Integrated Waste Solutions Group Holdings Limited
綜合環保集團有限公司*

(Formerly known as Fook Woo Group Holdings Limited)
(前稱福和集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立之有限公司）
Stock code 股份代號：923

2013
ANNUAL REPORT 年報

* For identification purpose only 僅供識別

Contents

CORPORATE INFORMATION

DIRECTORS

Non-executive directors

Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick

Executive directors

Mr. Suen Wing Yip *(Chief Executive Officer)*
Mr. Lau Sai Cheong
Mr. Lai Hau Yin
Mr. To Chun Wai

Independent non-executive directors

Mr. Chung Wai Kwok, Jimmy
Mr. Lau Shun Chuen
Mr. Nguyen Van Tu, Peter

BOARD COMMITTEES

Executive Committee

Mr. Suen Wing Yip *(Chairman)*
Mr. Lau Sai Cheong
Mr. Lai Hau Yin
Mr. To Chun Wai

Audit Committee

Mr. Chung Wai Kwok, Jimmy *(Chairman)*
Mr. Cheng Chi Ming, Brian
Mr. Lau Shun Chuen
Mr. Nguyen Van Tu, Peter

Remuneration Committee

Mr. Lau Shun Chuen *(Chairman)*
Mr. Chung Wai Kwok, Jimmy
Mr. Tsang On Yip, Patrick
Mr. Nguyen Van Tu, Peter

Nomination Committee

Mr. Nguyen Van Tu, Peter *(Chairman)*
Mr. Chung Wai Kwok, Jimmy
Mr. Lau Shun Chuen
Mr. Tsang On Yip, Patrick

COMPANY SECRETARY

Mr. Sin Lik Man

AUTHORISED REPRESENTATIVES

Mr. Suen Wing Yip
Mr. Sin Lik Man

AUDITOR

KPMG

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Fook Woo Group Building
3 Kui Sik Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

CORPORATE WEBSITE

www.iwsgh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited
Hang Seng Bank Limited

LEGAL ADVISER

As to Hong Kong law:
Troutman Sanders

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP OVERVIEW

During the fiscal year ended 31 March 2013, Integrated Waste Solutions Group Holdings Limited (the "Company", formerly known as Fook Woo Group Holdings Limited) and its subsidiaries (collectively referred to as the "Group") have gone through a period of consolidation and restructuring. Although the Group has experienced certain difficult times over the course of last year, it continues to maintain focus on strengthening the financial position of the Group and enhancing its corporate governance practices and internal control in order to protect the interests of the shareholders.

FINANCIAL REVIEW

The loss of the Group for the year ended 31 March 2013 (the "Current Year") amounted to HK$5.6 million, a reduction of HK$2,147.1 million or 99.7% when compared to the net loss for the year ended 31 March 2012 (the "Last Year"). The reduction of loss was a corollary to the substantial loss of HK$415.5 million registered after the de-consolidation of certain subsidiaries, and impairment of amounts due from the De-consolidated Subsidiaries (as defined in note 2 to the financial statements) of HK$1,730.5 million in the Last Year.

Understandably, the performance of the Group for the Current Year was affected by the incurrence of legal and professional fees amounting to HK$24.9 million. The exceptional fees were mainly incurred in the investigation and forensic review of the Group's unfortunate irregularities of prior years, and overview of internal control systems of the Group. Seen in context, however, they are justifiably spent to uphold the best interests of shareholders.

In regard to the operational front, the turnover of the Group for the Current Year has reduced by HK$176.9 million, or 23.6%, to HK$573.3 million. This was as a result of a reduction in waste paper demand in Mainland China concomitant of the tightened controls imposed by the Mainland Authorities.

Liquidity and Financial Resources

As at 31 March 2013, the Group had bank deposits and cash (excluding pledged deposits of HK$1.7 million) of approximately HK$548.0 million (2012: HK$748.4 million). The Group had no bank loans and overdrafts as at 31 March 2013 (2012: HK$30.1 million). The effective interest rate for short term borrowings as at 31 March 2012 was 2.35% per annum.

The gearing ratio, which is calculated as total debt (including current and non-current borrowings) divided by total equity, was 0.0% as at 31 March 2013 (2012: 2.1%).

As at 31 March 2013, the Group had net current assets of approximately HK$1,204.9 million, as compared to net current assets of approximately HK$1,284.4 million as at 31 March 2012. The current ratio of the Group was 14.5 as at 31 March 2013 as compared to 14.0 as at 31 March 2012.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in United States dollars and Hong Kong dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group's monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

For the year ended 31 March 2013, the Group recorded a net foreign exchange gain of HK$5.0 million (2012: HK$29.2 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Pledge of Assets

The Group had restricted bank deposits amounted to HK$1.7 million (2012: HK$0.9 million) were pledged as a guarantee to suppliers to secure supply.

Capital Structure

Details of the capital structure of the Group are set out in note 25 to the financial statements.

Contingent Liabilities

Details of the Group's contingent liabilities as at 31 March 2013 are set out in note 32 to the financial statements.

Employees

As at 31 March 2013, the Group had approximately 260 employees employed in Hong Kong. Employee costs, excluding directors' emoluments, totaled HK$59.8 million for the year ended 31 March 2013 (2012: HK$42.8 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. The Company has also adopted a share option scheme on 11 March 2010. During the year under review, no share option was granted. The Group did not experience any significant labour disputes that led to any disruption of its normal business operations.

Acquisitions and Disposals

In October 2012, the Group entered into an agreement with three independent parties to set up a company, Fook Fung Loi Company Limited ("Fook Fung"), of which the Group held 30% equity interests in Fook Fung and injected capital of HK$900,000 into Fook Fung.

PROSPECTS

Notwithstanding the current external challenges from a turbulent economic environment and internal control deficiency reported in 2012 annual report, the Group continues to operate its core business, including (i) waste materials collecting and packaging depots in Hong Kong; (ii) provision of confidential materials destruction services ("CMDS") in Hong Kong; and (iii) marketing and selling of tissue paper products In Hong Kong, Macau and other overseas countries. The incumbent management team endeavors to strengthen the Group's corporate governance and internal control to effect good business practices, monitoring, documentation, and authorization. With its de facto solid foundation in waste recycling business in Hong Kong and China, the Group strives to pursue the growth of its business model and believes its profitability potential has yet to be optimally realized. To mark its transitioning to a new business development and direction as a strategic waste recycling and waste solutions provider, the Group has changed its name which will reflect the Group's resolve to achieve its mission to enhance profitability and become one of the largest integrated waste solutions providers in the Greater China.

Our Group has been undertaking the construction of piled foundation works for the construction of the proposed industrial development in Tseung Kwan O (the "Project TKO"), and the construction of piled foundation works is expected to be completed in or around October 2013. In July 2013, our Group has issued a tendering invitation for main works for the construction of the Project TKO and the contract period is estimated to be 270 calendar days.

The general state of the Group's finances, as detailed in this year's financial statements, has not been too favorably placed revenue-wise in the financial year 2012-2013, but things are improving in general subsequent to the formation of the incumbent Board of Directors. As can be seen, although the Group has yet to fully recover, it is at least convalescing. If this encouraging trend continues, as the incumbent Board of Directors feels sure it will, the balance sheet ought to show a healthy financial position in the not too distant future.

As regards the date for trading resumption which the Group believes is of all shareholders' significant concern, a final settlement has not yet been reached with The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Nevertheless, the present management team has been progressing reasonably well to satisfy all compliance and internal control requirements imposed by the Stock Exchange in order to achieve an early resumption in the best interests of shareholders and investors.

DIVIDEND

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

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Chairman

Mr. Cheng Chi Ming, Brian, aged 30, is the Chairman, a Non-Executive Director and a member of the audit committee of the Company. He joined the Group in January 2011. Mr. Cheng obtained a bachelor's degree in science from Babson College in Massachusetts, U.S.A. in 2005. Mr. Cheng is an executive director of NWS Holdings Limited ("NWS"), a company listed on the main board of the Stock Exchange (stock code: 659) and a director of certain subsidiaries of NWS. He is also a non-executive director of Haitong International Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610) and Newton Resources Ltd. (stock code: 1231), all of which are listed on the main board of the Stock Exchange. Mr. Cheng is a director of Sino-French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in China. From 2005 to 2007, Mr. Cheng worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He is the grandson of Dato' Dr. Cheng Yu Tung, who is a substantial shareholder of the Company.

Mr. Tsang On Yip, Patrick, aged 41, is a Non-Executive Director and a member of both the remuneration committee and the nomination committee of the Company. He joined the Company in November 2012. Mr. Tsang obtained a bachelor's degree in Economics from Columbia College of Columbia University in New York, USA in 1994. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook Enterprises Limited. He has over 20 years of international capital markets experience, and was most recently managing director, head of Asia Fixed Income Capital Markets at Deutsche Bank AG, Hong Kong Branch, where he worked from 2003 to 2012. Mr. Tsang's spouse is a granddaughter of Dato' Dr. Cheng Yu Tung, who is a substantial shareholder of the Company and a cousin of Mr. Cheng Chi Ming, Brian, who is a Non-Executive Director and Chairman of the Company.

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Suen Wing Yip, aged 53, is an Executive Director and Chief Executive Officer of the Company. He joined the Company in March 2012. He has over 25 years of experience in consumer goods and foodservice industry. From December 1985 to February 1999, Mr. Suen worked in A.S. Watson & Company Limited from marketing executive to director and general manager. From March 1999 to April 2003, Mr. Suen served as managing director of the ice-cream and frozen food division of Unilever Hong Kong Limited. From July 2003 to October 2006, Mr. Suen served as board executive director and general manager – sales and marketing of Tsit Wing International Holdings Limited. From January 2007 to May 2009, Mr. Suen served as director of food service division of Friesland Campina (Hong Kong) Ltd. Prior to joining the Company, he was a director of Wah Cheong Company Ltd. from June 2009 to December 2011. Mr. Suen holds a bachelor degree in marketing from the Washington State University, USA and a master degree in business administration from the University of Wisconsin, USA.

Chief Operating Officer

Mr. Lau Sai Cheong, aged 56, is an Executive Director, Chief Operating Officer of the Company. He joined the Company in July 2012. He has over 30 years of experience in a wide variety of private and government projects in Hong Kong, China and around Asia. From September 1981 to May 1992, Mr. Lau worked in three engineering consulting firms and two contractors responsible for the design and project management of various types of local and overseas projects. From June 1992 to August 1993, Mr. Lau worked in A. S. Watson & Company, Limited handling their joint venture projects in China and factory production management in Hong Kong. Prior to joining the Company, Mr. Lau served in Hong Kong Special Administrative Region Government from September 1993 to June 2012. Mr. Lau holds a bachelor of science honors degree in Electrical and Electronic Engineering from Aston University, United Kingdom. Mr. Lau is a Chartered Engineer and a member of Hong Kong Institution of Engineers.

Chief Financial Officer

Mr. Lai Hau Yin, aged 45, is an Executive Director and Chief Financial Officer of the Company. He joined the Company in May 2012. He is responsible for the financial planning and all the accountancy and financial aspects of the Group. Mr. Lai has over 20 years of experience in the areas of audit and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Australian Society of Certified Practicing Accountants and the Taxation Institute of Hong Kong. From June 2008 to July 2010, Mr. Lai was the group financial controller and company secretary in Zhongsheng Group Holdings Limited (stock code: 0881). From September 2002 to October 2007, he was group financial controller in L.K. Technology Holdings Limited (stock code: 0558). From February 2001 to June 2002, he was project controller of Carry Wealth Holdings Limited (stock code: 0643), all of which are companies listed on the Stock Exchange. Mr. Lai received a Bachelor Degree in Business from Deakin University of Australia in 1992, a Master Degree in Business Administration from West Coast Institute of Management & Technology in Australia in 2000, and a Master Degree in Business Administration from The European University of Ireland in 2001.

Chief Strategic Officer

Mr. To Chun Wai, aged 57, is an Executive Director and Chief Strategic Officer of the Company. He joined the Company in April 2013. He spent most of his career, beginning in 1974, with the Hong Kong Police, rising up the ranks to Assistant Commissioner of Police (Crime) overseeing crime operations and policies of the Hong Kong Police, until his retirement in 2011. He was awarded the Police Meritorious Service Medal in recognition of his long years of service and contribution to the Hong Kong Society. From 2011 to 2012, he served as a part-time tutor in public administration at The University of Hong Kong. Mr. To has wide administrative and management experience and holds a master degree of public administration from The University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chung Wai Kwok, Jimmy, aged 63, is an Independent Non-Executive Director, chairman of the audit committee of the Company, a member of each of the remuneration committee and the nomination committee of the Company. He joined the Group in March 2010. Mr. Chung has over 20 years of experience in financial advisory services, taxation and management. He was a partner of PricewaterhouseCoopers until he retired in June 2005. In October 2005, he joined Russell Bedford Hong Kong Limited, a professional consulting firm, as a director in the tax and business advisory unit. Mr. Chung is a member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institution of Hong Kong and the Association of Chartered Certified Accountants (ACCA). He was the President of the Hong Kong branch of ACCA for the year 2005/06. He is currently an independent nonexecutive director of Fittec International Group Limited (stock code: 2662), Lee Kee Holdings Limited (stock code: 637) and Tradelink Electronic Commerce Limited (stock code: 536), all of which are listed on the Main Board of the Stock Exchange; and China World Trade Center Company Limited (stock code: 600007), listed on the Shanghai Stock Exchange.

Mr. Lau Shun Chuen, aged 63, is an Independent Non-Executive Director, chairman of the remuneration committee of the Company, a member of each of the audit committee and the nomination committee of the Company. He joined the Group in October 2010. Mr. Lau has 37 years of experience in the banking industry in Hong Kong, China and Canada. From August 1973 to April 1992, Mr. Lau worked at the Bank of East Asia, Limited, holding senior positions including head of business development, head of branch operations, head of human resources and head of corporate communications. From August 1992 to July 1994, Mr. Lau served as the senior credit manager at the Toronto main office of Hong Kong Bank of Canada. Since August 1994, Mr. Lau joined Hang Seng Bank Limited ("Hang Seng Bank") and was appointed as assistant general manager of Hang Seng Bank in January 2001. He held a number of senior positions in Hang Seng Bank including head of personal financial services, head of retail services and sales and head of relationship management, commercial banking. He was responsible for commercial banking business of Hang Seng Bank in China since November 2006 and later also its network in Northern China. Mr. Lau acted as the deputy chief executive of Hang Seng Bank (China) Limited before his retirement in July 2010. Mr. Lau obtained a Bachelor of Science degree from the University of Hong Kong in July 1973. He was a Fellow of the Chartered Institute of Bankers and a Fellow of the Hong Kong Institute of Bankers. He was a former director of EPS Company (Hong Kong) Limited and TransUnion Limited.

Mr. Nguyen Van Tu, Peter, aged 69, is an Independent Non-Executive Director of the Company, chairman of the nomination committee of the Company, a member of the remuneration committee and the audit committee of the Company. He joined the Group in June 2013. Mr. Nguyen is a senior counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an assistant crown counsel and crown counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately twenty years. Mr. Nguyen was appointed as director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first and only Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as the Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Mr. Nguyen was an independent non-executive director of Mayer Holdings Limited (stock code: 1116), a listed company in Hong Kong, from June 2010 to December 2011. Currently, Mr. Nguyen is an independent non-executive director of Goldlion Holdings Limited (stock code: 0533), IPE Group Limited (stock code: 0929) and Combest Holdings Limited (stock code: 8190), all of which are listed companies in Hong Kong.

COMPANY SECRETARY

Mr. Sin Lik Man joined the Company as General Manager of Investor Relations in June 2012 and subsequently appointed as Company Secretary of the Company in June 2013. He is responsible for formulating investor relation strategies and managing the relations with the shareholders and stakeholders on behalf of the Company. Mr. Sin has more than 10 years of experience in financial control, corporate finance, capital market relations and corporate governance practice through his past working history. Mr. Sin served as an auditor at one of the Big Four accounting firms from September 2000 to April 2003. From May 2003 to September 2005, Mr. Sin served as an accounting services officer of HSBC International Trustee Limited, responsible for preparing the financial accounts, and internal audit officer of Delta Asia Financial Group, responsible for performing internal audit and preparing internal audit report. During April 2006 to May 2010, Mr. Sin was a senior finance manager of a subsidiary and an associated company of Norstar Founders Group Limited (stock code: 2339), a company listed on the Main Board of the Stock Exchange, responsible for the overall finance and treasury functions and also provided technical supports to financial control and corporate governance. Prior to joining the Company, Mr. Sin served as a company secretary and authorized representative of West China Cement Limited (stock code: 2233), a company listed on the Main Board of the Stock Exchange. Mr. Sin also currently serves as an independent non-executive director of Huili Resources (Group) Limited (stock code: 1303), a company listed on the Main Board of the Stock Exchange since January 2012. Mr. Sin received a bachelor's degree of Business Administration, with a major in accounting from Hong Kong University of Science and Technology in November 2000 and further received a master's degree in accounting from Curtin University of Technology, Australia in April 2007. Mr. Sin is a fellow member of the Hong Kong Institute of Certified Public Accountants (HKICPA) and a fellow member of the Association of Chartered Certified Accountants (ACCA).

SENIOR MANAGEMENT

Chief Legal and Compliance Officer

Mr. Kot Koon Yu, Eric joined the Company as General Manager of Legal Services in May 2012, and subsequently appointed as Chief Legal and Compliance Officer in September 2012. He is responsible for full-spectrum of legal and compliance issues, ensure the Company is in line with the internal policy and relevant regulations. Mr. Kot has over 20 years of solid and professional experience in conveyancing and general legal services. From March 1991 to April 1994, Mr. Kot was a conveyancing manager in Edward Wong & Ng, Solicitors. From May 1994 to March 1997, he was a director of The Informatics. From March 1997 to August 2006, he was a manager of Wong and Poon, Solicitors. From August 2007 to July 2009, he served as a trainee solicitor in Kelvin Cheung and Co., Solicitor. Prior to joining the Company, he was an assistant solicitor in Kelvin Cheung and Co., Solicitors from October 2009 to May 2012.

Mr. Kot is a solicitor of the High Court of Hong Kong and holds Bachelor Degree of Law respectively from Peking University and University of Wolverhampton, UK and a Master Degree of Arts in Economics from State University of New York, U.S.A.

General Manager, Waste Paper and CMDS

Mr. Chan Chi Shing, Gordon joined the Company as Deputy General Manager of Waste Paper sector in May 2012 and was appointed as General Manager of Waste Paper and CMDS sector in August 2012. He has over 20 years of solid experience in food and beverage, retail and hospitality industries. He has served as various operation positions in different well-known corporations, including YMCA Hong Kong, Hong Kong Island Shangrila Hotel, KFC Group, Healthworks (Holdings) Company Limited and Croissant de France. Prior to joining the Company, he worked from a sales development manager to group food service business director of Tsit Wing Coffee. Mr. Chan was graduated from The Hong Kong Polytechnic University with Higher Diploma in Hotel and Catering Management and has been awarded the Certificate in Internal Change Agent Program from The University of Hong Kong.

Emoluments of senior management are disclosed in note 10(c) to the financial statements.

REPORT OF THE DIRECTORS

The Board hereby submits its annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries as at 31 March 2013 are set out in note 27 to the financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 41.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 46 and in note 26 to the financial statements respectively.

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$195,000 (2012: HK$63,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 25 to the financial statements. There were no movements during the year.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account and retained earnings/(accumulated losses). At 31 March 2013, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK$2,238,206,000 (2012: HK$2,262,582,000).

DIVIDEND

No dividend has been paid or declared by the Company during the year (2012: Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to existing Shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 122.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's share during the year ended 31 March 2013.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 25 September 2013 to Monday, 30 September 2013 both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible for attending and voting at the 2013 annual general meeting of the Company to be held on Monday, 30 September 2013, unregistered holders of shares of the Company should ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 September 2013.

DIRECTORS

The Directors since 1 April 2012 to the latest practicable date prior to the printing of this report were:

Executive Directors

Mr. Suen Wing Yip
Mr. Lau Sai Cheong (appointed on 16 October 2012)
Mr. Lai Hau Yin (appointed on 1 November 2012 and will resign on 8 October 2013)
Mr. To Chun Wai (appointed on 8 April 2013)
Mr. Leung Tat Piu (resigned on 6 June 2012)
Mr. Alan Ing (resigned on 18 April 2012)
Ms. Li Zhe (re-designated as executive Director on 2 April 2012, re-designated as non-executive Director on 16 October 2012 and resigned on 17 January 2013)
Mr. Leung Kai Kuen (re-designated as non-executive Director and ceased to be the chairman of the Board on 30 April 2012 and removed as Director on 7 June 2012)

Non-executive Directors

Mr. Cheng Chi Ming, Brian *(Chairman)* (appointed as the chairman of the Board on 16 October 2012)
Ms. Li Zhe (re-designated as executive Director on 2 April 2012, re-designated as non-executive Director on 16 October 2012 and resigned on 17 January 2013)
Mr. Tsang On Yip, Patrick (appointed on 1 November 2012)
Ms. Cheung Nga Lai, Carol (resigned on 1 November 2012)
Mr. Pei Cheng Ming, Michael (resigned on 30 April 2012)
Mr. Leung Kai Kuen (re-designated as non-executive Director and ceased to be the chairman of the Board on 30 April 2012 and removed as Director on 7 June 2012)

Independent non-executive Directors

Mr. Chung Wai Kwok, Jimmy
Mr. Lau Shun Chuen (appointed as the non-executive acting chairman of the Board on 30 April 2012 and resigned as the non-executive acting chairman of the Board on 16 October 2012)
Mr. Nguyen Van Tu, Peter (appointed as independent non-executive Director on 21 June 2013)
Mr. Lee Kwok Chung (retired on 21 June 2013)

Pursuant to Article 108 of the Articles of Association, Mr. Lau Shun Chuen, Mr. Cheng Chi Ming, Brian and Mr. Lau Sai Cheong shall retire by rotation at the 2013 annual general meeting of the Company. All the above retiring Directors, being eligible, offer themselves for re-election, at the forthcoming annual general meeting of the Company.

The Directors being proposed for re-election at the forthcoming annual general meeting have no service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation. Mr. Lai Hau Yin has resigned as an Executive Director & Chief Financial Officer of the Company with effect from 8 October 2013.

DIRECTORS' SERVICE CONTRACTS

For the year ended 31 March 2013, each of the Directors entered into a service contract with the Company for an initial term of three years from their respective date of appointment, which might be terminated by not less than three months' notice in writing served by either party.

During the year ended 31 March 2013, Directors have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the existing Directors and senior management of the Company are set out from pages 6 to 10.

REMUNERATION POLICY

During the year ended 31 March 2013, the remuneration policy for the Directors and senior management members of the Group was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments were linked to the profit performance of the Group and the individual performance of such Director or senior management member of the Group. Details of the remuneration of the Directors and senior management member of the Group are set out in note 10 to the financial statements contained in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 34 to the financial statements about the Company's share option scheme, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2013 none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2013.

SHARE OPTION

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). Since the adoption of the Share Option Scheme and up to 31 March 2013 no share option had been granted.

As at the latest practicable date prior to the printing of this annual report, the total number of shares available for issue under the Share Option Scheme was 200,000,000 shares of the Company, which represented approximately 8.29% of the shares of the Company in issue as at that date.

Particulars of the Share Option Scheme are set out in note 34 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2013, the following persons (other than the Directors and chief executives of the Company) had interests and short positions of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	*Note*	Capacity	Number of ordinary shares of the Company held*	% of the issued share capital of the Company
City Legend	1	Beneficial owner	785,100,000(L)	32.56%
Mr. Leung Kai Kuen	1	Interest in a controlled corporation	785,100,000(L)	32.56%
Dato' Dr. Cheng Yu Tung	2	Interest in controlled corporations	488,640,375(L)	20.27%
Chow Tai Fook Nominee Limited	2	Interest in controlled corporations	366,275,000(L)	15.19%
		Beneficial owner	122,365,375(L)	5.07%
Victory Day Investments Limited	2	Interest in a controlled corporation	366,275,000(L)	15.19%
Smart On Resources Ltd.	2	Beneficial owner	366,275,000(L)	15.19%
Firstrate Enterprises Limited		Beneficial owner	151,875,000(L)	6.30%

* The letter "L" denotes the person's long position in the shares of the Company.

Note:

(1) Mr. Leung Kai Kuen was deemed to be interested in these 785,100,000 shares of the Company which were held by City Legend International Limited ("City Legend"), a corporation wholly owned by Mr. Leung.

(2) Smart On Resources Ltd. is wholly owned by Victory Day Investments Limited (a wholly owned subsidiary of Chow Tai Fook Nominee Limited). Chow Tai Fook Nominee Limited is wholly owned by Dato' Dr. Cheng Yu Tung.

(3) Save as disclosed above, as at 31 March 2013, no person, other than the Director whose interests and short positions are set out in the section headed "Directors' Interests in Shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the Group's related party transactions for the year ended 31 March 2013 are set out in note 33 to the financial statements, all of which constituted connected transactions under Chapter 14A of the Listing Rules, except for transactions with De-consolidated Subsidiaries as disclosed in notes 27 and 33 to the financial statements.

Continuing connected transaction which is exempted from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules

The Group has leased the premises situated at 3 Kui Sik Street, Fanling, New Territories (the "Fanling Property") for industrial and ancillary accommodation purposes and as the Group's headquarters in Hong Kong from E&I Development Limited ("E&I") since 1 April 2009. The Fanling Property has a gross floor area of 4,369 sq.m. On 18 March 2009, Fook Woo Waste Paper Company Limited, a member of the Group, entered into a tenancy agreement with E&I for a term of three years commencing from 1 April 2009 at a monthly rental of HK$250,000 (exclusive of management fees and government rates). E&I is owned as to 50% by Astoria Group Ltd. ("Astoria") and 50% by Inter-Oriental Investments Ltd. ("Inter-Oriental"), both of which hold the issued shares in E&I on trust for Mr. Leung Ting Yu (in the case of Astoria) and Ms. Leung Hoi Ying (in the case of Inter-Oriental), respectively. As Mr. Leung Ting Yu and Ms. Leung Hoi Ying are the son and the daughter of Mr. Leung Kai Kuen, a former Director and one of the controlling shareholders of the Company, they are therefore connected persons of the Company. The agreement was renewed on 11 July 2011 with effect on 1 April 2012 at monthly rental fee HK$275,000 and will expire on 30 September 2014.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that each of the transactions has been entered into:

1. in the ordinary and usual course of business of the Group;

2. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

3. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on page 17 of the Annual Report in accordance with paragraph 14A.38 of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, save as disclosed below, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

On 11 March 2010, each of the controlling shareholders of the Company including City Legend, Trump Max International Investment Limited ("Trump Max"), Mr. Leung Kai Kuen and Ms. Tam Ming Luen (the "Controlling Shareholders"), entered into a deed of non-competition (the "Deed of Non-Competition") with the Company pursuant to which each of the Controlling Shareholders has individually, jointly, unconditionally and irrevocably undertaken and represented to the Company and each member of the Group that, among other things, he/she/it will not and will procure that his/her/its associates will not engage, directly or indirectly, in businesses which will or may compete with the business carried on or to be carried on by the Group.

Trump Max and Ms. Tam Ming Luen ceased to be Controlling Shareholders after Trump Max transferred all of its shares of the Company to City Legend on 11 July 2011.

As at the latest practicable date prior to printing of this report, City legend and Mr. Leung Kai Kuen, the remaining Controlling Shareholder, did not provide an annual declaration on his/its compliance with the undertakings contained in the Deed of Non-Competition undertaken by them.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company and the Group were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

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

– the largest supplier	50%
– five largest suppliers in aggregate	58%

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

– the largest customer	30%
– five largest customers in aggregate	61%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at the latest practicable date prior to the issue of this report.

VOLUNTARY LIQUIDATION OF WEALTHY PEACEFUL COMPANY LIMITED

On 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members, and the voluntary liquidators were appointed on the same date. The liquidation of Wealthy Peaceful effectively carved out its wholly owned subsidiaries, namely Golddoor Company Limited and 惠州福和紙業有限公司 ("Huizhou Fook Woo") from the existing structure of the Group. The liquidation is still in progress as at the date of this report.

EVENT AFTER THE REPORTING PERIOD

On 15 May 2013, the board of the Company proposed to change the name of the Company from Fook Woo Group Holdings Limited "福和集團控股有限公司" to Integrated Waste Solutions Group Holdings Limited and adopt a Chinese name "綜合環保集團有限公司" for identification. The certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands on 3 July 2013.

The change of company name has also been registered with the Registrar of Companies in Hong Kong. The certificate of registration of change of corporate name of non-Hong Kong company was issued by the Registrar of Companies in Hong Kong under Part XI of the Companies Ordinance (Cap.32 Laws of Hong Kong) on 8 August 2013.

The English and Chinese stock short names of the Company for trading in the Shares on the Stock Exchange were changed from "FOOK WOO GROUP" to "IWS" in English and "福和集團" to "綜合環保集團" in Chinese, respectively, with effect from 9:00 a.m. on 16 August 2013. The stock code of the Company remains as 923.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 March 2012 were audited by PricewaterhouseCoopers.

At the annual general meeting held on 21 June 2013, KPMG was appointed as the auditors of the Company for the year ended 31 March 2013.

The financial statements for the year ended 31 March 2013 have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheng Chi Ming, Brian
Chairman
Hong Kong, 23 August 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has committed to maintain a high standard of corporate governance and has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The Company has complied with the code provision set out in the CG Code during the financial year ended 31 March 2013 save for the deviations from code provisions A.2.1, A.2.3, A.2.4, A.2.5, A.2.6, A.2.9, A7.2, C.1.3 and D.1.1. Key corporate governance principles and practices of the Company as well as the particulars of the foregoing deviations and the reasons thereof are detailed below.

The Company will continue to enhance its corporate governance practices that are appropriate to the conduct and growth of its business and to review its corporate governance practices from time to time to ensure they comply with the increasingly tightened regulatory requirements and to meet the expectations of Shareholders and investors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model” Code) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors.

After making specific inquiries with the Directors (including the former Directors) in the year ended 31 March 2013 (except Mr. Leung Kai Kuen who left the Company and the Company was not able to reach him as at the latest practicable date prior to printing of this report), the Directors confirmed that they have complied with the Model Code during the year ended 31 March 2013.

The Company has also established the written guidelines on no less exacting terms than the Model Code (the “Written Guidelines”) for governing the securities transactions by employees who are likely to be in possession of unpublished inside information of the Company or its securities. No incident of non-compliance of the Written Guidelines by the relevant employees was noted by the Company.

BOARD OF DIRECTORS

The Board, led by the chairman of the Company, was responsible for leadership and control of the Company and oversaw the Group's businesses, strategic decisions and performance. The Board had delegated to the senior management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board had established Board committees and had delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

Under code provision A.7.2, management has an obligation to supply the board and its committees with adequate information in a timely manner to enable it to make informed decisions.

As some former members of the management in the year ended 31 March 2013 have left the Company, the present members of the Board are not in a position to comment whether such former members of the management discharged their duties to supply the previous Board and its committees with adequate information in a timely manner for the year ended 31 March 2013.

The principle underlying the code provision C.1.3 is that the directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts.

While the Directors acknowledge their responsibility to prepare the financial statements that give a true and fair view of the state of affairs of the Group, Shareholders are advised that the auditor of the Company have informed the Company that they will issue an adverse opinion in respect of the audited consolidated financial statements of the Company for the year ended 31 March 2013.

The Board was not aware of any material uncertainties relating to events or conditions that might cause significant doubt upon the Group's ability to continue as a going concern. The Board has prepared the consolidated financial statements on a going concern basis.

Code provision D.1.1 requires that when the board delegates to management, it must give clear directions as to the powers of the management, in particular, with respect to the circumstances where management should report back and obtain prior approval of the board before making decisions or entering into any commitments on behalf of the issuer.

Again, as some former members of the management in the year ended 31 March 2013 have left the Company, the present members of the Board are not in a position to comment whether such former members of the management discharged their duties to report back and obtain prior approval from the previous Board before making decisions or entering into any commitments on behalf of the Company for the year ended 31 March 2013.

BOARD COMPOSITION

The following chart illustrates the structure and membership of the Board and the Board committees as at 31 March 2013:

Board Committee / Director	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Suen Wing Yip	Chairman			
Mr. Lau Sai Cheong	Member			
Mr. Lai Hau Yin	Member			
Mr. Cheng Chi Ming, Brian		Member		
Mr. Tsang On Yip, Patrick			Member	Member
Mr. Chung Wai Kwok, Jimmy		Chairman	Member	Member
Mr. Lee Kwok Chung		Member	Member	Chairman
Mr. Lau Shun Chuen		Member	Chairman	Member

Each of the non-executive Directors and the independent non-executive Directors possesses different business experience, knowledge and professional background. The Board met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board received a written annual confirmation from each existing independent non-executive Director of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all existing independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Independent non-executive Directors were invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors made contributions to the effective direction of the Company.

The list of Directors (by category) is set out above and was also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors were expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the existing Directors and the relationships among the members of the Board and disclosed under the section headed "Directors and Senior Management" in this annual report.

DIRECTORS' ATTENDANCE RECORDS AT MEETING

The attendance of each Director at the Board meetings, certain committee meeting and general meetings during the year is as follows:

	Attended/Eligible to attend						
	Board meeting	Executive Committee meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Special Committee meeting	General meeting [7]
Executive Directors							
Mr. Suen Wing Yip	18/18	9/9	0/0	0/0	0/0	0/0	N/A
Ms. Li Zhe [1]	11/12	7/7	0/0	0/0	0/0	0/0	N/A
Mr. Lau Sai Cheong	6/6	2/2	0/0	0/0	0/0	0/0	N/A
Mr. Lai Hau Yin	4/4	2/2	0/0	0/0	0/0	0/0	N/A
Mr. Leung Kai Kuen [2]	1/3	0/1	0/0	0/0	0/0	0/0	N/A
Mr. Leung Tat Piu [3]	7/7	3/3	0/0	0/0	0/0	0/0	N/A
Mr. Alan Ing [4]	2/2	0/0	0/0	0/0	0/0	0/0	N/A
Non-Executive Director							
Mr. Cheng Chi Ming, Brian	5/18	0/0	1/4	0/0	0/0	18/33	N/A
Mr. Tsang On Yip, Patrick	4/4	0/0	0/0	2/2	1/1	0/0	N/A
Ms. Li Zhe [1]	4/4	0/0	0/0	0/0	0/0	0/0	N/A
Ms. Cheung Nga Lai, Carol [5]	9/14	0/0	0/0	2/4	1/2	0/0	N/A
Mr. Pei Cheng Ming, Michael [6]	2/4	0/0	0/0	0/1	0/0	0/0	N/A
Mr. Leung Kai Kuen [2]	0/4	0/0	0/0	0/0	0/0	0/0	N/A
Independent non-executive Directors							
Mr. Chung Wai Kwok, Jimmy	16/18	0/0	4/4	6/6	4/4	33/33	N/A
Mr. Lee Kwok Chung	16/18	0/0	4/4	6/6	4/4	33/33	N/A
Mr. Lau Shun Chuen	16/18	0/0	4/4	6/6	4/4	32/33	N/A

Note:

(1) Ms. Li Zhe was re-designated as executive Director on 2 April 2012, re-designated as non-executive Director on 16 October 2012 and resigned on 17 January 2013. 16 Board meetings were held from 1 April 2012 to the date of her resignation.

(2) Mr. Leung Kai Kuen was re-designated as non-executive Director and ceased to be the chairman of the Board on 30 April 2012 and removed as Director on 7 June 2012. 7 Board meetings were held from 1 April 2012 to the date of his directorship being removed.

(3) Mr. Leung Tat Piu resigned as executive Director on 6 June 2012. 7 Board meetings were held from 1 April 2012 to the date of his resignation.

(4) Mr. Alan Ing resigned as executive Director on 18 April 2012. 2 Board meetings were held from 1 April 2012 to the date of his resignation.

(5) Ms. Cheung Nga Lai, Carol resigned as non-executive Director on 1 November 2012. 14 Board meetings were held from 1 April 2012 to the date of her resignation.

(6) Mr. Pei Cheng Ming, Michael resigned as non-executive Director on 30 April 2012. 4 Board meetings were held from 1 April 2012 to the date of his resignation.

(7) No general meeting was held during the year ended 31 March 2013.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer of the Company should be separate and should not be performed by the same individual.

During the period between 1 April 2012 and 30 April 2012, Mr. Leung Kai Kuen was both the Chairman and Chief Executive Officer.

Since 30 April 2012, the roles of chairman and chief executive officer are separate. Mr. Lau Shun Chuen, an independent non-executive Director of the Company, was appointed as the non-executive acting chairman of the Board on 30 April 2012 and resigned as the non-executive acting chairman of the Board on 16 October 2012. Mr. Cheng Chi Ming, Brian, a non-executive Director of the Company, was appointed as the chairman of the Board since 16 October 2012. Mr. Suen Wing Yip, an executive Director of the Company, was appointed as the chief executive officer since 30 April 2012.

Under code provision A.2.3 of the CG Code, the chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.

Under code provision A.2.4, one of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.

Under code provision A.2.5, the chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.

Under code provision A.2.6, the chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.

Under code provision A.2.9, the chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.

As Mr. Leung Kai Kuen (former chairman during the period between 1 April 2012 and 30 April 2012) left the Company and cannot be reached by the Company as at the date of latest practicable date prior to the printing of this report, the present members of the Board are not in a position to comment whether Mr. Leung discharged his duties stipulated under code provision A.2.3, A.2.4, A.2.5, A.2.6 and A.2.9 during the period between 1 April 2012 and 30 April 2012.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

During the year ended 31 March 2013, each of the executive Directors, non-executive Directors and independent non-executive Directors was engaged for a term of three years commencing from their respective dates of appointment and was subject to retirement by rotation and re-election pursuant to the Articles of Association.

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. Besides, any new Director appointed by the Board to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting and any new Director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting.

Pursuant to the aforesaid provisions of the Articles of Association, Mr. Cheng Chi Ming, Brian, Mr. Lau Shun Chuen and Mr. Lau Sai Cheong, all being existing Directors, shall retire at the forthcoming 2013 annual general meeting of the Company. All the above retiring Directors, being eligible, will offer themselves for re-election at the said meeting. The Company's circular, sent together with this annual report, contains detailed information of the above retiring Directors pursuant to the Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its work performed are set out in the "Nomination Committee" section below.

DIRECTORS' TRAINING

All the Directors received an induction on appointment to ensure appropriate understanding of the business and operation of the Group and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors were updated with legal and regulatory developments and changes in the business and the market to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors were arranged for the Directors to refresh their knowledge and skills.

BOARD COMMITTEES

For the year ended 31 March 2013, the Board had five Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee, the Nomination Committee and the Special Committee for overseeing particular aspects of the Company's affairs. All Board committees were established with defined written terms of reference, which were available to Shareholders upon request. All Board committees reported to the Board on their decisions on recommendation made.

The practices, procedures and arrangements in conducting meetings of Board committees were in line with, so far as practicable, those of the Board meetings.

All Board committees were provided with sufficient resources to discharge their duties and, upon reasonable request, were able to seek independent professional advice in appropriate circumstances at the Company's expense.

EXECUTIVE COMMITTEE

As at 31 March 2013, the Executive Committee comprised all the executive Directors with Mr. Suen Wing Yip, acting as the chairman of such Committee. The Executive Committee operated as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitored the execution of the Company's strategic plans and operations of all business units of the Group and discussed and made decisions on matters relating to the management and day-to-day operations of the Group.

AUDIT COMMITTEE

As at 31 March 2013, the Audit Committee comprised four members, namely, Mr. Chung Wai Kwok, Jimmy, Mr. Lau Shun Chuen, Mr. Lee Kwok Chung, being independent non-executive Directors and Mr. Cheng Chi Ming, Brian, being non- executive Directors. Mr. Chung Wai Kwok, Jimmy was the chairman of the Audit Committee and he possesses relevant accounting and financial management expertise. Mr. Chung was a partner of PricewaterhouseCoopers until June 2005.

The principal duties of the Audit Committee were to (i) review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee was also responsible for performing the following corporate governance duties:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. to review and monitor the training and continuous professional development of directors and senior management of the Company;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

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

e. to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the corporate governance report in the annual report of the Company.

During the year ended 31 March 2013, the Audit Committee has performed the following major tasks:

– Review and discussion of the annual financial statements, annual results announcement, annual report, the related accounting principles and practices adopted by the Group and the relevant audit findings;

– Review and discussion of the interim financial report, interim results announcement, interim report and the related accounting principles and practices adopted by the Group;

– Review of the scope of audit work, auditor's fees and terms of engagement;

– Discussion and recommendation of the appointment of the external auditor; and

– Review and discussion of the internal control system of the Group.

– Review of the corporate governance practice of the Group

During the year, the Audit Committee held 1 private session with the external auditor without any of the executive Directors or the management of the Company being present.

All issues raised by the Audit Committee are addressed and dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported to the Board. During the year ended 31 March 2013, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules.

REMUNERATION COMMITTEE

As at 31 March 2013, the Remuneration Committee comprised four members, namely, Mr. Tsang On Yip, Patrick, Mr. Chung Wai Kwok, Jimmy, Mr. Lee Kwok Chung and Mr. Lau Shun Chuen, the majority of which are independent non-executive Directors. Mr. Lau Shun Chuen was the chairman of the Remuneration Committee.

The principal duties of the Remuneration Committee were to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Human Resources Department was responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

Details of the remuneration of each Director for the year ended 31 March 2013 are set out in note 10 to the financial statements contained in this annual report

During the year ended 31 March 2013, the Remuneration Committee performed the following tasks:

– Review and discussion of the remuneration policy of the Group and the remuneration packages of Directors and senior management of the Company;

– Review and recommendation of payment of bonus, allowance and benefits to the Directors and senior management of the Company; and

– Recommendation of the remuneration packages of the Board members and senior management.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance to the code provision set out in CG Code. As at 31 March 2013, the Nomination Committee comprised four members, Mr. Tsang On Yip, Patrick, Mr. Chung Wai Kwok, Jimmy, Mr. Lee Kwok Chung and Mr. Lau Shun Chuen, the majority of which are independent non-executive Directors. Mr. Lee Kwok Chung is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee were to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of Directors; and (v) assess the independence of independent non-executive Directors.

During the year ended 31 March 2013, the Nomination Committee carried out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 31 March 2013, the Nomination Committee has performed the following works:

– Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skill and experience appropriate to the requirements for the business of the Group;

– Review and assessment of the independence of the existing independent non-executive Directors;

– Recommendation on the re-appointment of the retiring Directors at the annual general meeting of the Company;

– Discussion and recommendation of the appointment of new Directors; and

– Acceptance of the resignation of former Directors.

SPECIAL COMMITTEE

On 2 December 2011, the Company announced that in the course of preparing the interim results for the six months ended 30 September 2011, it was unable to ascertain details of transaction(s) involving the Company's remittance and receipt of respective amounts equivalent to RMB100 million (the "Incident"), and that the Board resolved to set up a special committee (the "Special Committee") to investigate the matter and review the internal control systems of the Group with assistance from an independent accounting firm.

The principal duties of the Special Committee were to:

(i) engage an independent firm to conduct an investigation on the Incident and financial review of the Group's financial statements for the period from 1 April 2011 to 26 November 2011 (or such other dates as considered appropriate by the Special Committee);

(ii) deal directly with the firm(s) engaged in paragraph (i) above and receive reports from it/them;

(iii) seek legal opinion, where considered appropriate by the Special Committee, on any of the matters arising from paragraphs (i) and (ii) above; and

(iv) report to the Board on the progress, findings, and/or recommendations relating to any of the matters arising from paragraphs (i) to (iii) above.

Upon completion of the related forensic review and financial analysis (as detailed in the announcements of the Company dated 31 October 2012 and 17 January 2013 respectively) as well as commencement of the members' voluntary liquidation of a subsidiary of the Company (as detailed in the announcement of the Company dated 31 January 2013), the Special Committee was dissolved on 31 January 2013.

From 1 April 2012 to 31 January 2013, the Special Committee performed the following work:

– Review of the forensic investigation and financial review results performed by an independent accounting firm.

– Seeking of legal advice from a law firm with respect to the obligations of the members of the Special Committee under Hong Kong law and the Listing Rules on the forensic investigation and financial review result.

– Reported to the Board on the findings identified in the forensic investigation and financial review.

– Taken the appropriate actions for the matters relating to the forensic investigation and financial review results.

As at 31 January 2013, the Special Committee comprised four members, namely Mr. Cheng Chi Ming, Brian, Mr. Chung Wai Kwok, Jimmy, Mr. Lee Kwok Chung and Mr. Lau Shun Chuen.

DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of financial statements of the Group with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and that relevant statutory and regulatory requirements and applicable accounting standards are complied with. The Board has received from the senior management of the Company the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended 31 March 2013.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Shareholders are advised to review the adverse opinion included in the Auditor's report set out on page 37 of this annual report.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. The Board is responsible for maintaining the internal control systems of the Group. During the year ended 31 March 2013, the Board has conducted a review of the effectiveness of the systems of internal control of the Group covering the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training.

During the year ended 31 March 2013, as part of the Company's commitment to strengthen the Group's internal control system and a key step towards the resumption of trading of the Company's shares, the Company has engaged SHINEWING Risk Services Limited ("SHINEWING") to perform an independent internal control review. SHINEWING has identified a number of deficiencies in the internal control systems of the Group and made recommendations to the management of the Company for improvement. The Group has adopted and implemented those measures recommended by SHINEWING and that the same were observed by SHINEWING in the follow-up review. The Board is of the view that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report in this annual report.

During the year ended 31 March 2013, the remuneration of the Company's external auditor is set out below:

Nature of Services	Remuneration (HK$)
Audit services	
– existing auditor	2,880,000
– predecessor auditor	900,000
	3,780,000
Non-audit services – tax compliance and other non-audit services	
– existing auditor	356,000
– predecessor auditor	760,000
	1,116,000

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As at the latest practicable date prior to the printing of this report, the Company has not yet received, from each of the Controlling Shareholders, an annual declaration on his/her/its compliance with the undertakings contained in the Deed of Non-Competition entered into by each of them in favour of the Company pursuant to which each of the Controlling Shareholders has individually, jointly, unconditionally and irrevocably undertaken and represented to the Company and each member of the Group that, among other things, he/she/it will not and will procure that his/her/its associates will not engage, directly or indirectly, in businesses which will or may compete with the business carried on or to be carried on by the Group. Details of the Deed of Non-Competition were disclosed in the Prospectus under the section headed "Relationship with Our Controlling Shareholders". The Company has tried to contact each of the Controlling Shareholders and was not able to reach any of them prior to the printing of this annual report.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believed that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company also recognized the importance of transparency and timely disclosure of corporate information, which would enable Shareholders and investors to make the best investment decisions. The Company has maintained a website at "www.iwsgh.com" as a communication platform for Shareholders and investors, where information and updates on the Group's business developments and operations, financial information and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

The Board considered that general meetings of the Company provide an important channel for Shareholders to exchange views with the Board. The chairman of the Board as well as the chairmen and/or other members of the Board Committees were normally available to answer questions raised by the Shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management of the Company maintains dialogue with institutional investors and analysts to keep them informed of the Group's developments.

COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") attends all Board meetings and ensures that all Board meeting procedures have been followed. The Company Secretary reports to the Chairman of the Board.

He has attended various professional trainings during the year, which exceed the requirements of the Listing Rules. Our Directors have access to the advice and services of the Company Secretary at all times. All Directors have contact details of Company Secretary and can discuss, seek advice and obtain information on any matter that they wish to raise.

SHAREHOLDER RIGHTS

Procedures for making proposals/moving a resolution at the annual general meeting ("AGM")

- The Company holds a general meeting as its AGM every year.

- There are no provisions allowing shareholders of the Company (the "Shareholders") to make proposals or move resolutions at the AGM under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may however, convene an extraordinary general meeting (the "EGM") to do so by following the procedures below.

Procedures for shareholders to convene an EGM (including making proposals/moving a resolution at the EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 5/F, Fook Woo Group Building, 3 Kui Sik Street, On Lok Tsuen, Fanling, New Territories, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name and the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) must prove his/her/their shareholding in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at 5/F, Fook Woo Group Building, 3 Kui Sik Street, On Lok Tsuen, Fanling, New Territories, Hong Kong (email: info@iwsgh.com).

By Order of the Board

Mr. Cheng Chi Ming, Brian
Chairman
Hong Kong, 23 August 2013

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of
Integrated Waste Solutions Group Holdings Limited
(formerly known as Fook Woo Group Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Integrated Waste Solutions Group Holdings Limited (formerly known as Fook Woo Group Holdings Limited) ("the Company") and its subsidiaries (together "the Group") set out on pages 41 to 121, which comprise the consolidated and company balance sheets as at 31 March 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards 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. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation of the 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 adverse audit opinion.

Basis for adverse opinion

As disclosed in Note 2(a) to the consolidated financial statements, in November 2011, the directors of the Company were made aware of evidence indicating the existence of potential irregularities with respect to certain accounting records and transactions recorded in the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group. As a result, in December 2011 the Board of Directors established an independent special committee (the "Special Committee") to investigate these potential irregularities. Based on the Special Committee's investigation, the directors concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

These events led, among other things, to the decision by the directors of the Company that Wealthy Peaceful Company Limited ("Wealthy Peaceful"), the intermediate holding company of Huizhou Fook Woo and itself a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, would commence voluntary liquidation by a resolution of members on 31 January 2013, and the voluntary liquidators were appointed on the same date.

Given these circumstances, in preparing these financial statements, the directors of the Company have excluded Wealthy Peaceful, together with its wholly owned subsidiaries Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo (collectively referred to as "the De-consolidated Subsidiaries") from the Group's consolidated financial position as at 31 March 2012 and 31 March 2013, consolidated financial results and consolidated cash flows for the years then ended.

These events and actions taken by the directors of the Company, further details of which are set out in Note 2(a), have given rise to the following matters which form the basis for our adverse opinion:

(a) Non-compliance with International Accounting Standard 27

In our opinion, the exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements is a departure from the requirements of International Accounting Standard 27 "Consolidated and Separate Financial Statements". Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, we are unable to ascertain the financial impact of the potential irregularities with respect to the accounting records and transactions with the De-consolidated Subsidiaries, if any, and the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements. However, had the De-consolidated Subsidiaries been consolidated, many elements in the consolidated financial statements would have been materially affected.

(b) Limitation in the scope of the audit in respect of balances and transactions with the De-consolidated Subsidiaries, impairment losses of balances due from the De-consolidated Subsidiaries and loss on de-consolidation of the De-consolidated Subsidiaries

As set out in Notes 2(a) and 27 to the consolidated financial statements of the Group for the year ended 31 March 2013, the Group and the Company recorded amounts due from the De-consolidated Subsidiaries of approximately HK$532,172,000 as at 31 March 2012. Such receivables were recorded net of impairment provisions of approximately HK$1,730,505,000 and HK$625,673,000 in the consolidated and Company financial statements respectively, which were determined based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012.

The Group undertook certain sales and purchases transactions with the De-consolidated Subsidiaries totalling HK$171,909,000 (2012: HK$243,942,000) and HK$202,367,000 (2012: HK$225,153,000) respectively during the year ended 31 March 2013.

In addition, the Group recorded a loss on de-consolidation of approximately HK$415,549,000 in the consolidated income statement for the year ended 31 March 2012.

As at 31 March 2013, the liquidation of Wealthy Peaceful is still in progress and the Directors were not able to obtain sufficient documentary information to satisfy themselves about the transactions and balances with the De-consolidated Subsidiaries in prior years. Accordingly, the Directors consider it to be more practicable to present the carrying value of the balances due from De-consolidated Subsidiaries at 31 March 2013 as the sum of the opening balance as at 1 April 2012 of HK$532,172,000 plus the net movement of the current account with the De-consolidated Subsidiaries resulting from the transactions during the year ended 31 March 2013.

Because of the loss of certain accounting books and records of Huizhou Fook Woo and the de-consolidation of the De-consolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to determine whether these balances with the De-consolidated Subsidiaries at 31 March 2012 and 31 March 2013 and transactions with the De-consolidated Subsidiaries were free from material misstatement and whether any adjustments were necessary in respect of the amounts due from the De-consolidated Subsidiaries as at 31 March 2012 and 31 March 2013. In addition, we have not been able to obtain sufficient appropriate audit evidence to determine whether the impairment losses of the amounts due from the De-consolidated Subsidiaries and the loss on de-consolidation were free from material misstatement.

(c) Comparative information

The comparative figures disclosed in the consolidated financial statements are based on the audited financial statements of the Group and the Company for the year ended 31 March 2012 in respect of which the predecessor auditor's report dated 22 March 2013 expressed an adverse opinion. The matters which resulted in that adverse opinion included (a) de-consolidation of certain subsidiaries and (b) balances due from De-consolidated Subsidiaries, being the same unresolved issues which are set out above. Therefore the comparative figures shown may not be comparable and any adjustments to the opening balances as at 1 April 2012 would have consequential effect on the loss for the year ended 31 March 2013 and/or the net assets of the Group and the Company as at 31 March 2013.

Adverse opinion

Notwithstanding the above noted limitations in the scope of our audit, in our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the consolidated financial statements do not 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 Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Note	**2013** **$'000**	2012 $'000
Revenue	5	**573,274**	750,230
Cost of sales		**(483,766)**	(673,610)
Gross profit		**89,508**	76,620
Other income	6	**7,538**	916
Other gains, net	7	**6,315**	18,051
Selling and distribution expenses		**(34,281)**	(34,568)
Administrative and other operating expenses		**(81,375)**	(68,132)
Operating loss		**(12,295)**	(7,113)
Loss on de-consolidation of subsidiaries	27	**–**	(415,549)
Impairment/write-off of amounts due from the De-consolidated Subsidiaries	27	**(2,500)**	(1,730,505)
Finance income	8(c)	**14,397**	10,752
Finance costs	8(a)	**(216)**	(719)
Share of loss of an associate	17	**(56)**	–
Loss before taxation	8	**(670)**	(2,143,134)
Income tax	9	**(4,952)**	(9,582)
Loss for the year attributable to equity holders of the Company		**(5,622)**	(2,152,716)
Basic and diluted loss per share for loss attributable to equity holders of the Company	13	**(0.2) cents**	(88.4) cents

The notes on pages 48 to 121 form part of these consolidated financial statements. Details of dividends payable to equity holders of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Note	**2013**	2012
		$'000	$'000
Loss for the year		**(5,622)**	(2,152,716)
Other comprehensive income			
Release of exchange reserve upon de-consolidation of a subsidiary	27	–	(145,419)
Other comprehensive income for the year, net of tax		–	(145,419)
Total comprehensive income for the year attributable to equity holders of the Company		**(5,622)**	(2,298,135)

The notes on pages 48 to 121 form part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2013

(Expressed in Hong Kong Dollars)

	Note	**2013** **$'000**	2012 $'000
Non-current assets			
Property, plant and equipment	14	**175,976**	101,773
Land use rights	15	**28,244**	29,069
Intangible asset	16	**–**	1,000
Interests in an associate	17	**844**	–
Prepayments	21	**5,640**	803
Deferred tax assets	18(b)	**–**	2,884
		210,704	135,529
Current assets			
Inventories	19	**8,095**	7,772
Trade and bills receivables	20	**57,545**	66,000
Other receivables, deposits and prepayments	21	**36,924**	26,265
Amounts due from related companies	33(b)	**601**	1,322
Amounts due from De-consolidated Subsidiaries	27	**641,089**	532,172
Bank deposits and cash	22	**548,041**	748,445
Restricted and pledged bank deposits	22	**1,650**	910
		1,293,945	1,382,886
Current liabilities			
Trade payables	23	**14,397**	20,774
Other payables and accruals	23	**66,688**	25,194
Bank loans and overdrafts	24	**–**	30,078
Amounts due to related companies	33(b)	**5,273**	12,081
Taxation payable	18(a)	**2,704**	10,363
		89,062	98,490
Net current assets		**1,204,883**	1,284,396
Total assets less current liabilities		**1,415,587**	1,419,925

CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Note	2013 $'000	2012 $'000
Non-current liabilities			
Deferred tax liabilities	18(b)	**1,917**	633
NET ASSETS		**1,413,670**	1,419,292
CAPITAL AND RESERVES			
Share capital	25	**241,117**	241,117
Reserves	26	**1,172,553**	1,178,175
TOTAL EQUITY		**1,413,670**	1,419,292

Approved and authorised for issue by the board of directors on 23 August 2013.

Cheng Chi Ming, Brian
Chairman

To Chun Wai
Director

The notes on pages 48 to 121 form part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Note	2013 $'000	2012 $'000
Non-current assets			
Interests in subsidiaries	27	**1,491,161**	1,329,489
Current assets			
Receivables and prepayments		**1,881**	1,855
Amounts due from De-consolidated Subsidiaries	27	**488,083**	532,172
Bank deposits and cash	22	**512,946**	650,918
		1,002,910	1,184,945
Current liabilities			
Payables and accruals	23	**14,548**	10,345
Amounts due to subsidiaries	27	**200**	390
		14,748	10,735
Net current assets		**988,162**	1,174,210
NET ASSETS		**2,479,323**	2,503,699
CAPITAL AND RESERVES			
Share capital	25	**241,117**	241,117
Reserves	26	**2,238,206**	2,262,582
TOTAL EQUITY		**2,479,323**	2,503,699

Approved and authorised for issue by the board of directors on 23 August 2013.

Cheng Chi Ming, Brian	**To Chun Wai**
Chairman	*Director*

The notes on pages 48 to 121 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Share capital (Note 25) $'000	Share premium (Note 26) $'000	Capital reserve (Note 26) $'000	Statutory reserve (Note 26) $'000	Exchange reserve (Note 26) $'000	Retained earnings/ (accumulated losses) $'000	Total $'000
At 1 April 2011	245,928	2,940,531	(964,044)	96,487	145,419	1,336,090	3,800,411
Loss for the year	–	–	–	–	–	(2,152,716)	(2,152,716)
Other comprehensive income:							
– Release of exchange reserve upon de-consolidation of a subsidiary (*Note 27*)	–	–	–	–	(145,419)	–	(145,419)
Total comprehensive income for the year ended 31 March 2012	–	–	–	–	(145,419)	(2,152,716)	(2,298,135)
Reclassification of statutory reserve upon de-consolidation of a subsidiary	–	–	–	(96,487)	–	96,487	–
Transactions with owners							
– Repurchase of shares *(Note 25(c))*	(4,811)	(78,173)	–	–	–	–	(82,984)
At 31 March 2012	241,117	2,862,358	(964,044)	–	–	(720,139)	1,419,292
At 1 April 2012	241,117	2,862,358	(964,044)	–	–	(720,139)	1,419,292
Loss and total comprehensive income for the year	–	–	–	–	–	(5,622)	(5,622)
At 31 March 2013	241,117	2,862,358	(964,044)	–	–	(725,761)	1,413,670

The notes on pages 48 to 121 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2013
(Expressed in Hong Kong Dollars)

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Cash used in operations	28(a)	**(138,643)**	(215,177)
Income tax paid		**–**	(50)
Income tax refunded		**–**	480
Net cash used in operating activities		**(138,643)**	(214,747)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(56,119)**	(97,856)
Purchase of intangible asset	16	**–**	(1,000)
Proceeds from disposal of intangible asset	16	**1,024**	–
Prepayments for purchase of property, plant and equipment		**(4,837)**	(803)
Proceeds from disposal of property, plant and equipment	28(b)	**10,591**	4,398
Investment in an associate	17	**(900)**	–
Interest received		**14,210**	9,659
Placement of deposits with maturity greater than 3 months	22	**(129,918)**	–
Net cash outflow from de-consolidation of subsidiaries	27	**–**	(350,788)
Net cash used in investing activities		**(165,949)**	(436,390)
Cash flows from financing activities			
Repayments of bank borrowings	24	**(28,800)**	(9,600)
Interest paid on bank borrowings		**(216)**	(719)
Payments for repurchase of shares	25(c)	**–**	(82,984)
Increase in restricted and pledged bank deposits		**(740)**	(910)
Net cash used in financing activities		**(29,756)**	(94,213)
Net decrease in cash and cash equivalents		**(334,348)**	(745,350)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year		**747,167**	1,492,517
Exchange difference on cash and cash equivalents		**5,304**	–
Cash and cash equivalents, net of bank overdrafts at the end of the year	22	**418,123**	747,167

The notes on pages 48 to 121 form part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

1 General information

Integrated Waste Solutions Group Holdings Limited (formerly known as Fook Woo Group Holdings Limited) (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company and its subsidiaries are collectively referred to as the "Group". The subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products and recycled greyboard, trading of recovered paper and materials and provision of confidential materials destruction services.

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

2 Summary of significant accounting policies

(a) Basis of preparation

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

In the course of preparing its interim financial report for the six months ended 30 September 2011, the Board of Directors of the Company (the "Board") were made aware of evidence indicating the potential existence of irregularities with respect to a deposit of RMB100,000,000 (approximately HK$120,000,000) recorded in the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group (the "Incident"). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company's shares on the Stock Exchange.

On 29 November 2011, the Company received a cash deposit of RMB100,000,000 (approximately HK$120,000,000) (the "Deposit"). In December 2011 and January 2012, the Group further received cash deposits totalling HK$2,567,000. The Board represented that the Deposit was placed by a former Director of the Company. The Deposit was recorded as amount due to Huizhou Fook Woo in the consolidated balance sheet and the Company's balance sheet as at 31 March 2012. On 2 December 2011, the Board established an independent special committee (the "Special Committee") to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another accounting firm to conduct a forensic review into the Incident and the Deposit (the "Forensic Review") following the preliminary investigation results of the previous independent accounting firm.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Based on the results of the Forensic Review, the Board concluded that the deposit of RMB100,000,000 (approximately HK$120,000,000) was not in fact made and the Deposit was not transferred out of the accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review has revealed, among other things, certain irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Given the loss of a substantial portion of books and records and the fact that most of the key accounting personnel and previous management left the Group and are now not contactable, the Board believes that, as at the date of this annual report, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the consolidation financial statements of the Group.

Furthermore, on 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members, and the voluntary liquidators were appointed on the same date. Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo are collectively referred to as the "De-consolidated Subsidiaries".

Given these circumstances, the Directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's consolidated financial statements as at and for the years ended 31 March 2012 and 31 March 2013. As such, the results, assets and liabilities of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011. The resulting loss on de-consolidation of approximately HK$415,549,000, which is determined based on the net asset value of the De-consolidated Subsidiaries as at 1 April 2011, has been recognised in the consolidated income statement for the year ended 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Moreover, as at 31 March 2012, the total amounts due from the De-consolidated Subsidiaries to the Group and the Company before any impairment provision amounted to approximately HK$2,262,677,000 and HK$1,157,845,000 respectively. The Directors have assessed the recoverability of these balances based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012, as the Directors consider this to be the earliest practicable date for such a valuation given the aforementioned circumstances. Accordingly, impairment losses on balances due from the De-consolidated Subsidiaries of approximately HK$1,730,505,000 and HK$625,673,000 were recognised in the consolidated income statement and the Company's financial statements for the year ended 31 March 2012 respectively.

Details of these De-consolidated Subsidiaries and the loss on de-consolidation are set out in note 27 to the consolidated financial statements respectively.

As at 31 March 2013, the liquidation process of Wealthy Peaceful is still in progress and the Directors were not able to obtain sufficient documentary information to satisfy themselves about the transactions and balances with the De-consolidation Subsidiaries in prior years. Given this limitation, to avoid undue costs and delays in finalising the consolidated financial statements, the Directors have presented the carrying value of the balances due from De-consolidated Subsidiaries at 31 March 2013 as the sum of the opening balance as at 1 April 2012 of HK$532,172,000 plus the net movement of the current account with the De-consolidated Subsidiaries resulting from the transactions during the year ended 31 March 2013.

The Group undertook certain sales and purchases transactions with the De-consolidated Subsidiaries totalling HK$171,909,000 (2012: HK$243,942,000) and HK$202,367,000 (2012: HK$225,153,000) respectively during the year ended 31 March 2013.

The non-consolidation of the De-consolidated Subsidiaries is not in compliance with the requirements of International Accounting Standard ("IAS") 27, *Consolidated and separate financial statements*. Given the aforementioned circumstances, the Directors are unable to ascertain the impact of the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

Except for the matters referred to above, including the non-consolidation of the De-consolidated Subsidiaries, the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), promulgated by the International Accounting Standards Board ("IASB"), IFRSs include International Accounting Standards ("IAS") and related Interpretations. The consolidated financial statements have been prepared under the historical cost convention.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

With effect from 1 April 2012, the Group has adopted the below amendment to IFRSs, which is relevant to the Group's financial statements:

– Amendment to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

The Group has assessed the impact of the adoption of this amendment and considered that there was no significant impact on the Group's results for the years ended 31 March 2012 and 31 March 2013 and financial position or any substantial changes in the Group's accounting policies.

None of the other developments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 37).

(b) Subsidiaries

Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses the existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Except for the De-consolidated Subsidiaries as further explained in note 27, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(b) Subsidiaries (continued)

Consolidation (continued)

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

In the Company's balance sheet, an investment in subsidiaries is accounted for at cost less impairment losses (see note 2(g)). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates

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

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

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

2 Summary of significant accounting policies (continued)

(c) Associates (continued)

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(g)). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

–	Buildings	4.5%
–	Leasehold improvements	20% or unexpired lease term, whichever is shorter
–	Plant and machinery	7%-30%
–	Furniture, fixtures and equipment	18%-30%
–	Motor vehicles	18%-30%

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the construction and comprises construction costs and applicable borrowing costs incurred during the construction period. On completion, the construction in progress is transferred to other categories within property, plant and equipment. No depreciation is provided for construction in progress. The carrying amount of construction in progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in the consolidated income statement within "administrative expenses".

(f) Financial assets

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and bills receivables', 'deposits and other receivables', 'amounts due from De-consolidated Subsidiaries', 'amounts due from related companies', 'deposits and cash' and 'restricted and pledged bank deposits' in the consolidated balance sheet.

2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

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

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired (see note 2(g)).

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

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

- For investments in subsidiaries and associates, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(g)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(g)(ii).

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

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

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

2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts); and

– pre-paid interests in leasehold land classified as being held under an operating lease.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

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

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see note 2(g)).

(j) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

(k) Trade and other payables

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

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

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of significant accounting policies (continued)

(m) Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

The carrying amount of a deferred tax asset is reviewed at the balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

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

2 Summary of significant accounting policies (continued)

(m) Income tax (continued)

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

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

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

  - the same taxable entity; or

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

(n) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2 Summary of significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(o) Share capital

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(p) Provisions and contingent liabilities

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

2 Summary of significant accounting policies (continued)

(p) Provisions and contingent liabilities (continued)

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 an outflow is probable, it will then be recognised as a provision.

(q) Revenue recognition

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

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

(i) Sales of goods

Sales of goods are recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Service income

Revenue is recognised when services are rendered.

(iii) Interest income

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(r) Leases

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

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

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

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2 Summary of significant accounting policies (continued)

(t) Non-current assets held for sale and discontinued operation

(i) Non-current assets held for sale

A non-current asset (for disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

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 co-ordinated 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.

2 Summary of significant accounting policies (continued)

(t) Non-current assets held for sale and discontinued operation (continued)

(ii) Discontinued operations (continued)

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), 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 income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(u) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

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

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

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

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

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

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

2 Summary of significant accounting policies (continued)

(u) Related parties (continued)

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

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

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

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

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

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

(w) Foreign currency translation

(i) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

(w) Foreign currency translation (continued)

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains, net".

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

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

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a 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 equity holders of the Company are reclassified to profit or loss.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily Renminbi ("RMB"), HK$ and United States dollar ("USD").

The Group currently does not have a foreign currency hedging policy.

Since HK$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

As at 31 March 2013, if RMB had weakened/strengthened by 5% against HKD with all other variables held constant, pre-tax loss for the year would have been approximately HK$25,919,000 higher/lower (2012: HK$33,139,000 higher/lower on pre-tax loss), mainly as a result of the foreign exchange losses/gains (2012: same) on translation of RMB denominated bank deposits and cash and trade and bills receivable.

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and De-consolidated Subsidiaries as well as deposits and cash placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on-going basis.

For banks and financial institutions, deposits are only placed with banks with good credit ratings. For credit exposures to customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with borrowing covenants, to ensure that it maintains sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (excluding receipts in advance from customers but including interest payments computed using contractual rates or, if the contracting rates are floating, based on rates at the balance sheet date). Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Total**
	$'000	$'000	$'000
Group			
At 31 March 2013			
Trade payables	14,397	–	14,397
Other payables and accruals	61,800	–	61,800
Amounts due to related companies	5,273	–	5,273
	81,470	–	81,470
Company			
Payables and accruals	14,548	–	14,548
Amounts due to subsidiaries	200	–	200
	14,748	–	14,748

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 2 years $'000	Total $'000
Group			
At 31 March 2012			
Bank loans and overdrafts, including interest payable	31,059	–	31,059
Trade payables	20,774	–	20,774
Other payables and accruals	23,419	–	23,419
Amounts due to related companies	12,081	–	12,081
	87,333	–	87,333
Company			
Payables and accruals	10,345	–	10,345
Amounts due to subsidiaries	390	–	390
	10,735	–	10,735

(iv) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits and borrowings. Borrowings issued at variable rates exposed the Group to cash flow interest rate risk. Borrowings issued at fixed rates exposed the Group to fair value interest rate risk. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2013, the Group had no interest bearing bank borrowings.

As at 31 March 2012, if the interest rate on all borrowings had been 100 basis points higher/lower with all other variables held constant, pre-tax loss for the year ended 31 March 2012 would have been approximately HK$301,000 higher/lower on pre-tax loss, mainly as a result of higher/lower interest expense on borrowings with floating interest rates.

The Group monitors its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any financing, renewal of existing positions and alternative financing transactions.

3 Financial risk management (continued)

(b) Capital risk management

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

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, deposits with maturity greater than 3 months and restricted and pledged bank deposits. Total capital is calculated as 'equity', as shown in the consolidated balance sheet, plus net debt.

At 31 March 2012 and 2013, the Group had net cash of HK$719,277,000 and HK$549,691,000 respectively.

	2013	2012
	$'000	$'000
Cash and cash equivalents *(note 22)*	**418,123**	747,167
Deposits with maturity greater than 3 months *(note 22)*	**129,918**	–
Restricted and pledged bank deposits *(note 22)*	**1,650**	910
	549,691	748,077
Less: bank loans *(note 24)*	**–**	(28,800)
Net cash	**549,691**	719,277

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

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 the circumstances.

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

(a) Estimate of useful lives of property, plant and equipment and impairment provisions

The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The Group also assesses the adequacy of impairment provisions with reference to the sales proceeds from disposals subsequent to the year end.

(b) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate provisions, management identifies, using their judgement, inventories that are slow moving or obsolete, and considers their physical conditions, age, market conditions and market price for similar items.

(c) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at each balance sheet date.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional provision may be required.

4 Critical accounting estimates and judgements (continued)

(d) Provision for amounts due from the De-consolidated Subsidiaries

The Board determines the provision for impairment of amounts due from the De-consolidated Subsidiaries. The Board has assessed the recoverability of these balances based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers (note 2(a)).

(e) Income taxes

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into four business segments:

- Recovered paper – sales of recovered paper and materials
- Tissue paper products – manufacturing and sales of tissue paper products
- Recycled greyboard – manufacturing and sales of recycled greyboard
- Confidential materials destruction service ("CMDS") – provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to Hong Kong, the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

5 Segment information (continued)

Revenue consists of sales of recovered paper and materials, tissue paper products and recycled greyboard and provision of confidential materials destruction services. The Group's revenue is comprised as follows:

	2013 $'000	2012 $'000
Sales of recovered paper and materials	**339,103**	498,414
Sales of tissue paper products	**228,912**	240,010
Sales of recycled greyboard	**143**	6,520
Provision of confidential materials destruction services	**5,116**	5,286
	573,274	750,230

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the year consists of the following:

	2013 $'000	2012 $'000
Hong Kong	**573,274**	750,230

Details of the customers accounting for 10% or more of total revenue are as follows:

	2013 $'000	2012 $'000
Customer A	**77,060**	84,911
A de-consolidated subsidiary *(note 33)*	**171,909**	243,942

For the year ended 31 March 2013, revenues of approximately HK$248,969,000 (2012: HK$328,853,000) are derived from an external customer and a de-consolidated subsidiary (2012: one external customer and a de-consolidated subsidiary). These revenues are attributable to the recovered paper and tissue paper products reportable segments and accounted for greater than 10% of the Group's revenue.

5 Segment information (continued)

The geographical location of non-current assets other than deferred tax assets are determined based on the countries of domicile of the subsidiaries.

The total of non-current assets other than deferred tax assets located in Hong Kong as of 31 March 2013 was approximately HK$210,704,000 (2012: HK$132,645,000). There are no non-current assets located in other countries as at 31 March 2013 (2012: Nil).

The segment results and other segment items included in the loss for the year ended 31 March 2013 are as follows:

	Recovered paper and materials	Tissue paper products	Recycled greyboard	CMDS	Group
	$'000	$'000	$'000	$'000	$'000
Revenue	339,103	228,912	143	5,116	573,274
Cost of sales	(275,814)	(202,598)	(138)	(5,216)	(483,766)
Segment gross profit/(loss)	63,289	26,314	5	(100)	89,508
Loss on de-consolidation of subsidiaries					–
Impairment/write-off of amounts due from the De-consolidated Subsidiaries					(2,500)
Unallocated operating costs					(101,803)
Share of loss of an associate					(56)
Finance income					14,397
Finance costs					(216)
Loss before taxation					(670)
Income tax					(4,952)
Loss for the year					(5,622)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

5 Segment information (continued)

The segment results and other segment items included in the loss for the year ended 31 March 2012 are as follows:

	Recovered paper and materials $'000	Tissue paper products $'000	Recycled greyboard $'000	CMDS $'000	Group $'000
Revenue	498,414	240,010	6,520	5,286	750,230
Cost of sales	(450,126)	(213,268)	(6,142)	(4,074)	(673,610)
Segment gross profit	48,288	26,742	378	1,212	76,620
Loss on de-consolidation of subsidiaries					(415,549)
Impairment/write-off of amounts due from the De-consolidated Subsidiaries					(1,730,505)
Unallocated operating costs					(83,733)
Finance income					10,752
Finance costs					(719)
Loss before taxation					(2,143,134)
Income tax					(9,582)
Loss for the year					(2,152,716)

6 Other income

	2013 $'000	2012 $'000
Sales of shredded electronic materials	**3,802**	–
Sales of scrapped materials	**467**	211
Service income	**2,019**	481
Others	**1,250**	224
	7,538	916

7 Other gains, net

	2013	2012
	$'000	$'000
Foreign exchange gains, net	**5,035**	29,189
Gain/(loss) on disposals of property, plant and equipment, net	**2,280**	(829)
Gain on disposal of intangible asset	**24**	–
Write-off of property, plant and equipment	**(1,024)**	(754)
Impairment loss of property, plant and equipment *(note 14(b))*	**–**	(8,908)
Others	**–**	(647)
	6,315	18,051

8 Loss before taxation

Loss before taxation is arrived at after charging/(crediting) of the following:

	2013	2012
	$'000	$'000
(a) Finance costs		
Interest expenses on bank loans wholly repayable within 5 years	**216**	719
(b) Staff costs (excluding directors' emoluments)		
Salaries, wages and other benefits	**57,751**	40,771
Contributions to defined contribution retirement plan	**2,096**	2,044
	59,847	42,815
Staff costs included in:		
– Cost of sales	**30,413**	24,993
– Selling and distribution expenses	**10,042**	7,696
– Administrative and other operating expenses	**19,392**	10,126
	59,847	42,815

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

8 Loss before taxation (continued)

Loss before taxation is arrived at after charging/(crediting) of the following: (continued)

	2013	2012
	$'000	$'000
(c) Other items		
Amortisation of land use rights *(note 15)*	**825**	825
Depreciation of property, plant and equipment *(note 14)*	**8,839**	11,013
Impairment losses:		
– property, plant and equipment *(note 14(b))*	**–**	8,908
– trade receivables *(note 20)*	**1**	1,291
– deposits and prepayments to suppliers	**–**	178
Operating lease charges in respect of land and buildings	**18,249**	11,317
Cost of inventories sold *(note 19)*	**401,976**	596,918
Auditor's remuneration		
– Audit services	**3,780**	3,800
– Other services	**1,116**	1,081
Legal and professional fees	**24,910**	7,616
Interest income from bank deposits	**(14,397)**	(10,752)

9 Income tax

(a) Taxation in the consolidated income statement represents:

	2013	2012
	$'000	$'000
Current income tax		
– Hong Kong profits tax	**1,650**	442
(Over)/under-provision in respect of prior years		
– Current income tax	**–**	4,959
– Penalty surcharge and interest	**(866)**	5,554
	784	10,955
Deferred tax		
– Origination and reversal of temporary differences *(note 18(c))*	**4,168**	(1,373)
Income tax expense	**4,952**	9,582

(i) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2013 (2012: 16.5%).

(ii) In prior years, certain subsidiaries of the Group received notices of additional assessments from the Hong Kong Inland Revenue Department ("IRD") for the years of assessment 2002/2003 to 2005/2006 demanding total additional profits tax payments amounting to HK$20,115,000 in respect of disputes over the deductibility of certain expenses made by subsidiaries of the Group. Notices of objections have been served for these notices of additional assessments. In prior years, the IRD granted unconditional holdover orders in respect of additional tax payments of HK$16,925,000. The remaining amounts of HK$3,190,000 could be held over on the condition that an equal amount of tax reserve certificate was purchased. As at 31 March 2012, the Group purchased tax reserve certificates totalling HK$3,190,000 (note 21).

In February 2013, the Group reached a settlement with the IRD and the total claim (including the penalties surcharge and interest) amounted to HK$9,055,000 of which HK$8,443,000 was settled during the year ended 31 March 2013, by additional cash payments of HK$5,253,000 and tax reserve certificates of HK$3,190,000 already purchased in prior years. The Group made a provision of HK$9,921,000 in respect of the tax assessments and penalties in prior years and accordingly, the over-provision of tax in the consolidated income statement amounted to HK$866,000 for the year ended 31 March 2013.

9 Income tax

(a) Taxation in the consolidated income statement represents: (continued)

(iii) Mr. Leung Kai Kuen, the former director and one of the substantial shareholders of the Company and Ms. Tam Ming Luen, the then substantial shareholder of the Company, have entered into a deed of indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of the cash payment for any additional tax assessment for the year of assessment 2002/2003 and any other notices of additional assessment that may be received by any member of the Group for and including the 2003/2004, 2004/2005 and 2005/2006 tax years through the year of assessment 2009/2010.

Given the circumstances as disclosed in Note 2(a) of the consolidated financial statements and the uncertainties about the likelihood of recovering such payments from Mr. Leung Kai Kuen and Ms. Tam Ming Luen, the incremental tax liability has been recorded as the Group's income tax liabilities as at 31 March 2012 and charged to the consolidated income statement of the Group in prior years despite the above mentioned indemnity arrangement.

Subsequent to the reporting period end, the Group is in the process of submitting the claim to Mr. Leung Kai Kuen and Ms.Tam Ming Luen in respect of the tax indemnity on the above matter arrangement.

9 Income tax (continued)

(b) Reconciliation between tax expense and loss before taxation at applicable tax rates:

	2013 $'000	2012 $'000
Loss before taxation	(670)	(2,143,134)
Tax calculated at tax rates of 16.5% (2012: 16.5%)	(111)	(353,617)
Tax effects of non-taxable income	(3,563)	(6,710)
Tax effect of non-deductible expenses	8,799	357,365
Tax effect of tax losses not recognised	1,398	–
Tax effect of tax unrecognised tax losses utilised	(2,465)	–
Penalty surcharge and interest	(866)	5,554
Under-provision in respect of prior years	–	4,959
Others	1,760	2,031
Income tax expense	4,952	9,582

10 Emoluments for directors and five highest paid individuals and senior management

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the year are as follows:

	2013 $'000	2012 $'000
Fees	5,107	1,969
Salaries, allowance and benefits in kind	5,211	10,975
Retirement schemes contributions	49	1,013
	10,367	13,957

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

The emoluments of each director of the Company during the year are as follows:

	For the year ended 31 March 2013				
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Total $'000
Executive directors					
Mr. Suen Wing Yip [(a)]	75	2,440	–	15	2,530
Mr. Lau Sai Cheong [(b)]	60	849	–	8	917
Mr. Lai Hau Yin [(c)]	60	576	–	6	642
Mr. To Chun Wai [(n)]	–	–	–	–	–
Former executive directors					
Mr. Leung Kai Kuen [(d)]	–	–	–	–	–
Mr. Leung Tat Piu [(e)]	–	191	–	3	194
Mr. Cheng Chun Keung, Thomas [(f)]	–	–	–	–	–
Mr. Alan Ing [(g)]	–	73	–	1	74
Non-executive directors					
Mr. Cheng Chi Ming, Brian	1,190	–	–	–	1,190
Mr. Tsang On Yip, Patrick [(h)]	130	–	–	–	130
Former non-executive directors					
Ms. Cheung Nga Lai, Carol [(i)]	210	202	–	8	420
Mr. Pei Cheng Ming [(j)]	19	–	–	–	19
Mr. Law Siu Wah [(k)]	–	–	–	–	–
Ms. Li Zhe [(l)]	66	880	–	8	954
Independent non-executive directors					
Mr. Chung Wai Kwok, Jimmy	1,080	–	–	–	1,080
Mr. Lee Kwok Chung [(o)]	1,050	–	–	–	1,050
Mr. Lau Shun Chuen	1,167	–	–	–	1,167
Mr. Nguyen Van Tu, Peter [(p)]	–	–	–	–	–
Former independent non-executive director					
Mr. Chan Kong	–	–	–	–	–
	5,107	5,211	–	49	10,367

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

	For the year ended 31 March 2012				
	Fees	Salaries, allowance and benefits in kind	Discretionary bonus	Retirement schemes contributions	Total
	$'000	$'000	$'000	$'000	$'000
Executive directors					
Mr. Suen Wing Yip [(a)]	–	25	–	–	25
Mr. Lau Sai Cheong [(b)]	–	–	–	–	–
Mr. Lai Hau Yin [(c)]	–	–	–	–	–
Former executive directors					
Mr. Leung Kai Kuen [(d)]	–	7,929	–	977	8,906
Mr. Leung Tat Piu [(e)]	–	1,119	–	12	1,131
Mr. Cheng Chun Keung, Thomas [(f)]	–	420	–	7	427
Mr. Alan Ing [(g)]	–	809	–	6	815
Non-executive directors					
Mr. Cheng Chi Ming, Brian	225	–	–	–	225
Mr. Tsang On Yip, Patrick [(h)]	–	–	–	–	–
Former non-executive directors					
Ms. Cheung Nga Lai, Carol [(i)]	–	673	–	11	684
Mr. Pei Cheng Ming [(j)]	225	–	–	–	225
Mr. Law Siu Wah [(k)]	88	–	–	–	88
Ms. Li Zhe [(l)]	4	–	–	–	4
Independent non-executive directors					
Mr. Chung Wai Kwok, Jimmy	225	–	–	–	225
Mr. Lee Kwok Chung	225	–	–	–	225
Mr. Lau Shun Chuen	490	–	–	–	490
Former independent non-executive director					
Mr. Chan Kong [(m)]	487	–	–	–	487
	1,969	10,975	–	1,013	13,957

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

(a) Appointed on 26 March 2012

(b) Appointed on 16 October 2012

(c) Appointed on 1 November 2012 and will resign on 8 October 2013

(d) Re-designated as a non-executive director with effect from 30 April 2012, and removed from directorship on 7 June 2012

(e) Resigned on 6 June 2012

(f) Resigned on 7 October 2011

(g) Appointed on 7 October 2011 and resigned on 18 April 2012

(h) Appointed on 1 November 2012

(i) Resigned on 1 November 2012

(j) Resigned on 30 April 2012

(k) Appointed on 14 November 2011 and resigned on 26 March 2012

(l) Appointed as a non-executive director on 26 March 2012, re-designated as an executive director on 2 April 2012, re-designative as an non-executive director on 16 October 2012, and resigned on 17 January 2013

(m) Resigned on 26 March 2012

(n) Appointed on 8 April 2013

(o) Retired on 21 June 2013

(p) Appointed on 21 June 2013

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 5 directors (2012: 3). Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 2 individuals in 2012 are as follows:

	2013	2012
	$'000	$'000
Salaries, allowance and benefits in kind	–	1,549
Discretionary bonus	–	83
Retirement schemes contributions	–	20
	–	1,652

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Nil to $1,000,000	–	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(c) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed, the emoluments of the senior management whose profiles are set out in the section headed “Directors and Senior Management” of the annual report (of which these financial statements form a part) fell within the following bands:

	Number of individuals	
	2013	2012
Emolument band (HK$)*		
Nil to $1,000,000	**3**	3

* Including salaries, emoluments, other allowances and benefits, discretionary bonuses and retirement scheme contributions.

11 Loss attributable to the equity holders of the Company

The consolidated loss attributable to equity holders of the Company of HK$5,622,000 (2012: HK$2,152,716,000) included a loss of HK$24,376,000 (2012: HK$601,823,000) which is dealt with in the financial statements of the Company.

12 Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2013 (2012: Nil).

13 Basic and diluted loss per share

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

	2013	2012
	$'000	$'000
Loss attributable to the equity holders of the Company	**(5,622)**	(2,152,716)
Weighted average number of ordinary shares in issue (thousand shares)	**2,411,167**	2,435,252
Basic loss per share	**(0.2) cents**	(88.4) cents

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2012: Nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

14 Property, plant and equipment – Group

	Buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Construction in progress $'000	Total $'000
Year ended 31 March 2013								
Net book amount:								
At 1 April 2012	–	3,075	12,191	2,909	11,130	5,365	67,103	101,773
Additions	–	5,121	2,751	3,315	4,271	–	76,919	92,377
Disposals	–	(14)	–	(28)	(3,527)	(4,742)	–	(8,311)
Write off	–	(1,003)	–	(14)	(7)	–	–	(1,024)
Depreciation	–	(906)	(3,467)	(988)	(2,855)	(623)	–	(8,839)
At 31 March 2013	–	6,273	11,475	5,194	9,012	–	144,022	175,976
At 31 March 2013								
Cost	–	7,878	30,193	7,431	28,044	–	144,022	217,568
Accumulated depreciation and impairment	–	(1,605)	(18,718)	(2,237)	(19,032)	–	–	(41,592)
Net book amount	–	6,273	11,475	5,194	9,012	–	144,022	175,976
Year ended 31 March 2012								
Net book amount:								
At 1 April 2011	354,416	1,827	832,146	3,731	19,120	–	75,076	1,286,316
Deconsolidation of subsidiaries *(note 27)*	(354,416)	–	(818,876)	(1,504)	(7,462)	–	(75,076)	(1,257,334)
Additions	–	2,120	2,463	1,954	13,875	11,178	67,103	98,693
Disposals	–	–	(76)	(7)	(5,144)	–	–	(5,227)
Write off	–	(175)	(10)	(382)	(187)	–	–	(754)
Impairment *(note 14(b))*	–	–	–	–	(4,769)	(4,139)	–	(8,908)
Depreciation	–	(697)	(3,456)	(883)	(4,303)	(1,674)	–	(11,013)
At 31 March 2012	–	3,075	12,191	2,909	11,130	5,365	67,103	101,773
At 31 March 2012								
Cost	–	4,159	28,344	4,226	33,060	11,178	67,103	148,070
Accumulated depreciation and impairment	–	(1,084)	(16,153)	(1,317)	(21,930)	(5,813)	–	(46,297)
Net book amount	–	3,075	12,191	2,909	11,130	5,365	67,103	101,773

14 Property, plant and equipment – Group (continued)

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

	2013	2012
	$'000	$'000
Cost of sales	**5,467**	5,717
Administrative and other operating expenses	**3,372**	5,296
	8,839	11,013

(b) Impairment of fixed assets

Between May 2012 and September 2012, the Group disposed of certain motor vehicles and a yacht with total costs of approximately HK$6,546,000 and HK$11,000,000 respectively. An impairment loss on property, plant and equipment of HK$8,908,000 was recorded in the consolidated income statement of the Group for the year ended 31 March 2012 based on their respective selling prices subsequent to 31 March 2012.

The Group did not record any impairment loss on fixed assets for the year ended 31 March 2013.

15 Land use rights – Group

The Group's interests in land use rights represent prepaid operating lease payments. Their net book values are analysed as follows:

	2013	2012
	$'000	$'000
In Hong Kong, held on unexpired lease term of 35 years	**28,244**	29,069

The movements of land use rights are as follows:

	2013	2012
	$'000	$'000
At 1 April	**29,069**	71,773
Deconsolidation of a subsidiary *(note 27)*	**–**	(41,879)
Amortisation	**(825)**	(825)
At 31 March	**28,244**	29,069

Amortisation of land use rights has been included in "administrative and other operating expenses" in the consolidated income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

16 Intangible asset

	Club debenture	
	2013	2012
	$'000	$'000
Cost:		
At 1 April	**1,000**	–
Addition	**–**	1,000
Disposal	**(1,000)**	–
At 31 March	**–**	1,000

In November 2012, the Group disposed of the club debenture and realised proceeds of HK$1,024,000.

17 Interests in an associate

	2013	2012
	$'000	$'000
Share of net assets	**844**	–

In October 2012, the Group entered into an agreement with three independent parties to set up a company, Fook Fung Loi Co., Limited ("Fook Fung"), of which the Group held 30% equity interests in Fook Fung. The Group injected capital of HK$900,000 to Fook Fung during the year ended 31 March 2013.

17 Interests in an associate (continued)

Details of the associate at 31 March 2013 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Fook Fung Loi Co., Limited	Incorporated	Hong Kong	3,000,000 ordinary shares of HK$1 each	30%	–	30%	Manufacturing and sale of paper products

Summary financial information on the associate

	Assets $'000	Liabilities $'000	Equity $'000	Revenues $'000	Loss $'000
2013					
100 per cent	8,924	(6,111)	2,813	–	(188)
Group's effective interest	2,677	(1,833)	844	–	(56)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

18 Current and Deferred tax – Group

(a) Current taxation in the consolidated balance sheet represents:

	2013	2012
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**1,650**	442
Balance of Profits Tax provision relating to prior years	**1,054**	9,921
Taxation payable	**2,704**	10,363

(b) Deferred tax assets and liabilities recognised:

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

	2013	2012
	$'000	$'000
Deferred tax assets	**–**	2,884
Deferred tax liabilities	**(1,917)**	(633)
Deferred tax (liabilities)/assets, net	**(1,917)**	2,251

(c) The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movement during the year are as follows:

	Tax losses	**Accelerated tax depreciation**	**Total**
	$'000	$'000	$'000
At 1 April 2011	3,260	(1,303)	1,957
Credited/(charged) to the consolidated income statement *(note 9(a))*	3,195	(1,822)	1,373
Deconsolidation of a subsidiary *(note 27)*	–	(1,079)	(1,079)
At 31 March 2012 and 1 April 2012	6,455	(4,204)	2,251
Credited/(charged) to the consolidated income statement *(note 9(a))*	(5,317)	1,149	(4,168)
At 31 March 2013	1,138	(3,055)	(1,917)

18 Current and Deferred tax – Group (continued)

(d) Deferred tax assets not recognised

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of HK$5,619,000 (2012: HK$39,124,000). The tax losses do not expire under current tax legislation.

19 Inventories – Group

	2013	2012
	$'000	$'000
Finished goods, at cost	**8,095**	7,772

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$401,976,000 for the year ended 31 March 2013 (2012: HK$596,918,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

20 Trade and bills receivables – Group

	2013	2012
	$'000	$'000
Trade and bills receivables	**62,537**	70,991
Less: Provision for impairment	**(4,992)**	(4,991)
Trade and bills receivables – net	**57,545**	66,000

Payment terms granted to customers are mainly cash on delivery or on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bills receivables based on transaction date is as follows:

	2013	2012
	$'000	$'000
0 – 30 days	**36,495**	42,629
31 – 60 days	**7,918**	16,881
61 – 90 days	**5,571**	3,318
91 – 120 days	**3,396**	1,981
Over 120 days	**9,157**	6,182
	62,537	70,991
Less: Provision for impairment	**(4,992)**	(4,991)
	57,545	66,000

20 Trade and bills receivables – Group (continued)

As at 31 March 2013, trade receivables of approximately HK$30,016,000 (2012: HK$20,598,000) were past due but not impaired. These relate to a number of independent customers with no history of credit default. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered as fully recoverable. The ageing analysis of these trade receivables based on due date is as follows:

	2013	2012
	$'000	$'000
1 – 30 days	**24,168**	16,996
31 – 60 days	**3,569**	2,230
61 – 90 days	**391**	106
91 – 120 days	**1,575**	196
Over 120 days	**313**	1,070
	30,016	20,598

As at 31 March 2013, trade receivables of approximately HK$4,992,000 (2012: HK$4,991,000) were impaired and fully provided for. The individually impaired receivables mainly related to smaller customers which were in financial difficulties. The ageing analysis of these non-recoverable receivables based on due date is as follows:

	2013	2012
	$'000	$'000
31 – 60 days	**–**	38
61 – 90 days	**–**	55
Over 120 days	**4,992**	4,898
	4,992	4,991

The movement of provision for impaired receivables have been included in "administrative and other operating expenses" in the consolidated income statement (note 8). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

20 Trade and bills receivables – Group (continued)

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

	2013	2012
	$'000	$'000
At 1 April	**4,991**	8,569
De-consolidation of a subsidiary	**–**	(4,869)
Provision recognised in the consolidated income statement	**1**	1,291
At 31 March	**4,992**	4,991

The carrying amounts of trade and bills receivables are denominated in the following currencies:

	2013	2012
	$'000	$'000
HK$	**41,231**	30,718
USD	**16,314**	34,877
RMB	**–**	405
	57,545	66,000

At 31 March 2013, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of the receivables. The Group does not hold any collateral as security.

21 Other receivables, deposits and prepayments

	2013 $'000	2012 $'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**5,569**	732
Others	**71**	71
	5,640	803
Current portion		
Deposits placed with suppliers	**12,497**	6,634
Utility and other deposits	**14,774**	8,260
Prepayments	**4,697**	5,582
Interest receivable	**1,280**	1,093
Other receivables	**250**	250
Tax reserve certificates *(note 9(a))*	**–**	3,190
Others	**1,589**	1,256
	35,087	26,265
Amount due from an associate	**1,837**	–
Total	**36,924**	26,265

At 31 March 2013, the fair values of other receivables, deposits and prepayments, approximate their carrying amounts. The maximum exposure to credit risk at each balance sheet date is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security (2012: same).

At 31 March 2013, no other receivables, deposits or prepayments were impaired (2012: HK$178,000).

Amount due from an associate is unsecured, interest free and has no fixed term of repayment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

22 Bank deposits and cash and restricted and pledged bank deposits

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Deposits	**491,016**	536,466	**491,016**	536,466
Cash at bank	**56,899**	211,936	**21,930**	114,452
Cash in hand	**126**	43	**–**	–
	548,041	748,445	**512,946**	650,918
Restricted and pledged bank deposits	**1,650**	910		
	549,691	749,355		
Less: Deposits with maturity greater than 3 months	**(129,918)**	–		
Restricted and pledged bank deposits	**(1,650)**	(910)		
Less: Bank overdrafts	**–**	(1,278)		
Cash and cash equivalents in the consolidated statement of cash flows	**418,123**	747,167		

Bank deposits and cash are denominated in the following currencies:

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
RMB	**496,730**	661,281	**496,224**	599,474
HK$	**38,367**	70,846	**16,427**	51,444
USD	**14,594**	17,187	**295**	–
Euro ("EUR")	**–**	1	**–**	–
Australian dollars ("AUD")	**–**	40	**–**	–
	549,691	749,355	**512,946**	650,918

22 Bank deposits and cash and restricted and pledged bank deposits (continued)

As at 31 March 2013, the restricted bank deposits were denominated in HK$. The restricted bank deposits were mainly pledged as a guarantee to suppliers to secure supply.

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Maximum exposure to credit risk on cash and cash equivalents and restricted bank deposits	**549,565**	749,312	**512,946**	650,918

The conversion of RMB denominated balances into foreign currencies and the remittance of such bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on prevailing bank deposit rates.

23 Payables and accruals

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Trade payables	**14,397**	20,774	**–**	–
Other payables and accruals:				
– Construction cost payables	**28,148**	30	**–**	–
– Accrued expenses	**32,368**	23,378	**14,548**	10,345
– Receipts in advance from customers	**4,888**	1,775	**–**	–
Others	**1,284**	11	**–**	–
	66,688	25,194	**14,548**	10,345
	81,085	45,968	**14,548**	10,345

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

23 Payables and accruals – Group (continued)

The ageing of trade payables based on due date at the balance sheet date is as follows:

	2013	2012
	$'000	$'000
Current	8,964	16,948
1 – 30 days	1,554	1,277
31 – 60 days	997	140
61 – 90 days	123	65
91 – 120 days	21	49
Over 120 days	2,738	2,295
	14,397	20,774

The carrying amounts of payables and accruals are denominated in the following currencies:

	Group	
	2013	2012
	$'000	$'000
HK$	79,108	41,853
USD	1,919	4,115
RMB	58	–
	81,085	45,968

As at 31 March 2013, the fair values of the trade and other payables approximate their carrying amounts (2012: same).

24 Bank loans and overdrafts

	2013	2012
	$'000	$'000
Bank overdrafts	–	1,278
Short-term bank loans (unsecured)	–	28,800
Total	–	30,078

The Group repaid all bank loans during the year ended 31 March 2013.

At 31 March 2012, short-term bank loans of HK$28,800,000 (denominated in Hong Kong dollars) were arranged at floating rates, thus exposed the Group to cash flow interest rate risk. The effective interest rate as at 31 March 2012 was 2.35% per annum.

The fair values of short-term bank loans approximate their carrying amounts at each balance sheet date as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

25 Share capital

(a) Authorised share capital of the Company

	2013	2012
	$'000	$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Note	Number of ordinary shares	Ordinary shares
			$
Issued and fully paid:			
At 1 April 2011		2,459,275,000	245,927,500
Repurchase of shares	25(c)	(48,108,000)	(4,810,800)
At 31 March 2012, 1 April 2012 and 31 March 2013		2,411,167,000	241,116,700

(c) During the year ended 31 March 2012, the Company repurchased a total of 48,108,000 of its own shares on the Stock Exchange at prices ranging from HK$1.48 to HK$1.88 per share, for a total consideration, before expenses, of HK$82,984,000. The repurchase shares were cancelled. The premium of approximately HK$78,173,000 paid on the repurchase shares was debited to the share premium account.

During the year ended 31 March 2013, the Company did not repurchase any share on the Stock Exchange.

26 Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

	Share capital $'000	Share premium $'000	Retained earnings/ (accumulated losses) $'000	Total $'000
At 1 April 2011	245,928	2,940,531	2,047	3,188,506
Loss and total comprehensive income for the year	–	–	(601,823)	(601,823)
Repurchase of shares *(note 25(c))*	(4,811)	(78,173)	–	(82,984)
At 31 March 2012	241,117	2,862,358	(599,776)	2,503,699
Loss and total comprehensive income for the year	–	–	(24,376)	(24,376)
At 31 March 2013	241,117	2,862,358	(624,152)	2,479,323

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

26 Reserves (continued)

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

Capital reserve represents the difference between (i) the aggregate of the consideration for the acquisitions under common control upon the reorganisation during the year ended 31 March 2010 ("Reorganisation"); and (ii) the aggregate of the share capital and share premium of the entities transferred to the Group pursuant to the Reorganisation.

(iii) Exchange reserve

The exchange reserve represents the foreign exchange differences arising from the translation of the financial statements of the Company and Huizhou Fook Woo. The reserve is dealt with in accordance with the accounting policies set out in note 2.

(iv) Statutory reserve

In accordance with the relevant regulations and the articles of association, a subsidiary of the Group incorporated in the PRC, Huizhou Fook Woo is required to allocate at least 10% of its after-tax profit according to PRC accounting standards and regulations to the statutory reserve until such reserve has reached 50% of registered capital. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors of Huizhou Fook Woo. These reserves can only be used for specific purposes and are not distributable or transferable in the form of loans, advances, or cash dividends. During the year ended 31 March 2011, no appropriations were made to the statutory reserve as such reserve has reached 50% of the registered capital of Huizhou Fook Woo. Upon deconsolidation of Huizhou Fook Woo during the year ended 31 March 2012, the statutory reserve of approximately $96,487,000 was transferred from statutory reserve to retained earnings as at 31 March 2012.

(c) Distributable reserves

The aggregate amounts of distributable reserves of the Company as at 31 March 2013 and 31 March 2012 were HK$2,238,206,000 and HK$2,262,582,000 respectively.

27 Investments in subsidiaries and due from/(to) subsidiaries

	Group		Company	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Consolidated subsidiaries				
Investments at cost, unlisted shares	**–**	–	**967,944**	967,944
Due from subsidiaries	**–**	–	**523,217**	361,545
	–	–	**1,491,161**	1,329,489
De-consolidated Subsidiaries				
Investments at cost, unlisted shares (HK$8)	**–**	–	**–**	–
Due from De-consolidated Subsidiaries	**2,371,594**	2,262,677	**1,113,756**	1,157,845
Less: Provision for impairment	**(1,730,505)**	(1,730,505)	**(625,673)**	(625,673)
	641,089	532,172	**488,083**	532,172
Due to subsidiaries	**–**	–	**(200)**	(390)

During the year ended 31 March 2013, the Group has waived the amounts due from De-consolidated Subsidiaries of HK$2,500,000 and accordingly, these amounts had been written off and charged to the consolidated income statement of the Group for the year ended 31 March 2013.

Amounts due from subsidiaries are unsecured, non-interest bearing with no fixed terms of repayment and hence are classified as non-current as these are not expected to be recoverable within the next twelve months. Amounts due to subsidiaries are unsecured and non-interest bearing with no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

27 Investments in subsidiaries and due from/(to) subsidiaries (continued)

The following is a list of the principal subsidiaries which have been consolidated as at and for the year ended at 31 March 2013:

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Directly held				
Fook Woo International Limited	BVI/ 16 March 2007	Ordinary US$50,030	100%	Investment holding/ Hong Kong
Indirectly held				
Fook Woo Wastepaper (BVI) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Fook Woo Assorted Paper (BVI) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Fook Woo Environmental Technologies (BVI) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Fook Woo CMDS (BVI) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Fook Woo Waste Paper Company Limited	Hong Kong/ 28 September 1993	HK$1,000,000	100%	Trading of recovered paper/ Hong Kong
Fook Woo Assorted Paper Company Limited	Hong Kong/ 15 December 1997	HK$1,000,000	100%	Trading of tissue paper products and recycled greyboard/ Hong Kong

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

27 Investments in subsidiaries and due from/(to) subsidiaries (continued)

The following is a list of the principal subsidiaries which have been consolidated as at and for the year ended at 31 March 2013: (continued)

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Confidential Materials Destruction Service Limited	Hong Kong/ 22 June 1979	HK$10,000	100%	Provision of confidential materials destruction service/ Hong Kong
Fook Woo Environmental Technologies Limited	Hong Kong/ 23 October 2002	HK$1,000,000	100%	Procurement of waste paper/ Hong Kong
Fook Woo Promotion Limited	Hong Kong/ 17 September 2010	HK$1	100%	Investment holding/ Hong Kong
Fook Woo Paper Agency Company Limited	BVI/ 28 November 2011	Ordinary US$1	100%	Investment holding/ Hong Kong
Huizhou Fook Woo Paper Company Limited	Hong Kong/ 4 December 2007	HK$1	100%	Inactive

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2013

27 Investments in subsidiaries and due from/(to) subsidiaries (continued)

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2011 (the De-consolidated Subsidiaries):

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Wealthy Peaceful Company Limited – In liquidation	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Golddoor Company Limited	Hong Kong/ 29 April 1981	HK$500,000	100%	Investment holding/ Hong Kong
Huizhou Fook Woo # (惠州福和紙業有限公司)	PRC/ 26 March 1996	HK$340,000,000	100%	Manufacturing and sales of tissue paper products and recycled greyboard and sales of recovered paper/PRC

\# The company is a wholly foreign-owned enterprise.

As explained in note 2(a), due to the loss of a substantial portion of books and records and serious doubt over the authenticity of certain accounting books and records of Huizhou Fook Woo, the financial results of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011.

27 Investments in subsidiaries and due from/(to) subsidiaries (continued)

Details of the net assets of the subsidiaries de-consolidated as at 1 April 2011 are set out below.

	1 April 2011
	$'000
Net assets	
Property, plant and equipment	1,257,334
Land use rights	41,879
Other receivables, deposits and prepayments	506,411
Deferred income tax assets	1,079
Trade and bills receivables	624,261
Inventories	83,365
Cash and cash equivalents	350,788
Amounts due to fellow subsidiaries and the ultimate holding company	(2,025,058)
Payables and accruals	(145,808)
Bank borrowings	(91,072)
Taxation payable	(42,211)
	560,968
Loss on de-consolidation of subsidiaries	(415,549)
Exchange reserve release upon de-consolidation	(145,419)
	–
Analysis of net outflow of cash and cash equivalents arising from de-consolidation of subsidiaries	(350,788)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

28 Note to the consolidated cash flow statements

(a) Reconciliation of loss before taxation to net cash used in operations

	Note	2013 $'000	2012 $'000
Loss before income tax		**(670)**	(2,143,134)
Adjustments for:			
Loss of de-consolidation of subsidiaries	27	**–**	415,549
Impairment of amounts due from the De-consolidated Subsidiaries	27	**2,500**	1,730,505
(Gain)/loss on disposals of property, plant and equipment, net	7	**(2,280)**	829
Gain on disposal of intangible asset	7	**(24)**	–
Impairment of property, plant and equipment	7	**–**	8,908
Amortisation of land use rights		**825**	825
Depreciation of property, plant and equipment		**8,839**	11,013
Write off of property, plant and equipment	7	**1,024**	754
Provision for impairment of trade receivables		**1**	1,291
Direct write off of deposits and prepayments to suppliers		**–**	178
Finance costs		**216**	719
Interest income		**(14,397)**	(10,752)
Unrealised foreign currency gain		**(5,304)**	–
Share of loss of an associate		**56**	–
Operating (loss)/profit before working capital changes		**(9,214)**	16,685
Inventories		**(323)**	(2,973)
Trade and bills receivables		**8,454**	11,776
Other receivables, deposits and prepayments		**(18,913)**	(10,517)
Amounts due from related companies		**721**	(136)
Payables and accruals		**4,120**	(4,474)
Amounts due to related companies		**(12,071)**	12,081
Amounts due from De-consolidated Subsidiaries		**(111,417)**	(237,619)
Cash used in operations		**(138,643)**	(215,177)

28 Note to the consolidated cash flow statements (continued)

(b) **In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprises:**

	2013	2012
	$'000	$'000
Proceeds from disposal of property, plant and equipment	**10,591**	4,398
Net book amount *(note 14)*	**(8,311)**	(5,227)
Gain/(loss) on disposals of property, plant and equipment *(note 7)*	**2,280**	(829)

29 Financial instruments by category

Group

		Loans and receivables	
		2013	2012
	Note	**$'000**	$'000
Assets per consolidated balance sheet			
Trade and bills receivables	20	**57,545**	66,000
Other receivables, deposits and prepayments	21	**36,924**	26,265
Amounts due from related companies	33(b)	**601**	1,322
Amounts due from De-consolidated Subsidiaries	27	**641,089**	532,172
Bank deposits and cash	22	**548,041**	748,445
Restricted and pledged bank deposits	22	**1,650**	910
Total		**1,285,850**	1,375,114

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

29 Financial instruments by category (continued)

Group (continued)

		Other financial liabilities	
		2013	2012
	Note	**$'000**	$'000
Liabilities per consolidated balance sheet			
Trade payables		**14,397**	20,774
Other payables and accruals	23	**66,688**	25,194
Bank loans and overdrafts	24	**–**	30,078
Amounts due to related companies	33(b)	**5,273**	12,081
Total		**86,358**	88,127

Company

		Loans and receivables	
		2013	2012
	Note	**$'000**	$'000
Assets per balance sheet			
Receivables		**1,881**	1,855
Amounts due from De-consolidated Subsidiaries	27	**488,083**	532,172
Bank deposits and cash	22	**512,946**	650,918
Total		**1,002,910**	1,184,945

		Other financial liabilities	
		2013	2012
	Note	**$'000**	$'000
Liabilities per balance sheet			
Payables and accruals		**14,548**	10,345
Amounts due to subsidiaries	27	**200**	390
Total		**14,748**	10,735

30 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2013	2012
	$'000	$'000
Within one year	**15,503**	13,670
After one year but within five years	**17,006**	14,781
After five years	**–**	–
	32,509	28,451

31 Capital commitments

	2013	2012
	$'000	$'000
Contracted but not provided for		
Property, plant and equipment	**32,308**	15,897

32 Contingent liabilities

At 31 March 2013, there were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to overdrafts, short term loans and credit facilities were nil (2012: HK$28,800,000). The Company has not recognised any deferred income for the guarantees given in respect of borrowings and other banking facilities for subsidiaries as their fair value cannot be reliably measured using observable market data and their transaction price was nil.

At 31 March 2013, the directors do not consider it is probable that a claim will be made against the Company under any of the guarantees.

At 31 March 2013, the Group has lodged certain claims against its former director and employee. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

33 Related party transactions

(a) The following transactions were carried out with related parties during the year:

	2013	2012
	$'000	$'000
Non-continuing		
Construction expenditure paid/payable to Vibro (H.K.) Limited ("Vibro") *(note (i))*	**11,113***	63,887*
Rental expenses in respect of land and buildings paid to China Gold Industries Ltd ("China Gold") *(note (ii))*	**–**	513*
Rental expenses in respect of land and building paid to Junway Investment Limited ("Junway") *(note (iii))*	**213***	900*
Purchase of motor vehicle from Junway Investment Limited ("Junway") *(note (iv))*	**–**	365*
Continuing		
Sales to De-consolidated Subsidiaries	**171,909**	243,942
Purchase from De-consolidated Subsidiaries	**202,367**	225,153
Rental expenses in respect of land and buildings paid to E&I Development Limited ("E&I") *(note (ii))*	**3,300***	3,000*
Management fee paid and payable to Fook Woo Waste Paper Company *(note (v))*	**1,788***	1,581*
Management fee paid and payable to Lai Wah Shipping Company ("Lai Wah") *(note (vi))*	**1,872***	1,576*

* These related party transactions also constitute connected transactions or continuing connected transactions pursuant to the Main Board Listing Rules of the Stock Exchange.

33 Related party transactions (continued)

(a) (continued):

Notes:

(i) The amount represented charges for construction services at the Tseung Kwan O industrial site provided by Vibro, a company indirectly owned by one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(ii) These represented the rental expenses for leasing of office space and an ex-directors' quarters paid to E&I and China Gold, respectively. The controlling shareholders of E&I are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The controlling shareholder of China Gold is a close family member of Mr. Leung Kai Kuen. The rental expenses were charged at predetermined rates mutually agreed between both parties.

(iii) The amount represented the rental expenses for leasing of an ex-director's quarter paid to Junway, a company owned by a close family member of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(iv) The amount represented purchase of a motor vehicle from Junway, a company owned by a close family member of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(v) The amount represented waste paper management services provided by Fook Woo Waste Paper Company, a company owned by Mr. Leung Tat Piu, an ex-director of the Company at the Tai Po packing station. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

(vi) The amount represented waste loading services provided by Lai Wah. The sole proprietor of Lai Wah is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

33 Related party transactions (continued)

(b) Year-end balances with related parties

The amounts due from/(to) related companies were denominated in HK$. The balances are unsecured, interest-free and repayable upon demand. The carrying values of these balances approximate their fair values.

Amounts due from related companies, net of impairment provisions are disclosed as follows:

Name	Relationship	2013 $'000	2012 $'000
Huizhou Fook Woo	A de-consolidated subsidiary of the Company	**641,089**	532,172
E&I	Controlling shareholders are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**562**	562
Fook Foo Waste Paper Company	A company wholly-owned by Mr Leung Tat Pui, an ex-director of the Company	–	447
Lai Wah	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	–	163
Junway	A company owned by a close family member of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	–	150

33 Related party transactions (continued)

(b) Year-end balances with related parties (continued)

The information relating to the amounts due from related companies, disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, is as follows:

Name	Maximum amount outstanding during 2013 $'000	2012 $'000
China Gold	**–**	164
E&I	**562**	562
Fook Woo Paper Company Limited	**447**	605
Lai Wah	**162**	533
Junway	**150**	150

Amounts due to related companies are disclosed as follows:

Name	Relationship	2013 $'000	2012 $'000
Vibro	A company indirectly owned by one of the substantial shareholders of the Company	**5,263**	12,081
Lai Wah	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the company	**10**	–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

34 Share option scheme

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company adopted a share option scheme on 11 March 2010 (the "Share Option Scheme"). The purpose of the share option scheme is to provide incentives to the Group's employees including the executive directors and non-executive directors and any advisers, consultants, suppliers, customers and agents (each "eligible participant"). The Board of Directors of the Company may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

- the closing price of the shares of the Company stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the total number of shares in issue immediately following the completion of the Initial Public Offering and the capitalisation issue but excluding the effect of the over-allotment. The 10% limit may be refreshed with the approval by the shareholders. The maximum number of 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 schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, if shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in any 12-month period (i) represent in aggregate more than 0.1% of the total number of shares in issue, and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of $5,000,000, the proposed grant of option must be approved by the shareholders of the Company in a general meeting.

34 Share option scheme (continued)

An offer of options must be accepted within 30 days from the date of offer, upon payment of a consideration of $1 by the grantee. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. There is no minimum period for which an option must be held before the exercise of the option except otherwise imposed by the Board of Directors of the Company. As at 31 March 2013, no share option had been granted under the Share Option Scheme (31 March 2012: Nil).

35 Events after the balance sheet date

On 15 May 2013, the Board of the Company proposed to change the name of the Company from Fook Woo Group Holdings Limited "福和集團控股有限公司" to Integrated Waste Solutions Group Holdings Limited and adopted a Chinese name "綜合環保集團有限公司" for identification.

On 21 June 2013, the shareholders have passed a special resolution in approving the change of company name and the certificate of incorporation on change of name was issued by the Registrar of Companies in the Cayman Islands on 3 July 2013.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2013

36 Comparatives

Certain comparatives including (a) cost of sales, (b) selling and distribution expenses and (c) administrative and other operating expenses have been reclassified to conform with current year's presentation. The reclassification of items is largely related to:

– In prior years, majority of the staff costs were included under "administrative and other operating expenses". In the current year, staff costs are classified into income statement items by reference to the nature and functions and the comparative figures have been reclassified accordingly.

– In prior years, certain overheads directly attributable to production were included under "administrative and other operating expenses". In the current year, these costs are classified as "cost of sales" or "selling and distribution expenses" and the comparative figures have been reclassified accordingly.

	2012 (As originally presented) $'000	2012 (Reclassification adjustment) $'000	2012 (As reclassified) $'000
Cost of sales			
Staff costs	12,526	12,467	24,993
Other direct overheads	622,289	26,328	648,617
	634,815	38,795	673,610
Selling and distribution expenses			
Staff costs	249	7,447	7,696
Others	25,337	1,535	26,872
	25,586	8,982	34,568
Administrative and other operating expenses			
Staff costs	28,627	(18,501)	10,126
Others	87,282	(29,276)	58,006
	115,909	(47,777)	68,132

37 Future changes in accounting policies

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
IAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
Annual Improvements to IFRSs 2009-2011 Cycle	1 January 2013
Amendments to IAS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards is unlikely to have a significant impact on the Group's consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,098,549	1,422,556	2,126,487	750,230	**573,274**
Gross Profit	383,087	513,007	756,756	76,620	**89,508**
Profit/(loss) before income tax	200,327	337,784	554,904	(2,143,134)	**(670)**
Income tax expenses	(27,737)	(46,445)	(88,014)	(9,582)	**(4,952)**
Profit/(loss) for the year	172,590	291,339	466,890	(2,152,716)	**(5,622)**

ASSETS AND LIABILITIES

	As at 31 March				
	2009	2010	2011	2012	**2013**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	1,171,629	2,717,094	4,170,383	1,518,415	**1,504,649**
Total liabilities	437,985	521,282	369,972	99,123	**90,979**
Total equity	733,644	2,195,812	3,800,411	1,419,292	**1,413,670**

IWS
Integrated Waste Solutions
Group Holdings Limited
綜合環保集團有限公司*