the remuneration of senior management (as disclosed in the section headed "Biographical Details of Directors and Senior Management") is disclosed by band as follows:

	Number of individual	
	2013	2012
Nil to HK$1,000,000	**1**	1

12. TAXATION

	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations		
Current – Hong Kong		
Charge for the year	**240**	215
Over provision in prior years	**(24)**	(54)
	216	161
Deferred tax *(note 34)*		
Current year	**809**	(4,579)
	1,025	(4,418)

Hong Kong Profits Tax for the year ended 31 March 2013 was calculated at 16.5% (2012: 16.5%) of the estimated assessable profit for the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

12. TAXATION (continued)

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

Group

	2013 *HK$'000*	2012 *HK$'000* (Restated)
Loss before taxation (from continuing operations)	**(68,099)**	(445,042)
Tax at the domestic income tax rate of 16.5% (2012: 16.5%)	**(11,236)**	(73,432)
Tax effect of income not taxable for tax purpose	**(539)**	(7,751)
Tax effect of expenses not deductible for tax purpose	**894**	1,241
Tax effect of tax losses not recognised	**12,172**	77,044
Over provision in prior years	**(24)**	(54)
Effect of utilisation of tax losses previously not recognised	**(242)**	(1,466)
Taxation for the year (relating to continuing operations)	**1,025**	(4,418)

13. LOSS OF THE COMPANY

The net loss for the year dealt with in the financial statements of the Company amounted to HK$59,721,000 (2012: HK$441,111,000).

14. DISCONTINUED OPERATION

On 7 September 2012, the Group entered into a conditional sale and purchase agreement to dispose of its pharmaceutical business at a consideration of HK$100,000,000. The disposal was approved by shareholders of the Company on 22 October 2012 and completed on 2 November 2012. Details of the disposal are disclosed in note 39.

14. DISCONTINUED OPERATION (continued)

The profit/(loss) from the discontinued operation which has been included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below:

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year from discontinued operation		
Revenue	**17,451**	34,490
Cost of sales	**(9,382)**	(15,922)
Gross profit	**8,069**	18,568
Other income and gains	**66**	48
Selling and distribution costs	**(304)**	(8,668)
Administrative expenses	**(9,941)**	(18,001)
Finance costs	**(1,924)**	(3,966)
Impairment loss recognised in respect of intangible asset	**–**	(21,704)
Loss before taxation	**(4,034)**	(33,723)
Taxation	**99**	5,477
Loss after taxation	**(3,935)**	(28,246)
Gain on disposal of subsidiaries *(note 39)*	**11,865**	–
Profit/(loss) for the year from discontinued operation	**7,930**	(28,246)
Profit/(loss) for the year attributable to:		
Owners of the Company	**8,196**	(27,227)
Non-controlling interests	**(266)**	(1,019)
	7,930	(28,246)

14. DISCONTINUED OPERATION (continued)

	2013 HK$'000	2012 HK$'000
Profit/(loss) for the year from discontinued operation includes the following:		
Staff costs (including directors' remuneration):		
Wages and salaries	**1,005**	1,491
Pension scheme contributions	**322**	432
Total staff costs	**1,327**	1,923
Cost of inventories sold	**7,894**	14,469
Depreciation of property, plant and equipment	**3,004**	2,826
Amortisation of prepaid lease payments	**463**	793
Minimum lease payments in respect of land and buildings	**1,289**	2,233
Impairment loss recognised in respect of intangible asset	**–**	21,704
Interest expense on:		
Bank loans and other loan wholly repayable within five years	**1,924**	3,966
Bank interest income	**(66)**	(48)
Gain on disposal of subsidiaries *(note 39)*	**(11,865)**	–
Cash flows from discontinued operation		
Net cash (used in)/generated from operating activities	**(9,379)**	7,021
Net cash used in investing activities	**(314)**	(2,621)
Net cash used in financing activities	**(5,161)**	(8,100)
Net cash outflows	**(14,854)**	(3,700)

15. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 March 2013 (2012: nil).

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

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

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(60,928)**	(467,851)

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,965,534**	1,220,356

Basic and diluted loss per share from the continuing and discontinued operations for the years ended 31 March 2013 and 2012 were the same because exercise of share options and warrants (2012: exercise of share options and conversion of convertible notes) would decrease the loss per share for both years, therefore, anti-dilutive.

From continuing operations

The calculation of basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

	2013	2012
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company for the purpose of basic loss per share	**(69,124)**	(440,624)

	2013	2012
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,965,534**	1,220,356

16. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

From continuing operations (continued)

Basic and diluted loss per share from the continuing operations for the years ended 31 March 2013 and 2012 were the same because exercise of share options and warrants (2012: exercise of share options and conversion of convertible notes) would decrease the loss per share for both years, therefore, anti-dilutive.

From discontinued operation

Basic loss per share from the discontinued operation is HK0.12 cent per share (excluding gain on disposal of subsidiaries (note 14)) (2012: basic loss of HK2.23 cents per share), calculated based on the loss attributable to owners of the Company from the discontinued operation of HK$3,669,000 (excluding gain on disposal of subsidiaries of HK$11,865,000 (note 14)) (2012: loss of HK$27,227,000) and the weighted average number of ordinary shares of 2,965,534,000 (2012: 1,220,356,000).

Basic and diluted loss per share from the discontinued operation for the years ended 31 March 2013 and 2012 were the same because exercise of share options and warrants (2012: exercise of share options and conversion of convertible notes) would decrease the loss per share for both years, therefore, anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Buildings HK$'000	Total HK$'000
Cost					
At 1 April 2011	3,531	4,487	2,596	31,224	41,838
Additions	1,648	981	1,858	–	4,487
Reclassified from other deposits	2,047	–	–	–	2,047
Disposal	–	–	(588)	–	(588)
Exchange realignment	99	402	15	1,101	1,617
At 31 March 2012 and 1 April 2012	7,325	5,870	3,881	32,325	49,401
Additions	–	588	1,542	–	2,130
Elimination on disposal of subsidiaries *(note 39)*	(6,213)	(6,148)	(447)	(32,325)	(45,133)
At 31 March 2013	**1,112**	**310**	**4,976**	**–**	**6,398**
Accumulated depreciation and impairment					
At 1 April 2011	1,446	1,151	790	1,097	4,484
Provided for the year	782	1,073	557	1,017	3,429
Disposal	–	–	(255)	–	(255)
Exchange realignment	19	304	1	97	421
At 31 March 2012 and 1 April 2012	2,247	2,528	1,093	2,211	8,079
Provided for the year	1,766	694	885	593	3,938
Elimination on disposal of subsidiaries *(note 39)*	(2,915)	(2,996)	(75)	(2,809)	(8,795)
Exchange realignment	14	5	–	5	24
At 31 March 2013	**1,112**	**231**	**1,903**	**–**	**3,246**
Carrying value					
At 31 March 2013	**–**	**79**	**3,073**	**–**	**3,152**
At 31 March 2012	5,078	3,342	2,788	30,114	41,322

At 31 March 2012, the buildings with the carrying amount of approximately HK$30,114,000 were pledged to secure for the bank loans of the Group (note 38).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Leasehold improvements *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2011, 31 March 2012, 1 April 2012 and 31 March 2013	**1,112**	**174**	**1,286**
Accumulated depreciation and impairment			
At 1 April 2011	1,089	98	1,187
Provided for the year	17	35	52
At 31 March 2012 and 1 April 2012	1,106	133	1,239
Provided for the year	6	35	41
At 31 March 2013	**1,112**	**168**	**1,280**
Carrying value			
At 31 March 2013	**–**	**6**	**6**
At 31 March 2012	6	41	47

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	8% – 20%
Motor vehicles	20%
Buildings	Over the shorter of the term of the lease or 20 – 35 years

18. PREPAID LEASE PAYMENTS

	Group	
	2013	2012
	HK$'000	*HK$'000*
At beginning of the year	**33,974**	33,643
Amortisation for the year	**(463)**	(793)
Exchange realignment	**(2)**	1,124
Elimination on disposal of subsidiaries *(note 39)*	**(33,509)**	–
At end of the year	**–**	33,974
Analysed for reporting purposes as:		
Current assets (included in prepayments, deposits and other receivables)	**–**	799
Non-current assets	**–**	33,175
	–	33,974

The prepaid lease payments were paid for the right to use certain lands under medium term leases in the PRC.

At 31 March 2012, the prepaid lease payments with the carrying amount of approximately HK$33,974,000 were pledged to secure for bank loans of the Group (note 38).

19. INTANGIBLE ASSET

	Group
	HK$'000
Cost	
At 1 April 2011	152,320
Exchange realignment	5,120
At 31 March 2012 and 1 April 2012	157,440
Elimination on disposal of subsidiaries *(note 39)*	(157,440)
At 31 March 2013	**–**
Impairment	
At 1 April 2011	–
Impairment loss recognised in profit or loss	21,704
Exchange realignment	178
At 31 March 2012 and 1 April 2012	21,882
Elimination on disposal of subsidiaries *(note 39)*	(21,882)
At 31 March 2013	**–**
Carrying value	
At 31 March 2013	**–**
At 31 March 2012	135,558

Notes:

The intangible asset represented an intellectual property relating to the production and sale of 金花清感 (Jinhua Qinggan) which was a prescription drug for clinic use. Jinhua Qinggan was a Chinese medicine aimed at treating patients infected with Influenza A (H1N1) and other types of influenza.

During the year ended 31 March 2012, the recoverable amount of intellectual property is determined based on value-in-use calculations. The impairment review of the intellectual property is based on the expected future cash flows and based on the financial budgets approved by management covering its estimated useful life. Discount rate of 14.01% is applied on the value-in-use calculations.

The value-in-use at 31 March 2012 is calculated to be lower than the carrying amount of the intellectual property and accordingly an impairment loss of approximately HK$21,704,000 was recognised in 2012. The impairment loss is included in the consolidated statement of comprehensive income.

The fair value of the intangible asset was approximately HK$135,558,000 at 31 March 2012 and is based on the valuation report issued by an independent qualified professional valuer which valued the intangible asset on discounted cash flow method.

The above intangible asset had definite useful life and was amortised on a straight-line basis over its useful life of 20 years commencing from the date of granting of the new drug certificate.

20. GOODWILL

	Group *HK$'000*
Cost	
At 1 April 2011, 31 March 2012 and 1 April 2012	9,935
Disposal of subsidiaries *(note 39)*	(9,935)
At 31 March 2013	**–**
Carrying value	
At 31 March 2013	**–**
At 31 March 2012	9,935

On 10 February 2010, the Group recognised the equity interest of Ju Xie Chang and a goodwill of approximately HK$9,935,000 was recognised.

As at 31 March 2012, the Group assessed the recoverable amount of goodwill, and determined that no impairment loss should be provided.

For the purpose of impairment testing, the carrying amount of goodwill had been allocated to a cash generating unit as follows:

	2013 ***HK$'000***	2012 *HK$'000*
Pharmaceutical	**–**	9,935

As at 31 March 2012, the recoverable amount of above cash generating unit was determined based on a value-in-use calculation, which used cash flow projections based on the financial budgets approved by the management covering a five-year period, and at a discount rate of 11.11% per annum. The cash flows beyond that five-year period had been extrapolated using a zero growth rate.

All of the assumptions and estimations involved in the preparation of the cash flow projections including budgeted gross margin, discount rate and growth rate were determined by the management of the Group based on past performance, experience and their expectation for market development.

The directors of the Company believed that any reasonably possible change in the key assumptions on which the recoverable amount was based would not cause the carrying amount of the unit to exceed the aggregate recoverable amount of the cash generating unit.

21. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	*HK$'000*
Unlisted shares, at cost	**–**	–
Less: Impairment loss	**–**	–
	–	–
Amounts due from subsidiaries	**1,811,457**	1,552,221
Less: Impairment loss	**(631,827)**	(590,674)
	1,179,630	961,547
Amount due to a subsidiary	**(17,139)**	(17,349)
	1,162,491	944,198

The amounts due from/(to) subsidiaries are unsecured and have no fixed terms of repayment. Included in the amounts due from subsidiaries, approximately HK$237,378,000 (2012: HK$136,950,000) bear interest at an effective interest rate of prime rate plus 1% (2012: prime rate plus 1%) per annum and the remaining balances are non-interest bearing.

During the year, the directors of the Company reviewed and examined the current operations of the subsidiaries and identified that the present value of estimated net future cash flows from certain subsidiaries are lower than their carrying amounts. Accordingly, the directors of the Company consider an impairment loss of approximately HK$41,153,000 (2012: HK$450,121,000) should be provided at the end of the reporting period.

21. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries as at 31 March 2013 are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity interest and voting power attributable to the Company		Principal activities
			Direct	Indirect	
Able Market Profits Limited	The BVI	Ordinary US$1	100	–	Investment holding
Poly Forestry International Limited	Hong Kong	Ordinary HK$100	–	100	Supply and procurement of timber logs
Poly Resources (Asia) Limited	Hong Kong	Ordinary HK$7,800,000	–	100	Supply and procurement of metal minerals and recyclable metal minerals
Poly Development Group Limited	The BVI	Ordinary US$1	100	–	Investment holding
Xin Corporation (HK) Limited	Hong Kong	Ordinary HK$2	–	100	Provision of management service and securities investment
Xin Credit Services Limited	Hong Kong	Ordinary HK$1	–	100	Provision of finance

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

22. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2013	2012
	HK$'000	*HK$'000*
Unlisted investment:		
Equity securities	**18,000**	–
Analysed for reporting purposes as:		
Non-current assets	**18,000**	–

On 22 January 2013, the Group entered into a subscription agreement with HEC Capital Limited ("HEC Capital") to subscribe 3,000,000 shares in HEC Capital, which represented approximately 0.34% of equity interest in HEC Capital at an aggregate consideration of HK$18,000,000. HEC Capital is principally engaged in investment holding. The transaction was completed on 23 January 2013.

The unlisted equity securities are measured at cost less impairment at the end of the reporting period as these securities do not have a quoted market price in an active market.

23. INVENTORIES

	Group	
	2013	2012
	HK$'000	*HK$'000*
Raw materials	**–**	6,701
Finished goods	**–**	3
	–	6,704

At 31 March 2012, all inventories were stated at cost.

24. ACCOUNTS AND BILLS RECEIVABLE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts receivable	**–**	21,260
Bills receivable	**58,635**	36,187
	58,635	57,447

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three to six months for major customers. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. Accounts and bills receivable are non-interest bearing. The carrying amounts of the accounts and bills receivable approximate to their fair values.

An aged analysis of the accounts and bills receivable at the end of the reporting period, based on invoice date, and net of impairment, is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**32,560**	6,443
31 to 60 days	**22,017**	37,443
61 to 90 days	**2,827**	2,744
91 to 180 days	**973**	3,627
Over 180 days	**258**	7,190
Total	**58,635**	57,447

A subsidiary of the Group discounted bills receivable amounting to approximately HK$52,518,000 (2012: HK$31,169,000) to banks in exchange for cash as at 31 March 2013.

24. ACCOUNTS AND BILLS RECEIVABLE (continued)

The aged analysis of the accounts and bills receivable that are not considered to be impaired is as follows:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Neither past due nor impaired	**32,560**	6,443
Less than 1 month past due	**22,017**	37,443
1 to 3 months past due	**3,800**	6,371
More than 3 months past due	**258**	7,190
	58,635	57,447

Accounts and bills receivable that were neither past due nor impaired related to customers for whom there were no recent history of default.

Accounts and bills receivable that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments and deposits	**37,547**	12,092	**254**	446
Other receivables	**13,473**	41,810	**82**	6,252
	51,020	53,902	**336**	6,698
Less: Impairment loss recognised	**(449)**	–	**–**	–
	50,571	53,902	**336**	6,698

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Movement of impairment loss recognised:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Balance at beginning of the year	**–**	–	**–**	–
Impairment loss recognised during the year *(note 26)*	**449**	–	**–**	–
Balance at end of the year	**449**	–	**–**	–

26. LOANS RECEIVABLE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Loans receivable	**82,233**	66,838
Less: Impairment loss recognised	**(10,000)**	–
	72,233	66,838

Movement of impairment loss recognised:

	Group	
	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of the year	**–**	–
Impairment loss recognised during the year	**10,000**	–
Balance at end of the year	**10,000**	–

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loans receivable is 8% to 36% (2012: 8% to 24%) per annum.

26. LOANS RECEIVABLE (continued)

During the year ended 31 March 2013, the Group recognised an impairment loss for loan receivable and other receivable for the outstanding loan principal of HK$10,000,000 and loan interest of HK$449,000 totaling HK$10,449,000 (2012: nil) due from one borrower. Such loan principal and loan interest was past due for more than 1 year. The Group had taken legal action against the borrower for the outstanding amounts, although the court judged that the borrower need to pay for the amounts, however, according to information collected by the receiver which was appointed by the Group, the borrower would not have sufficient realisable assets to pay for the outstanding amounts. Full amounts of the outstanding loan principal and loan interest have been recognised as an impairment loss in the current year.

Except for the loan receivable as described above, all other loans receivable, which are recoverable within one year, are neither past due nor impaired.

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Held for trading:		
Equity securities listed in Hong Kong *(note (a))*	**811,985**	638,626
Designated as at FVTPL:		
Convertible bonds *(note (b))*	**74,183**	76,625
Interest bearing notes *(note (b))*	**5,198**	–
	79,381	76,625
	891,366	715,251

27. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(a) The listed equity securities investments at 31 March 2013 and 2012 are classified as held for trading. The fair values of listed equity securities investments are determined based on the quoted market closing prices available on the Stock Exchange.

(b) During the current year, the Group acquired convertible bonds with aggregate principal amount of HK$4,500,000 issued by a Hong Kong listed company and bear fixed interest rate of 8% per annum and will be matured in December 2013 (subject to early redemption). The fair value of the convertible bonds amounted to HK$5,246,000 as at 31 March 2013.

The Group also acquired convertible bonds with aggregate principal amount of HK$4,200,000 issued by a Hong Kong listed company and bear fixed interest rate of 3% per annum and will be matured in August 2015 (subject to early redemption). The fair value of the convertible bonds amounted to HK$7,293,000 as at 31 March 2013.

During the year ended 31 March 2012, the Group acquired convertible bonds with aggregate principal amount of HK$60,000,000 issued by a Hong Kong listed company and bear fixed interest rate of 5% per annum and will be matured in October 2014 (subject to early redemption). The fair value of the convertible bonds amounted to HK$56,680,000 (2012: HK$61,426,000) as at 31 March 2013.

During the year ended 31 March 2012, apart from the convertible bonds mentioned above, the Group also acquired convertible bonds with aggregate principal amount of HK$17,000,000 issued by another Hong Kong listed company. The terms of these bonds have been changed during the current year and are divided into two portions: (i) interest bearing portion but without conversion right and (ii) non-interest bearing portion with conversion right, with principal amount of HK$8,500,000 for each portion. For the interest bearing portion, it bears fixed interest rate of 2.5% per annum. Both portions will be matured in November 2016 (subject to early redemption). As the interest bearing portion does not have any conversion right, it was reclassified from convertible bonds to interest bearing notes in the current year. The fair value of the interest bearing notes and convertible bonds as at 31 March 2013 amounted to HK$5,198,000 (2012: nil) and HK$4,964,000 (2012: HK$15,199,000) respectively.

The Group is entitled to convert the whole or part(s) of the principal amount of the convertible bonds into shares of the relevant issuers of the convertible bonds at a price with reference to the terms and conditions of the convertible bonds.

The fair values of the convertible bonds are estimated by an independent qualified professional valuer which comprised the sum of the fair values of the debt elements and the conversion options embedded to the convertible bonds less the fair values of the redemption options as held by the issuers of the convertible bonds. As at 31 March 2013 and 31 March 2012, the fair values of debt elements are equal to the present values of their expected future cash flows discounted at the required yield, which are determined with reference to the credit rating of the issuers of the convertible bonds and the remaining time to maturity. The fair values of the conversion options embedded to the convertible bonds are estimated by the Binomial Option Pricing Model, which incorporated assumptions not entirely supported by observable market prices or rates.

The fair value of the interest bearing notes as at 31 March 2013 is estimated by an independent qualified professional valuer which equals to the present value of its expected future cash flows discounted at the required yield, which is determined with reference to the credit rating of the issuer of the interest bearing notes and the remaining time to maturity.

28. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**187,997**	314,614	**60,527**	235,107
Pledged bank deposits *(note 38)*	**24,981**	15,008	**–**	–
Total	**212,978**	329,622	**60,527**	235,107

Deposits with banks earn interest at floating rates based on bank deposit and saving rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. ACCOUNTS AND BILLS PAYABLE

	Group	
	2013	2012
	HK$'000	*HK$'000*
Accounts payable	**–**	17,108
Bills payable	**6,469**	5,482
	6,469	22,590

The accounts and bills payable are non-interest bearing and are normally settled on 60 days term. As at 31 March 2013, the Group had bills payable of approximately HK$6,469,000 (2012: HK$5,482,000), which were ranged from within 30 days to over 180 days.

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

	Group	
	2013	2012
	HK$'000	*HK$'000*
Within 30 days	**1,195**	2,422
31 to 60 days	**532**	3,802
61 to 90 days	**2,808**	2,118
91 to 180 days	**961**	3,767
Over 180 days	**973**	10,481
	6,469	22,590

30. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other payables *(note)*	**6,490**	156,904	**1,614**	–
Accruals	**15,292**	2,149	**795**	1,064
	21,782	159,053	**2,409**	1,064

Note: At 31 March 2012, included in other payables of approximately HK$114,698,000 was the balance payment of the consideration for the transfer of intangible asset. For details of the intangible asset, please refer to note 19.

31. BANK LOANS

	Group	
	2013	2012
	HK$'000	*HK$'000*
Bank loans – secured	**–**	28,751
Carrying amount repayable:		
On demand or within one year	**–**	28,751
Less: Amounts due within one year shown under current liabilities	**–**	(28,751)
	–	–

As at 31 March 2012, the bank loans were borrowed by Ju Xie Chang and secured by the Group's building and prepaid lease payments (note 38). The weighted average effective interest rate on the bank loans is 9.42% per annum.

During the year ended 31 March 2012, Ju Xie Chang delayed in repayment of the principal amounts and interests of the bank loans. The delay arose because Ju Xie Chang was renegotiating the terms of the bank loans with the bank due to claims lodged by the bank in the PRC. As at 31 March 2012, the principal amount of the bank loans and interests in default of HK$28,751,000 and HK$19,614,000 were fully provided and included in the bank loans and other payables of the Group respectively. The Group disposed of its equity interest in Ju Xie Chang during the current year (note 39).

32. CONVERTIBLE NOTES

	Group and Company	
	2013	2012
	HK$'000	*HK$'000*
Convertible Notes 2010 (as defined below)		
– classified as non-current liabilities	**–**	–
	–	–

Notes:

On 8 January 2010, the Company entered into a placing agreement with Kingston Securities Limited ("Kingston"), pursuant to which Kingston agreed, amongst other things, to procure, on a best effort basis, placees to subscribe in cash of the Company's convertible notes (the "Convertible Notes 2010") with principal amount up to HK$244,900,000 at an initial conversion price of HK$0.62 per share. The Convertible Notes 2010 would be due on 27 January 2013 and was interest bearing at 1% per annum. On 28 January 2010, the Convertible Notes 2010 in the aggregate principal amount of HK$244,900,000 were issued to not less than six placees.

On 29 January 2010, three placees converted the Convertible Notes 2010 of an aggregate principal amount of HK$55,800,000, which resulted in a total number of 90,000,000 shares of HK$0.01 each being issued by the Company.

During the year ended 31 March 2011, there were neither conversion nor redemption of the Convertible Notes 2010 and the outstanding principal amount of the Convertible Notes 2010 was remained at HK$189,100,000 as at 31 March 2011.

The fair value of the liability component of the Convertible Notes 2010 was estimated at their respective issuance dates using an equivalent market interest rate for a similar note without a conversion option. The residual amount was assigned as the equity component and was included in shareholders' equity.

The effective interest rate of the liability component was 10.43%.

During the year ended 31 March 2012, there was no conversion of the Convertible Notes 2010 and the Group repurchased all of the outstanding Convertible Notes 2010 in the aggregate principal amount of HK$189,100,000 (the "Repurchased Notes") at a consideration of HK$187,209,000 on 23 September 2011, which represented a discount of 1% on the aggregate principal amount of the Repurchased Notes. The holders of the Repurchased Notes also agreed that the accrued interests of the Repurchased Notes in the amount of approximately HK$1,233,000 calculated up to the date of repurchase of the Repurchased Notes be waived. The consideration paid was first allocated to the liability component with the residual of approximately HK$19,809,000 being assigned to the repurchase of the equity component. A gain on repurchase of convertible notes of approximately HK$2,159,000 was recognised in the profit or loss. There were no outstanding Convertible Notes 2010 as at 31 March 2012.

The movement of the liability component of the convertible notes for the year is set out below:

	2013	2012
	HK$'000	*HK$'000*
Liability component at beginning of the year	**–**	161,347
Interest expenses for the year *(note 8)*	**–**	7,890
Interest paid	**–**	(912)
Repurchase of convertible notes	**–**	(168,325)
Liability component at end of the year	**–**	–

33. PLACING NOTES

On 8 November 2012, the Company entered into a placing agreement (the "Placing Agreement") with a placing agent (the "Placing Agent"), pursuant to which the Company agreed to place, through the Placing Agent, on a best effort basis, the notes up to an aggregate amount of HK$100,000,000 to be issued by the Company in the denomination of HK$10,000,000 each (the "Placing Notes") to independent third parties (the "Placing").

Pursuant to the Placing Agreement, the Placing Notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the Placing Notes. Details of the Placing were set out in the Company's announcement dated 8 November 2012.

The movement of the Placing Notes for the year ended 31 March 2013 is set out below:

	Group and Company
	2013
	HK$'000
At beginning of the year	**–**
Issue of the Placing Notes	**100,000**
Transaction cost directly attributable to the Placing Notes	**(5,100)**
Net proceeds received from issue of the Placing Notes	**94,900**
Interest charged at effective interest rate of 5.91% per annum *(note 8)*	**1,811**
Interest payable	**(1,614)**
At end of the year	**95,097**

34. DEFERRED TAX

Deferred tax liabilities

The major deferred tax liabilities recognised by the Group and the Company, and movements thereon during the current and prior years are as follows:

	Group				
	Prepaid lease payments *HK$'000*	Intangible asset *HK$'000*	Convertible notes *HK$'000*	Placing Notes *HK$'000*	Total *HK$'000*
At 1 April 2011	7,739	8,330	4,579	–	20,648
Exchange realignment	259	102	–	–	361
Credited to consolidated statement of comprehensive income	(185)	(5,292)	(4,579)	–	(10,056)
At 31 March 2012 and 1 April 2012	7,813	3,140	–	–	10,953
Exchange realignment	(6)	–	–	–	(6)
Issue of the Placing Notes	–	–	–	842	842
Credited to consolidated statement of comprehensive income	(99)	–	–	(33)	(132)
Disposal of subsidiaries *(note 39)*	(7,708)	(3,140)	–	–	(10,848)
At 31 March 2013	**–**	**–**	**–**	**809**	**809**

	Company		
	Convertible notes *HK$'000*	Placing Notes *HK$'000*	Total *HK$'000*
At 1 April 2011	4,579	–	4,579
Credited to statement of comprehensive income	(4,579)	–	(4,579)
At 31 March 2012 and 1 April 2012	–	–	–
Issue of the Placing Notes	–	842	842
Credited to statement of comprehensive income	–	(33)	(33)
At 31 March 2013	**–**	**809**	**809**

34. DEFERRED TAX (continued)

Deferred tax assets

The Group has tax losses arising in Hong Kong of approximately HK$689,209,000 (2012: HK$617,472,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in companies that have been loss-making for some time and future profit stream is unpredictable.

35. SHARE CAPITAL

	Number of shares		Amount	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Authorised:				
At beginning of the year, ordinary shares of HK$0.1 each (2012: HK$0.01 each)	**10,000,000**	10,000,000	**1,000,000**	100,000
Share consolidation	**–**	(9,000,000)	**–**	–
Increase in ordinary shares	**–**	9,000,000	**–**	900,000
At end of the year, ordinary shares of HK$0.1 each (2012: HK$0.1 each)	**10,000,000**	10,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**2,965,488**	4,118,480	**296,549**	41,185
Issue of ordinary shares	**–**	823,696	**–**	8,237
Share consolidation	**–**	(4,447,958)	**–**	–
Rights issue	**–**	2,471,088	**–**	247,109
Exercise of warrants *(note)*	**146**	182	**14**	18
At end of the year	**2,965,634**	2,965,488	**296,563**	296,549

Note:

During the year ended 31 March 2013, approximately 146,000 shares were issued as a result of exercise of approximately 146,000 units of warrants by warrantholders. The net proceeds from the exercise of the warrants was approximately HK$14,000. As at 31 March 2013, the Company had approximately 493,890,000 units of warrants outstanding, which represented approximately 16.65% of the Company's shares in issue as at that date.

36. SHARE OPTION SCHEME

The existing share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 24 September 2012 and the previous share option scheme of the Company adopted on 30 December 2002 (the "Old Share Option Scheme") was terminated on the same date. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Share Option Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board and notified to the relevant participant at the time of grant of the options (subject to any adjustments made pursuant to the Share Option Scheme and the relevant provisions of the Listing Rules) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the directors but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

36. SHARE OPTION SCHEME (continued)

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

No share options were granted by the Company under the Share Option Scheme during the year ended 31 March 2013.

Details of share options granted under the Old Share Option Scheme are as follows:

Date of grant of share options	Exercise period of share options	Exercise price of share options *HK$ per share*	Closing price of the Company's shares immediate before the grant date *HK$ per share*
01-09-2009	01-09-2009 to 31-08-2012	1.01 *(note (c))*	2.08 *(note (d))*

The movement of share options granted under the Old Share Option Scheme during the year ended 31 March 2013 is presented as follows:

	Number of share options				
Name or category of participant	**At 1 April 2012** *'000* *(note (c))*	**Granted during the year** *'000*	**Exercised during the year** *'000*	**Lapsed during the year** *'000*	**At 31 March 2013** *'000*
Director					
Mr. Suen Cho Hung, Paul	4,312	–	–	(4,312)	–

36. SHARE OPTION SCHEME (continued)

Notes:

(a) The share options are vested upon granted.

(b) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(c) Upon the completion of the share consolidation and the rights issue during the year ended 31 March 2012, the number of shares falling to be issued upon exercise of the outstanding share options were adjusted from 16,000,000 shares to 4,311,864 shares and the exercise price of the share options was adjusted from HK$0.272 per share to HK$1.01 per share.

(d) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted was HK$2.08 after adjusted for the effect of the share consolidation during the year ended 31 March 2012.

(e) No share option were granted, exercised or cancelled during the year ended 31 March 2013.

The movement of share options under the Old Share Option Scheme during the year ended 31 March 2012 is presented as follows:

	Number of share options			
Name or category of participant	At 1 April 2011 *'000*	Effect of the share consolidation during the year *'000* *(note (c))*	Effect of the rights issue during the year *'000* *(note (d))*	At 31 March 2012 *'000*
Director				
Mr. Suen Cho Hung, Paul	16,000	(14,400)	2,712	4,312

Notes:

(a) The share options are vested upon granted.

(b) The exercise price of the share options is subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(c) Upon the share consolidation during the year ended 31 March 2012 became effective, the exercise price of the share options and the number of consolidated shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options were adjusted. The number of shares falling to be issued upon exercise of the outstanding share options was adjusted from 16,000,000 shares to 1,600,000 shares and the exercise price was adjusted from HK$0.272 per share to HK$2.72 per share.

(d) Upon the completion of the rights issue during the year ended 31 March 2012, the exercise price of the share options and the number of consolidated shares to be allotted and issued upon exercise in full of the subscription rights attaching to the outstanding share options were adjusted. The number of shares falling to be issued upon exercise of the outstanding share options was adjusted from 1,600,000 shares to 4,311,864 shares and the exercise price was adjusted from HK$2.72 per share to HK$1.01 per share.

(e) The closing price per share quoted on the Stock Exchange on the trading date immediate before the date on which the share options were granted was HK$2.08 after adjusted for the effect of the share consolidation during the year ended 31 March 2012.

(f) No share options were granted, exercise, cancelled or lapsed during the year ended 31 March 2012.

37. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible notes equity reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	1,392,211	3,085	33,238	2,692	(212,820)	1,218,406
Loss for the year	–	–	–	–	(441,111)	(441,111)
Total comprehensive expense for the year	–	–	–	–	(441,111)	(441,111)
Issue of shares	68,367	–	–	–	–	68,367
Rights issue of share	74,133	–	–	–	–	74,133
Transaction costs attributable to issue of shares	(11,549)	–	–	–	–	(11,549)
Repurchase of convertible notes	–	–	(33,238)	–	13,429	(19,809)
At 31 March 2012 and 1 April 2012	1,523,162	3,085	–	2,692	(640,502)	888,437
Loss for the year	–	–	–	–	(59,721)	(59,721)
Total comprehensive expense for the year	–	–	–	–	(59,721)	(59,721)
Transaction costs attributable to issue of shares	(234)	–	–	–	–	(234)
Lapse of share options	–	–	–	(2,692)	2,692	–
At 31 March 2013	**1,522,928**	**3,085**	**–**	**–**	**(697,531)**	**828,482**

38. PLEDGE OF ASSETS

At 31 March 2013, time deposits of approximately HK$24,981,000 (2012: HK$15,008,000) were pledged to secure banking facilities to the Group.

At 31 March 2013, no buildings and prepaid lease payments were pledged to secure for bank loans of the Group. At 31 March 2012, the buildings and prepaid lease payments of approximately HK$30,114,000 and HK$33,974,000 respectively were pledged to secure for bank loans of the Group.

39. DISPOSAL OF SUBSIDIARIES

On 7 September 2012, the Group entered into a conditional sale and purchase agreement to dispose of (i) the entire issued share capital of Poly Fortune Enterprises Limited ("Poly Fortune") and (ii) the benefit of and the interest in loans owed by Poly Fortune and its subsidiaries ("Poly Fortune Group") to the Company and Able Market Profits Limited, a direct wholly-owned subsidiary of the Company, for a consideration of HK$100,000,000. Details of the transaction were summarised in the Company's announcement dated 7 September 2012 and the Company's circular dated 28 September 2012. The disposal was approved by shareholders of the Company on 22 October 2012 and completed on 2 November 2012. The disposal of Poly Fortune Group constituted a discontinued operation of the Group's pharmaceutical business as described in note 14.

39. DISPOSAL OF SUBSIDIARIES (continued)

The aggregated net assets of the subsidiaries at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	36,338
Prepaid lease payments	33,509
Intangible asset	135,558
Goodwill	9,935
Inventories	5,563
Accounts receivable	18,184
Prepayments, deposits and other receivables	32,011
Cash and cash equivalents	23,575
Accounts payable	(11,255)
Other payables and accruals	(155,742)
Bank loans	(23,585)
Deferred tax liabilities	(10,848)
	93,243
Non-controlling interests	2,060
Realisation of other reserve	124
Realisation of translation reserve	(8,084)
Gain on disposal of subsidiaries *(note 14)*	11,865
Net proceeds received from disposal of subsidiaries	99,208
Satisfied by:	
Cash consideration	100,000
Expenses directly attributable to disposal of subsidiaries	(792)
Net proceeds received from disposal of subsidiaries	99,208
Net cash inflow from disposal of subsidiaries:	
Cash consideration received	100,000
Cash and cash equivalents disposed of	(23,575)
Expenses directly attributable to the disposal of subsidiaries	(792)
	75,633

40. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for the properties are negotiated for terms from two to five years.

At 31 March 2013 and 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2013	2012
	HK$'000	*HK$'000*
Within one year	**3,095**	3,120
In the second to fifth years, inclusive	**1,323**	2,314
	4,418	5,434

41. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the Group also had the following related party transactions for the years ended 31 March 2013 and 2012.

(i) Compensation of key management personnel of the Group

	2013	2012
	HK$'000	*HK$'000*
Short term employee benefits	**4,323**	4,355
Post-employment benefits	**196**	185
Total compensation paid to key management personnel	**4,519**	4,540

Further details of directors' emoluments are included in note 10 to the consolidated financial statements.

(ii) Underwriting commission

	2013	2012
	HK$'000	*HK$'000*
Underwriting commission in respect of rights issue of the Company, paid to the immediate holding company of the Company	**–**	1,953

41. RELATED PARTY TRANSACTIONS (continued)

(iii) Rental income

	2013	2012
	HK$'000	*HK$'000*
Rental income received from a related company in which two directors of the Company have significant influence	**488**	–

Save as disclosed in note 41(ii) above, no other related party transaction constitutes a discloseable connected transaction as defined under the Listing Rules.

42. EVENTS AFTER THE REPORTING PERIOD

There was no significant event happened after the end of the reporting period.

43. COMPARATIVE FINANCIAL INFORMATION

Certain comparative figures have been restated to conform with the current year's presentation.

44. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised for issue by the Board of Directors on 27 June 2013.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)	
Continuing operations					
Revenue	**757,600**	1,080,073	1,862,684	859,491	350,146
Loss before taxation	**(68,099)**	(445,042)	(115,139)	(14,745)	(3,712)
Taxation	**(1,025)**	4,418	1,445	195	(1,773)
Loss for the year from continuing operations	**(69,124)**	(440,624)	(113,694)	(14,550)	(5,485)
Discontinued operation					
Profit/(loss) for the year from discontinued operation	**7,930**	(28,246)	(7,476)	(2,197)	–
Loss for the year	**(61,194)**	(468,870)	(121,170)	(16,747)	(5,485)
Attributable to:					
Owners of the Company	**(60,928)**	(467,851)	(120,373)	(16,762)	(4,907)
Non-controlling interests	**(266)**	(1,019)	(797)	15	(578)
	(61,194)	(468,870)	(121,170)	(16,747)	(5,485)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,307,541**	1,450,517	1,877,569	1,362,814	275,269
Total liabilities	**(176,904)**	(252,568)	(580,744)	(416,088)	(47,236)
Non-controlling interests	**–**	1,793	734	(47)	(11)
Equity attributable to owners of the Company	**1,130,637**	1,199,742	1,297,559	946,679	228,022

Certain comparative figures have been restated to conform with the current year's presentation.