ANNUAL REPORT 2014

HERITAGE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code : 412

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Kwong Kai Sing, Benny *(Chairman and Chief Executive Officer)*
Ong, Peter *(Managing Director)*
Chow Chi Wah, Vincent
Wu Jian
(resigned on 30 June 2013)
Chen Wei
(appointed on 7 October 2013)

Independent Non-Executive Directors:
Chung Yuk Lun
To Shing Chuen
Ha Kee Choy, Eugene
Lo Wong Fung, JP

AUDIT COMMITTEE

Ha Kee Choy, Eugene *(Chairman)*
To Shing Chuen
Chung Yuk Lun
Lo Wong Fung, JP

REMUNERATION COMMITTEE

Ha Kee Choy, Eugene *(Chairman)*
To Shing Chuen
Kwong Kai Sing, Benny

NOMINATION COMMITTEE

Ha Kee Choy, Eugene *(Chairman)*
To Shing Chuen
Kwong Kai Sing, Benny

COMPANY SECRETARY

Chow Chi Wah, Vincent

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

29th Floor, China United Centre
28 Marble Road
North Point
Hong Kong

STOCK CODE

412

CORPORATE INFORMATION

AUDITOR

Graham H.Y. Chan & Co.
Certified Public Accountants (Practising)
Rooms 3719-26, 37/F.
Sun Hung Kai Centre
30 Harbour Road
Wanchai
Hong Kong

LEGAL ADVISERS

Hong Kong law:
Iu Lai & Li Solicitors
Rooms 2201, 2201A & 2202
22nd Floor, Tower 1
Admiralty Centre
No. 18 Harcourt Road
Hong Kong

Bermuda law:
Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited
No.1 Queen's Road Central
Hong Kong

PRINCIPAL REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
Existing address:
26 Burnaby Street
Hamilton HM11
Bermuda

New address: (effective on 30 July 2014)
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.heritage.com.hk

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

To Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for the year ended 31 March 2014.

FINANCIAL RESULTS

The Group's audited consolidated profit for the year ended 31 March 2014 was approximately HK$281,025,000 compared with last year's attributable loss of approximately HK$71,594,000. This is mainly due to changes in fair values on investments at fair value through profit or loss from net losses of approximately HK$52,526,000 (as restated) for the year ended 31 March 2013 to net gains of approximately HK$385,433,000 of the year ended 31 March 2014. The net assets value of the Group increased from approximately HK$1,033,566,000 as at 31 March 2013 to approximately HK$1,509,074,000 as at 31 March 2014.

The Group's revenue for the year amounted to approximately HK$14,484,000 compared to last year revenue of approximately HK$19,634,000 (as restated). Details of the breakdown of the revenue can be seen on note 6 to the consolidated financial statements.

On the expenses side, the level of total operating expenses increased in this year mainly due to increase in impairment loss on property, plant and equipment of approximately HK$6,654,000 and impairment loss on goodwill of approximately HK$3,720,000, and net changes in fair value of investment properties from net gains of approximately HK$9,647,000 for the year ended 31 March 2013 to net losses of approximately HK$2,150,000 for the year ended 31 March 2014. Employee benefit expense, amortisation, depreciation and minimum lease payments under operating leases in respect of land and buildings increased from last year's sum of approximately HK$25,377,000 to approximately HK$45,086,000 in this year being in line with the increase in the size of our operation. Finance costs increased from last year's figure of approximately HK$649,000 to approximately HK$39,083,000 this year.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year (2013: Nil).

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a profit before tax of approximately HK$281 million for the year ended 31 March 2014. The profit is mainly attributable to fair value gains arisen from equity investments at fair value through profit or loss as at the fiscal year end date.

The Company is an investment holding company with its subsidiaries engaging in the following major lines of business:

a) **Real Estate Investment**

The Group owned two commercial properties in North Point and Kowloon east. Both of them were disposed of during the year ended 31 March 2014 through disposal of subsidiaries. The management will take a conservative approach in taking up new investment in the coming year.

b) **Investment in Securities**

The Group's securities portfolio reported a gain on sale of investments at fair value through profit or loss of approximately HK$19 million for the year ended 31 March 2014. Besides, there is a net fair value gain on investment at fair value through profit or loss of approximately HK$366 million in the same year.

c) **Money Lending Business**

The Group's wholly owned subsidiary engaged in money lending business segment recorded a positive result for the period concerned. The management will continue to take cautious approach in this line of business.

d) **Investment Holding**

The Group holds an unlisted investment at fair value of the amount of approximately HK$112.8 million as at 31 March 2014. Subsequent to the year-end date on 12 June 2014, the Group has agreed conditionally to increase the investment by way of subscription of shares at the total amount of approximately HK$228 million (subject to adjustment). After the subscription has been completed, the shareholding in this unlisted investment would have increased from 2.10% to 6.10%. The management is positive on the future prospect of this investment.

e) **Chinese Medicine Clinic operation**

The Group's operation in traditional Chinese Medicine industry through the operation of the HON Chinese Medicine Clinic has run for approximately three years. Although the operation is still not making a positive contribution to the Group due to keen competition in this market, the turnover has been making steady growth for the year. The management is taking measures to streamline the operation with a view to improve the financial performance of this business in the coming year.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

f) **Investment in Forest Interest in the PRC**

On 5 April 2013, the Group completed the acquisition of a group of companies which principal asset is forestlands with a total area of 63,035.29 mu located in Qinglong Manchu Autonomous County of Hebei Province, the PRC. The Company has positioned forestry management business and ecotourism as one of its core businesses of the Group.

The Group's prepaid lease payments and favourable lease asset arising from the business combination of Global Castle Group represent the land portion and the forestlands use rights granted to Global Castle which is located in Hebei province abovementioned at the date of acquisition. Both of them are amortised on straight-line basis over the remaining term of the lease of the Forestlands. During the year ended 31 March 2014, the Group recognised a loss on change in fair value less costs of disposal of approximately HK$21 million. This represents the combine effect of amortisation of prepaid lease payments and favourable lease asset on a straight-line basis over the remaining term of the lease which will terminate on 2057 plus the impairment of goodwill.

Collection of fruit products and enhancing the quality and quantity of existing fruit trees is the primary long term plan of the Company. Firstly, the management has started negotiation with the farmers a certain way of cooperation whereby they will be paid on the amount of fruits they pick at a discount to market price. Secondly, apple trees and flowers are planted and will be cultivated using new improved methods technically advised by Beijing Academy of Agriculture and Forestry Science. Besides, the management is now exploring e-commerce channels which will be used to distribute our own farm products as well as local specialty products.

For ecotourism, the management is in discussion with various investors as to the way of cooperation. No final agreement has been reached.

After the year end date, the Group has formed a joint venture with two parties which business objective is to engage in a single purpose project, the investment holding of forestry-related business in the Asia Pacific region.

The forestry management business and ecotourism business are still at its development stage and no profit contribution is expected immediately. However the management is confident that this line of business has a great potential to appreciate in the long run.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

The U.S. Federal Reserve will probably end its massive bond-buying program this fall, and could start raising interest rates around first quarter of 2015. The economic outlook for the Greater China region is still not very optimistic. Thus, the business environment is still not very clear and challenging. However, with a relatively low gearing, the Company will focus on its core business of forestry management and seeking diversified business opportunities in a cautious approach in order to sustain in this uncertain economy.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2014, the Group's total assets and borrowings were HK$1,741,526,000 and HK$34,833,000, respectively. Borrowings represented interest-bearing bank borrowings and bonds. Bank borrowings of the Group carried floating interest rates with reference to the HIBOR and bonds carried fixed rate interest of 5% per annum, both of which were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was approximately 2%. As at 31 March 2014, certain property, plant and equipment amounted to HK$63,195,000, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK$477,809,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

On 15 October 2012, the Company entered into a selling agreement (the "Selling Agreement") with Freeman Securities Limited ("Freeman"), pursuant to which Freeman agreed to sell a series of 5% unsecured seven-year straight bonds with an aggregate principal amount to HK$450 million to be issued by the Company during a 6-month selling period ended which was further extended to 30 June 2013. During the year, such straight bonds with an aggregate principal amount of HK$350 million were issued and were fully redeemed.

During the year, the Company also issued a 5% unsecured seven-year straight bonds with principal amount of HK$10 million to an independent third party. The final maturity of the bond issued is in the year 2020.

On 9 May 2013, a rights issue of one rights share for every two existing share held by members of the Company on the register of members on 9 May 2013 was made by the Company, at an issue price of HK$0.215 per rights share, resulting in the issuance of 939,739,198 ordinary shares of the Company HK$0.001 each for a total cash consideration, before expenses, of approximately HK$202 million. Further details of the rights issue are also set out in the Company's prospectus dated 10 May 2013 and the Company's announcement dated 4 June 2013.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Saved as disclosed in note 33(a) and 33(b) to the consolidated financial statements, the Group has no material acquisitions and disposal of subsidiaries during the year ended 31 March 2014.

CHAIRMAN'S STATEMENT & MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2014, the Group had an available workforce including directors of the Company, of 45, of which 10 were based in the PRC. Staff costs incurred and charged to profit or loss for the year, including directors' remuneration, was approximately HK$11.7 million (2013: HK$11.3 million).

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all its employees.

CURRENCY RISK MANAGEMENT

The Group's transactions are mainly denominated in Hong Kong dollars and RMB. Therefore, the Group is exposed to exchange rate risk. The majority of the Group's cash and bank balances are also denominated in these two currencies. The Group also holds listed equity investments in Singapore Dollar. During the year ended 31 March 2014, the Group did not experience significant exposure to exchange rate and interest rate fluctuations. Accordingly, the Group has not implemented any foreign currency hedging policy at the moment. However, the management of the Group will constantly review the economic situation, development of each business segment and the overall foreign exchange risk profile, and will consider appropriate hedging measures in the future when necessary.

CONTINGENT LIABILITIES

The Company has major contingent liabilities relating to a guarantee given to a bank in connection with facility granted to a subsidiary of approximately HK$31,500,000 (2013: HK$31,500,000).

Finally, I would like to take this opportunity to thank all of my fellow directors and members of staff for their dedicated services, support and contribution during the year. Looking forward to their continue support and excellent services in the coming years.

Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong
27 June 2014

PROFILE OF THE MANAGEMENT

EXECUTIVE DIRECTORS

Dr. Kwong Kai Sing, Benny, aged 55, is the Chairman, Chief Executive Officer and Executive Director of the Company. Dr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. Dr. Kwong was awarded the honor degree of doctor of commerce by The University of West Alabama in 2008.

Dr. Kwong held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past several years, he has served as executive director of over 10 publicly listed companies both in Hong Kong, Canada and the UK. Dr. Kwong has extensive knowledge in corporate finance and banking.

Dr. Kwong was a director of the Tung Wah Group of Hospitals from 2008 to 2010 and was a member of the Campaign Committee of The Community Chest from 2006 to 2010. Dr. Kwong was nominated as 中國企業創作新優秀人物 in China in 2006 and was an appointed member of the China People's Political Consultative Conference of the Hubei Province in 1995-1996. He is currently an appointed member of the China People's Political Consultative Conference of the Zhaoqing City.

Mr. Ong, Peter, aged 44, is the Managing Director and an Executive Director of the Company. Mr. Ong holds a bachelor degree from California State University, Los Angeles, the United States of America. He has extensive experience in the press and the insurance industries.

Mr. Chow Chi Wah, Vincent, aged 45, is the Financial Controller, Company Secretary and an Executive Director of the Company. Mr. Chow obtained a master's degree in professional accounting from the Hong Kong Polytechnic University. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 15 years' experience in the finance and accounting field in Hong Kong.

Ms. Chen, aged 32, holds a Bachelor of Science degree in International Finance from the Beijing University of Aeronautics and Astronautics, a Master of Science degree in Money, Banking and Finance from the University of Birmingham and a PhD degree in Economics from the University of Birmingham. Ms. Chen has extensive experience in the finance and banking industry. Prior to joining the Group, Ms. Chen was an Assistant Vice President of BNP Paribas Wealth Management, Hong Kong Branch, mainly responsible for managing clients' investment portfolio on a non-discretionary basis. Before that, Ms. Chen was a Senior Manager at Guosen Securities (HK) Financial Holdings Limited assisting in the execution of financial advisory, delisting and initial public offering works. She had also worked in the United Kingdom and Mainland China for HSBC Plc and The Bank of China respectively before moving to Hong Kong. Ms. Chen did not hold directorship in other listed public companies in the past three years.

PROFILE OF THE MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. To Shing Chuen, aged 63, is an Independent Non-Executive Director of the Company. Mr. To has a Bachelor's degree in Arts and has over 19 years' experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies.

Mr. Ha Kee Choy, Eugene, aged 57, is an Independent Non-Executive Director of the Company. He was appointed as Independent Non-Executive Director on 1 October 2005. Mr. Ha is the director of a certified public accountants corporate practice and the director of an advisory services limited in Hong Kong. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. Mr. Ha possesses over 20 years of experience in the finance and banking industry and acts as director of a number of private and listed companies in Hong Kong.

Mr. Chung Yuk Lun, aged 53, is an Independent Non-Executive Director of the Company. Mr. Chung has over 20 years' experience in the finance and accounting field. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales). He is an executive director and acting chairman of Mascotte Holdings Limited (stock code: 136), an independent non-executive director of Forefront Group Limited (stock code: 885), Freeman Financial Corporation Limited (stock code: 279) and Dragonite International Limited (stock code: 329), all of which are companies listed on the Stock Exchange.

Mr. Lo Wong Fung, JP, aged 67, is an Independent Non-Executive Director of the Company. Mr. Lo is also the chairman and executive director of Gamma Logistics Corporation (stock code: 8310) which is company listed on the Stock Exchange. Mr. Lo is the founder and Chairman of Golden Fame Logistics Holding Limited and has more than 30 years' experience in the logistic field. He is the chairman of The Chamber of Hong Kong Logistics Industry, a director and the chairman of the Technology Committee of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, the Permanent President of Hong Kong CFS & Logistics Association, the Permanent President of Hong Kong Container Drayage Services Association, the Honorary President of Hong Kong Cargo Vessel Traders' Association and also a member of the Hong Kong Logistics Development Council. Mr. Lo is also the vice chairman and Welfare Committee Chairman of Ning Po Residents Association (H.K.), and the vice chairman of Zhongshan Association of Overseas Chinese Enterprises. Mr. Lo is currently a visiting professor at the Shanghai Maritime University of China.

REPORT OF THE DIRECTORS

The directors herein present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 43 to the consolidated financial statements. Other than the Group's newly involved principal activity, being the management of the forestlands, there were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND DIVIDENDS

The Group's profit for the financial year ended 31 March 2014 and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 29 to 145.

The directors do not recommend the payment of any dividend in respect of the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 146. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the financial year are set out in notes 15 and 19 to the consolidated financial statements, respectively.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND BONDS

Details of movements in the Company's share capital, share options, warrants and bonds during the financial year are set out in notes 30, 31, 30 and 28(b) to the consolidated financial statements, respectively.

During the year, the Company has applied the net proceeds from the rights issue for the financing business development and general working capital of the Company. Details of rights issue are set out in note 30(d) to the consolidated financial statements.

In addition, the Company has issued bonds to replenish the depleted working capital of the Company after the payment of remaining balance of consideration for the acquisition as set out in note 33(b) to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

REPORT OF THE DIRECTORS

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

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 March 2014. In addition, the Company's share premium account of HK$1,651,176,000 as at 31 March 2014, may be distributed in the form of fully paid bonus shares. Details of share premium account and reserves are set out in note 32 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group has made charitable donations amounting to approximately HK$22,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2014, sales to the Group's five largest customers accounted for less than 30% of the Group's revenue. The Group has insignificant amount of purchases. In the opinion of the board of directors, it is therefore of no value to disclose details of the Group's suppliers.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2014 were:

Executive Directors

Dr. Kwong Kai Sing, Benny *(Chairman and Chief Executive Officer)*
Mr. Ong, Peter *(Managing Director)*
Mr. Chow Chi Wah, Vincent *(Financial Controller and Company Secretary)*
Dr. Wu Jian (resigned on 30 June 2013)
Ms. Chen Wei (appointed on 7 October 2013)

Independent Non-executive directors

Mr. Chung Yuk Lun
Mr. To Shing Chuen
Mr. Ha Kee Choy, Eugene
Mr. Lo Wong Fung, *JP*

In accordance with Bye-law 99 of the bye-laws, Ms. Chen Wei, Mr. Ha Kee Choy, Eugene and Mr. Chung Yuk Lun, will retire from office by rotation at the annual general meeting, and being eligible, will offer themselves for re-election as directors at the forthcoming annual general meeting.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2014, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Kwong Kai Sing, Benny	26,904,244	–	26,904,244	0.95
Ong, Peter	1,059,795	–	1,059,795	0.04

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2014, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 31 to the consolidated financial statements, at no time during the financial 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 subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARE CAPITAL

At 31 March 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position:

Name	Capacity in which such interests were held	Number of shares held	Approximate percentage of issued share capital of the Company as at 31 March 2014
HEC Capital Limited	Ultimate beneficially owned	440,185,044	15.59%
HEC International Group Limited	Through controlled corporations	4	0%
HEC Securities Company Limited	Through controlled corporation	4	0%
HEC Holdings Limited	Through controlled corporation	4	0%
HEC Securities Limited	Directly beneficially owned	4	0%
HEC Development Limited	Through controlled corporation	440,185,040	15.59%
Murtsa Capital Management Limited	Directly beneficially owned	440,185,040	15.59%

Note: Based on the filings under the SFO, Murtsa Capital Management Limited is wholly owned by HEC Development Limited and HEC Securities Limited is wholly owned by HEC Holdings Limited, which is wholly owned by HEC Securities Company Limited, which is wholly owned by HEC International Group Limited. Both HEC Development Limited and HEC International Group Limited are wholly owned by HEC Capital Limited.

Long position:

Name	Capacity in which such interests were held	Number of shares held	Approximate percentage of issued share capital of the Company as at 31 March 2014
Willie International Holdings Limited	Ultimate beneficially owned	149,658,180	5.30%
Willie Resources Incorporated	Through controlled corporations	149,658,180	5.30%
Rawcliffe International Limited	Through controlled corporations	149,658,180	5.30%
Nice Hill International Limited	Through controlled corporations	149,658,180	5.30%
Pearl Decade Limited	Directly beneficially owned	149,658,180	5.30%

Note: Based on the filings under the SFO, Pearl Decade Limited is wholly owned by Nice Hill International Limited, which is wholly owned by Rawcliffe International Limited, which is wholly owned by Willie Resources Incorporated, which is wholly owned by Willie International Holdings Limited.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

REPORT OF THE DIRECTORS

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 41 to the consolidated financial statements.

AUDITORS

Messr. Graham H.Y. Chan & Co. were appointed as auditor of the Company on 11 November 2013 following the resignation of Ernst & Young who acted as auditor of the Company until 8 November 2013. Apart from this, there was no change in auditors of the Company in any of the preceding three years.

Messr. Graham H.Y. Chan & Co. retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong
27 June 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own corporate governance code. The Company aims to achieve good standard of corporate governance, thus during the year the Company has complied with most of the code provisions ("Code provisions") as set out in the Code for the year ended 31 March 2014 except for Code provision A.2.1 in respect of the role separation of the chairman and the chief executive officer; Code provision A.4.1 in respect of the service term of non-executive directors ("NEDs"); Code provision A.6.7 in respect of attendance by NEDs and independent non-executive directors ("INEDs") at the annual general meetings ("AGMs") of the Company and Code provision D.1.4 in respect of the letters of appointment for directors. Any deviation from the Code Provisions will be explained in this report. The Company aims to comply with all the Code Provisions and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had compiled with the required standard set out in the Model Code during the year ended 31 March 2014.

BOARD OF DIRECTORS

As at 31 March 2014, the board comprises eight Directors, four Executive Directors and four INEDs:

Executive Directors

Dr. Kwong Kai Sing, Benny *(Chairman and Chief Executive Officer)*
Mr. Ong, Peter *(Managing Director)*
Mr. Chow Chi Wah, Vincent *(Financial Controller and Company Secretary)*
Dr. Wu Jian (resigned on 30 June 2013)
Ms. Chen Wei (appointed on 7 October 2013)

Independent Non-Executive Directors

Mr. To Shing Chuen
Mr. Ha Kee Choy, Eugene
Mr. Chung Yuk Lun
Mr. Lo Wong Fung, *JP*

CORPORATE GOVERNANCE REPORT

The board is collectively responsible for formulating and implementing the Group's strategies and policies, monitoring the performance of the Group and reviewing the corporate governance practices. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, industry knowledge and marketing strategies. Biographical details of all Directors are disclosed on pages 9 to 10 of this Annual Report. The mix of professional skills and experience of the INEDs is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all shareholders are taken into account. Directors have full access to appropriate business documents and information about the Group on a timely basis. The Directors can also obtain independent professional advice at the Group's expense if they require it. The Board delegates the day-to-day operation and administration to the management.

The Company has complied with rules 3.10 (1) and (2) of the Listing Rules in maintaining at all times sufficient number of INEDs on the Board including an INED with professional accounting and financial qualifications. The Company has complied with rule 3.10A and has INEDs representing at least one third of the Board. The Company considers all of the INEDs are independent and has received from each INED an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

In addition, Mr. To Shing Chuen has been appointed as an INED since January 2002 and has served on the board for more than 9 years. A resolution was passed by the shareholders of the Company at the AGM of the Company held on 8 August 2012 to re-elect Mr. To as an INED of the Company.

None of the Directors has any financial, business, family or other material/relevant relationships with each other.

For the year ended 31 March 2014, there were a total of nine Board meetings and one general meetings held. The attendance of each of the Directors is as follows:

Name of Directors	**Attendance**	
	Board meeting	**General meeting**
Executive Directors		
Dr. Kwong Kai Sing, Benny	9/9	1/1
Mr. Ong, Peter *(Managing Director)*	5/9	1/1
Mr. Chow Chi Wah, Vincent	9/9	1/1
Dr. Wu Jian (resigned on 30 June 2013)	1/9	0/1
Ms. Chen Wei (appointed on 7 October 2013)	2/9	0/1
Independent Non-Executive Directors		
Mr. To Shing Chuen	5/9	0/1
Mr. Ha Kee Choy, Eugene	5/9	0/1
Mr. Chung Yuk Lun	5/9	1/1
Mr. Lo Wong Fung, *JP*	5/9	0/1

Mr. To Shing Chuen, Mr. Ha Kee Choy, Eugene and Mr. Lo Wong Fung did not attend the AGM which was held on 22 August 2013 due to overseas and other commitments. This constitutes a deviation from the Code Provision A.6.7.

Accountability and Internal Control

The Directors acknowledge their responsibility for the preparation of financial statements of the Group that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue on a going concern basis. The statement by the external auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report contained in this Annual Report. The Board recognizes its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The system of internal control which is reviewed annually by the Board is designed to manage rather than eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organizational objectives.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer of the Company is Dr. Kwong Kai Sing, Benny. This deviates from Code Provision A.2.1 which stipulates that the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Kwong Kai Sing, Benny is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and Chief Executive Officer in the same person provided the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies. However, the Company understands the importance to comply with Code Provisions and it is also the Company's aim to comply with all the Code Provisions. Therefore, the Company will continue to consider the feasibility to comply with Code Provision A.2.1. If compliance is determined, appropriate persons will be nominated to the different roles of Chairman and Chief Executive Officer.

NON-EXECUTIVE DIRECTORS

Although not less than one-third of the Directors of the Company (both executive and non-executive) are subject to retirement by rotation at the Company's annual general meeting (Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction")) as specified by the Company's bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

FORMAL LETTERS OF APPOINTMENT FOR DIRECTORS

Code provision D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for all directors. All of the directors of the Company are, however, required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the directors, this meets the objective of the Code provision D.1.4.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Code provision A.6.5 stipulates that all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. All Directors are encouraged to attend relevant training courses and seminars to strengthen their skill sets and knowledge on understanding of current issues and developments of the financial and business environment. The Company had received from each of the directors a confirmation of training they received during the year ended 31 March 2014. A summary of such training is listed as follows:

Name of Director	**Type of training**
Executive Directors	
Dr. Kwong Kai Sing, Benny	I & II
Mr. Ong, Peter	I & II
Mr. Chow Chi Wah, Vincent	I & II
Dr. Wu Jian (resigned on 30 June 2013)	II
Ms. Chen Wei (appointed on 7 October 2013)	I & II
Independent Non-Executive Directors	
Mr. Chung Yuk Lun	I & II
Mr. To Shing Chuen	I & II
Mr. Ha Kee Choy, Eugene	I & II
Mr. Lo Wong Fung, *JP*	I & II

I: Attending training courses and/or seminars conferences.

II: Reading journals and updates relevant to the Company's business or directors' duties and responsibilities.

The Directors will continue to attend training that may be required from time to time keeping abreast with the latest changes in laws, regulations and the business environment.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has established a remuneration committee since 8 March 2006. The principal function of the remuneration committee is to make recommendations to the Board on the remuneration packages of individual executive and senior management. The terms of reference of the remuneration committee adopted on 26 March 2012 are consistent with the Code provisions set out in the Code. For the year ended 31 March 2014, the remuneration committee comprised the two INEDs and one executive director, namely, Mr. Ha Kee Choy, Eugene (chairman), Mr. To Shing Chuen and Dr. Kwong Kai Sing, Benny. During the year ended 31 March 2014, the remuneration committee held one meeting to review and make recommendations to the Board on the remuneration packages of the directors with reference to the level of responsibilities of the individual director, the scope of operation of the Group as well as the prevailing market conditions. Individual attendance of each remuneration committee member is as follows:

Name of remuneration committee member	Attendance
Mr. Ha Kee Choy, Eugene *(Chairman, INED)*	1/1
Mr. To Shing Chuen *(INED)*	1/1
Dr. Kwong Kai Sing, Benny *(Executive Director)*	1/1

Remuneration of Directors and Senior Management

Pursuant to Code Provision B.1.5, the remuneration of the members of senior management (comprising Executive Directors) of the Company for the year ended 31 March 2014 by band is set out below:

	Number of Individuals
Nil - HK$1,000,000	3
HK$1,000,001 - HK$1,500,000	1
HK$1,500,001 - HK$2,000,000	0
HK$2,000,001 - HK$2,500,000	0
HK$2,500,001 - HK$3,000,000	0
HK$3,000,001 - HK$3,500,000	0
HK$3,500,001 - HK$4,000,000	0
HK$4,000,001 - HK$4,500,000	0
HK$4,500,001 - HK$5,000,000	1

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to appendix 16 to the Listing Rules are set out in notes 9 and 10, respectively, to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established a nomination committee on 26 March 2012. The principal function of the nomination committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. New directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or shareholders for approval either to fill vacancies on the Board or to be appointed as additional directors. The terms of reference of the nomination committee are consistent with the Code provisions set out in the Code. For the year ended 31 March 2014, the nomination committee comprised Mr. Ha Kee Choy, Eugene as chairman and one INED, namely, Mr. To Shing Chuen and one executive director, namely, Dr. Kwong Kai Sing, Benny as members. For the year ended 31 March 2014, the nomination committee held one meeting to review the composition of the Board as well as to assess the independence of the INEDs who offered themselves for re-election at the AGM. Individual attendance of each of the nomination committee members is as follows:

Name of remuneration committee member	Attendance
Mr. Ha Kee Choy, Eugene *(Chairman, INED)*	1/1
Mr. To Shing Chuen *(INED)*	1/1
Dr. Kwong Kai Sing, Benny *(Executive Director)*	1/1

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an audit committee since 2001.

The Audit Committee is composed of four independent non-executive Directors namely Ha Kee Choy, Eugene (Chairman of the Committee), To Shing Chuen, Chung Yuk Lun and Lo Wong Fung. Two of the members possess appropriate professional accounting qualification. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. The terms of reference of the audit committee were adopted on 28 April 2004 and revised on 26 March 2013 to include all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

The members and attendance of the audit committees for the year ended 31 March 2014 are as follows:

Name of audit committee member	**Attendance**
Mr. To Shing Chuen *(Chairman)*	2/2
Mr. Ha Kee Choy, Eugene	2/2
Mr. Chung Yuk Lun	2/2
Mr. Lo Wong Fung, *JP*	2/2

During the meetings, the Audit Committee reviewed report from external auditor regarding their audit on annual financial statements and reviewed on interim financial information.

AUDITOR'S REMUNERATION

During the year ended 31 March 2014, fees paid to the Company's external auditor for non-audit services amounted to approximately HK$200,000 for the review of the Group's interim financial information.

Audit fee for the year 2014 is HK$1,330,000.

CORPORATE GOVERNANCE REPORT

The statement of the auditor of the Company regarding auditor's reporting responsibilities is set out in the Independent Auditor's Report on pages 27 to 28 of this Annual Report.

CORPORATE GOVERNANCE FUNCTIONS

The Directors are responsible for performing the corporate governance duties as set out below:

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

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

To review the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report;

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

To review and monitor the training and continuous professional development of directors; and

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the year ended 31 March 2014.

COMPANY SECRETARY

Mr. Chow Chi Wah, Vincent, an executive director of the Company, has been the Company Secretary of the Company since 3 December 2004. Mr. Chow complied with the qualification and training requirements under the Listing Rules for the year ended 31 March 2014.

SHAREHOLDERS' RIGHTS

Shareholders' Enquiries

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may write directly to the Company Secretary at the Company's Hong Kong principal place of business at 29/F, China United Centre, 28 Marble Road, North Point, Hong Kong, or they may send emails to info@heritage.com.hk. The Company Secretary will direct the questions to the Board.

CORPORATE GOVERNANCE REPORT

Shareholder's Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings if they are unable to attend the meetings.

The process of the Company's general meeting will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that shareholders' needs are best served.

Board members, in particular, either the chairman of Board committees or their delegates, appropriate management executives and external auditor will attend AGMs to answer shareholders' questions.

Should shareholders wish to call a special general meeting, it must be convened according to the Company's Bye-laws. In summary:

(a) Shareholders holding not less than one-tenth of the paid up capital of the Company can, in writing to the Board or the Company Secretary, request a special general meeting to be called by the Board to transact any business specified in such request.

(b) The signed written request, which should specify the purpose of the meeting, should be delivered to the Company's principal place of business in Hong Kong. The meeting will be held within 21 days after receipt of the request. If the Board fails to proceed to convene such meeting within twenty-one days after receiving the request, the shareholders themselves representing more than on half of the total voting rights may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company aims to maintain good relationships with shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and shareholders through publishing interim reports, annual reports and announcements and the Company's website.

INVESTOR RELATIONS

Constitutional Documents

There was no significant change of the Company's Memorandum of Association and Bye-laws ("Constitutional Document") for the year ended 31 March 2014. A latest version of the Constitutional Documents can be downloaded from the websites of the Company or the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

陳浩賢會計師事務所

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)
HONG KONG

To the shareholders of
Heritage International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Heritage International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 145, which comprise the consolidated and Company's statements of financial position as at 31 March 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Graham H. Y. Chan & Co.
Certified Public Accountants (Practising)

Hong Kong

27 June 2014

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000 (restated)
REVENUE	6	**14,484**	19,634
Other income		**381**	451
Changes in inventories and consumables used	7	**(474)**	(353)
Impairment loss on property, plant and equipment	15	**(6,654)**	–
Impairment loss on goodwill	17	**(3,720)**	–
(Losses)/gains arising from changes in fair value of investment properties, net	19	**(2,150)**	9,647
Fair value gains/(losses) on investments at fair value through profit or loss, net	7	**385,433**	(52,526)
Fair value gains on conversion options embedded in a convertible bond	22	**331**	–
Fair value gains on derivative financial instruments	26	**1,972**	1,822
Loss on disposal of subsidiaries	33(a)	**(500)**	–
Employee benefit expenses		**(11,665)**	(11,262)
Depreciation		**(6,466)**	(5,141)
Amortisation			
• prepaid lease payments		**(1,066)**	–
• intangible assets		**(16,364)**	–
Minimum lease payments under operating leases in respect of land and buildings		**(9,525)**	(8,974)
Other expenses		**(28,000)**	(23,645)
Finance costs	8	**(39,083)**	(649)
PROFIT/(LOSS) BEFORE TAX		**276,934**	(70,996)
Income tax credit/(charge)	11	**4,091**	(598)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	12	**281,025**	(71,594)
EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	14	**HK$0.11**	HK$(0.07)
Diluted	14	**HK$0.11**	HK$(0.07)

Details of dividend payable to owners of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 HK$'000	2013 HK$'000
PROFIT/(LOSS) FOR THE YEAR		**281,025**	(71,594)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of available-for-sale investments	21	**54**	100
Exchange difference arising on translation of financial statements of foreign operations		**(3,328)**	–
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(3,274)**	100
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**277,751**	(71,494)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	**2014**	2013
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**69,731**	81,001
Prepaid lease payments	16	**44,807**	–
Intangible assets	17	**847,954**	–
Biological assets	18	**70,737**	–
Investment properties	19	**–**	44,800
Deposits paid for purchases of items of property, plant and equipment		**1,423**	108
Available-for-sale investments	21	**17,606**	4,600
Conversion options embedded in a convertible bond	22	**2,379**	–
Deposits	23	**700**	470,700
Loans receivable	24	**–**	24,800
Investments at fair value through profit or loss	25	**112,800**	112,800
Total non-current assets		**1,168,137**	738,809
CURRENT ASSETS			
Inventories		**172**	131
Loans receivable	24	**30,000**	83,863
Investments at fair value through profit or loss	25	**514,502**	212,540
Derivative financial instruments	26	**19,763**	17,791
Tax recoverable		**38**	–
Prepayments, deposits and other receivables	23	**2,792**	12,744
Cash and cash equivalents	27	**6,122**	6,023
Total current assets		**573,389**	333,092
CURRENT LIABILITIES			
Other payables and accruals		**4,731**	4,935
Borrowings	28	**25,533**	32,802
Total current liabilities		**30,264**	37,737
NET CURRENT ASSETS		**543,125**	295,355
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,711,262**	1,034,164

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
NON-CURRENT LIABILITIES			
Borrowings	28	**9,300**	–
Deferred tax liabilities	29	**192,888**	598
Total non-current liabilities		**202,188**	598
Net assets		**1,509,074**	1,033,566
EQUITY			
Equity attributable to owners of the Company			
Issued capital	30	**2,824**	1,877
Reserves	32(a)	**1,506,250**	1,031,689
Total equity		**1,509,074**	1,033,566

The consolidated financial statements on pages 29 to 145 were approved and authorised for issue by the board of directors on 27 June 2014 and are signed on its behalf by:

Chow Chi Wah, Vincent
Director

Kwong Kai Sing, Benny
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

		Attributable to owners of the Company								
	Notes	Issued capital (note 30) HK$'000	Share premium account (note 32(a)) HK$'000	Share option reserve HK$'000	Capital redemption reserve (note 32(a)) HK$'000	Contributed surplus (note 32(a)) HK$'000	Available-for-sale investments revaluation reserve (note 32(a)) HK$'000	Translation reserve (note 32(a)) HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2012		77,276	1,368,311	–	1,177	1,448,035	20	–	(1,878,245)	1,016,574
Loss for the year		–	–	–	–	–	–	–	(71,594)	(71,594)
Other comprehensive income for the year:										
Changes in fair value of available-for-sale investments	21	–	–	–	–	–	100	–	–	100
Total comprehensive income/(loss) for the year		–	–	–	–	–	100	–	(71,594)	(71,494)
Placement of new shares	30(a)	882	87,185	–	–	–	–	–	–	88,067
Capital reorganisation	30(b)	(76,542)	–	–	–	76,542	–	–	–	–
Exercise of warrants	30(c)	261	1,313	–	–	–	–	–	–	1,574
Share issue expenses	30	–	(2,443)	–	–	–	–	–	–	(2,443)
Equity-settled share option-arrangements		–	–	1,288	–	–	–	–	–	1,288
Cancellation of equity-settled share option arrangements		–	–	(1,288)	–	–	–	–	1,288	–
At 31 March 2013		1,877	1,454,366	–	1,177	1,524,577	120	–	(1,948,551)	1,033,566
At 1 April 2013		1,877	1,454,366	–	1,177	1,524,577	120	–	(1,948,551)	1,033,566
Profit for the year		–	–	–	–	–	–	–	281,025	281,025
Other comprehensive (loss)/income for the year:										
Exchange difference arising on translation of financial statements of foreign operations		–	–	–	–	–	–	(3,328)	–	(3,328)
Changes in fair value of available-for-sale investments	21	–	–	–	–	–	54	–	–	54
Total other comprehensive income/(loss) for the year		–	–	–	–	–	54	(3,328)	–	(3,274)
Total comprehensive income/(loss) for the year		–	–	–	–	–	54	(3,328)	281,025	277,751
Right issues	30(d)	940	201,104	–	–	–	–	–	–	202,044
Exercise of warrants	30(e)	7	1,357	–	–	–	–	–	–	1,364
Share issue expenses	30	–	(5,651)	–	–	–	–	–	–	(5,651)
At 31 March 2014		2,824	1,651,176	–	1,177	1,524,577	174	(3,328)	(1,667,526)	1,509,074

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES #			
Profit/(loss) before tax		**276,934**	(70,996)
Adjustments for:			
Unrealised (gains)/losses on investments at fair value through profit or loss, net	7	**(366,458)**	24,755
Fair value gains on conversion options embedded in a convertible bond	22	**(331)**	–
Fair value gains on derivative financial instruments	26	**(1,972)**	(1,822)
Amortisation		**17,430**	–
Depreciation		**6,466**	5,141
Impairment/(write-back of impairment) of a loan receivable	7,24	**3,600**	(9)
Impairment loss on property, plant and equipment	15	**6,654**	–
Impairment loss on goodwill	17	**3,720**	–
Equity-settled share option expenses		**–**	1,288
Finance costs	8	**39,083**	649
Losses/(gains) arising from changes in fair value of investment properties, net	19	**2,150**	(9,647)
Loss on disposal of subsidiaries	33(a)	**500**	–
		(12,224)	(50,641)
Decrease/(increase) in loans receivable		**75,063**	(36,745)
(Increase)/decrease in inventories		**(41)**	6
Decrease in investments at fair value through profit or loss, net		**64,496**	452,654
Decrease/(increase) in prepayments, deposits and other receivables		**11,112**	(9,447)
Decrease in other payables and accruals		**(647)**	(358)
Cash generated from operations		**137,759**	355,469
Interest paid		**(1,931)**	(649)
Hong Kong Profits Tax paid		**(38)**	–
Net cash generated from operating activities		**135,790**	354,820

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		**(1,344)**	(108)
Deposits paid for acquisition of a subsidiary	23, 33(b)	**–**	(470,000)
Purchases of items of property, plant and equipment		**(891)**	(90)
Addition to an intangible asset		**–**	(50,000)
Subscription of a convertible bond		**(15,000)**	–
Additions to investment properties		**–**	(2,053)
Cash outflow resulting from acquisition of subsidiaries	33(b)	**(323,401)**	–
Cash inflow resulting from disposal of subsidiaries	33(a)	**37,080**	50,000
Net cash used in investing activities		**(303,556)**	(472,251)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	30(a)	**–**	88,067
Proceeds from rights issue	30(d)	**202,044**	–
Share issue expenses	30	**(5,651)**	(2,443)
Proceeds from warrants exercised	30(c),(e)	**1,364**	1,574
Proceeds from bonds issue	28(b)	**360,000**	–
Bonds issue expenses	28(b)	**(26,800)**	–
Redemption of bonds	28(b)	**(360,564)**	–
Repayment of bank borrowings		**(2,438)**	(2,492)
Net cash from financing activities		**167,955**	84,706
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**189**	(32,725)
Cash and cash equivalents at beginning of year		**6,023**	38,748
Effect of foreign exchange rate changes		**(90)**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**6,122**	6,023
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**6,122**	6,023

Included in "Cash flows from operating activities" above are loan interests, dividend income and other interest income from the Group's principal activities amounting to HK$6,284,000 (2013: HK$5,830,000), HK$3,491,000 (2013: HK$6,901,000) and HK$72,000 (2013: HK$3,624,000), respectively.

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	20	**1**	1
Amounts due from subsidiaries	20	**1,122,446**	951,819
Available-for-sale investments	21	**4,500**	4,600
Total non-current assets		**1,126,947**	956,420
CURRENT ASSETS			
Prepayments and other receivables	23	**643**	661
Cash and cash equivalents		**351**	5,521
Total current assets		**994**	6,182
CURRENT LIABILITIES			
Other payables and accruals		**4,114**	4,268
Borrowings	28	**488**	–
Total current liabilities		**4,602**	4,268
NET CURRENT (LIABILITIES)/ASSETS		**(3,608)**	1,914
NON-CURRENT LIABILITIES			
Borrowings	28	**9,300**	–
Net assets		**1,114,039**	958,334
EQUITY			
Issued capital	30	**2,824**	1,877
Reserves	32(b)	**1,111,215**	956,457
Total equity		**1,114,039**	958,334

Approved and authorised for issue by the board of directors on 27 June 2014 and are signed on its behalf by:

Chow Chi Wah, Vincent
Director

Kwong Kai Sing, Benny
Director

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. CORPORATE INFORMATION

Heritage International Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong, respectively.

During the year, the Company continues to act as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the "Group") continue to involve in property investment, investments in securities, money lending, investment holding and Chinese medicine clinic operations. Following the completion of the acquisition (the "Acquisition") of Global Castle Investments Limited ("Global Castle") and its subsidiaries (collectively referred to as "Global Castle Group") on 5 April 2013, the Group was newly involved in management of the forestlands (the "Forestlands"). Details of the Acquisition and the principal subsidiaries of the Company are set out in note 33(b) and 43 respectively.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION

Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised standards and amendments ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which have become effective for the accounting period beginning on 1 April 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 10 "Consolidated Financial Statements"

HKFRS 10 replaces the requirements in HKAS 27 "Consolidated and Separate Financial Statements" relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 "Consolidation – Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 April 2013.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value-in-use for impairment assessment purposes).

HKFRS 13 contains a new definition for "fair value" and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. However, HKAS 1 still permits entities to use other titles. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Annual Improvements to HKFRSs 2009-2011 Cycle

The Group has applied the amendments to HKAS 1 "Presentation of Financial Statements" as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current year.

The amendment to HKAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

Annual Improvements to HKFRSs 2009-2011 Cycle (continued)

An opening statement of financial position as at the beginning of the preceding period must be presented when an entity applies an accounting policy retrospectively, makes retrospective restatements, or reclassifies items in its financial statements, provided any of those changes has a material effect on the statement of financial position at the beginning of the preceding period. The amendment clarifies that the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented. From the current year onwards, the Group decides to change the presentation of gains/losses on sale of investments at fair value through profit or loss, details of which are set out below. Since the change in presentation does not have any effect on the consolidated statement of financial position, the opening statement of financial position as at the beginning of the preceding period is not presented.

The Group has not early applied the following new standards, amendments and interpretation that have been issued but are not yet effective in these financial statements:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle [4]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle [2]
HKFRS 7, HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures [3]
HKFRS 9	Financial Instruments [3]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities [1]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations [6]
HKFRS 14	Regulatory Deferral Accounts [5]
HKAS 16 and HKAS 32 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation [6]
HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions [2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities [1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets [1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting [1]
HK(IFRIC) – Int 21	Levies [1]

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

Annual Improvements to HKFRSs 2009-2011 Cycle (continued)

[1] Effective for annual periods beginning on or after 1 January 2014.

[2] Effective for annual periods beginning on or after 1 July 2014.

[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

[5] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

[6] Effective for annual periods beginning on or after 1 January 2016.

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

HKFRS 9 "Financial Instruments" (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND CHANGE IN PRESENTATION (continued)

Application of new and revised Hong Kong Financial Reporting Standards (continued)

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets" (continued)

The directors of the Company anticipate that the adoption of the amendments to HKAS 36 will only extend the disclosures requirements regarding the fair value hierarchy, key assumptions and valuation techniques used for the property, plant and equipment and CGU to which goodwill had been allocated, as they have been impaired during the year and their recoverable amounts were determined based on their fair values less costs of disposal. Other than the additional disclosures, the application of the amendments to HKAS 36 has not had any material impact on the amounts recognised in the consolidated financial statements when the Group first applies the amendments from 1 April 2014.

The directors anticipate that the application of the other new standards, amendments and interpretation will have no material impact on the results and financial position of the Group.

Change in presentation

Change in presentation of gains/losses on sales of investments at fair value through profit or loss

Previously, the Group presented the gains/losses on sale of investments at fair value through profit or loss as revenue in the consolidated income statement. From the current year onwards, the directors of the Company decided to reclassify gains/losses on sale of investments at fair value through profit or loss out of revenue and present the realised and unrealised gains/losses as fair value gains/losses on investments at fair value through profit or loss. The change in presentation of gains/losses on sale of investments at fair value through profit or loss would provide more relevant information about the Group's operations. The comparative figures have been restated to conform to the revised presentation. There is no impact to the results and the financial position of the Group for both years stated herein.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties, available-for-sale investments, conversion options embedded in a convertible bond, biological assets, derivative financial instruments and investments at fair value through profit or loss, which have been measured at fair values or fair values less costs of disposal, as appropriate, as explained in the accounting policies set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other that quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use the power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost plus additional capital contribution, less any identified impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date;

- assets or liabilities related to an operating lease in which the acquiree is the lessee shall not be recognised, unless the terms of an operating lease are favourable or unfavourable relative to market terms. In that case, an intangible asset or a liability, as appropriate, is recognised; and

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) either 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) the entity and the Group are joint ventures of the same third party;

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

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

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

(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).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	Over the lease terms
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	10% – 20%
Motor vehicles	20% – 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the consolidated income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated income statement in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Biological assets

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands. The forest establishment and maintenance expenses are charged to profit or loss in the period in which they are incurred.

Biological assets are measured at fair value less costs of disposal at the date of initial recognition and at the end of each reporting period and the gain or loss arising from the changes in fair value less costs of disposal of the biological assets is recognised in profit or loss in the period in which it arises.

If an active market exists for standing fruit tree with reference to the distribution of the Forestlands area by age-class, land tenure, forest health, expected growth and yield of the tree crops, the quoted price in that market is adopted for determining the fair value of that asset. If an active market does not exist, the Group uses the most recent market transaction price, provided that there has not been a significant change in economic circumstances between the transaction date and the end of reporting period, or the market prices for similar assets adjusted to reflect differences to determine fair values or as determined by independent professional valuers. If the market-determined prices or values of biological assets are not available and the alternative estimates of fair values of biological assets are determined to be clearly unreliable subsequent to the initial recognition, in that case, the biological assets shall be measured at cost less accumulated depreciation and any accumulated impairment losses.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Forestlands use rights

Payments for obtaining the Forestlands use rights that are classified as operating leases are accounted for as prepaid lease payments and charged to profit or loss over the period of the right using the straight-line method.

Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss on initial recognition.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

(i) Financial assets at fair value through profit or loss (continued)

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss in the period in which they arise.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets or management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any identified impairment loss (see accounting policy on impairment of financial assets below), unless the effect of discounting would be immaterial, in which case, they are stated at cost less any identified impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

(iii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to profit or loss (see accounting policy in respect of impairment of financial assets below).

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets or management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement (continued)

(iii) Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivate contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derivatives not designated into an effective hedge relationship are classified as current or non-current on the basis of their expected settlement dates.

Embedded derivatives

Embedded derivatives are treated as separate derivatives when their economic characteristics and risk are not clearly and closely related to those of the host contract; the terms of the embedded derivatives would meet the definition a stand-alone derivatives they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Impairment losses on debt instruments are reversed through the profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity (continued)

Equity instruments

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories, including Chinese medicine and consumables for the Group's Chinese medicine clinic operations, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)

For the purpose of the Company's statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

Income tax

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

For the purposes of measuring deferred tax assets and liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) rental income, on a time proportion basis over the lease terms;

(b) Chinese medicine clinic operation income, when such services are rendered;

(c) dividend income, when the shareholders' right to receive payment has been established; and

(d) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payments

The Company currently operates a share option scheme for the purpose of providing incentives and rewards to eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) who render services and/or contribute to the success of the Group's operations. Employees (including directors) and investment advisors of the Group receive remuneration in the form of share-based payments, whereby employees/investment advisors render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee/investment advisors as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e., the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e., HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Disposal of foreign operation (i.e., a disposal of the Group's entire interest in foreign operation, on a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e., partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Classification of financial assets

The Group needs to make judgements on the classification of financial assets as different classification will affect the accounting treatment for the financial assets, and financial position and operating results of the Group. The judgments on these classifications depend on the nature and purposes of acquiring those financial assets at their initial recognitions. Subsequent reclassifications may be made if the intention of holding a particular financial asset changed and that reclassification is permitted by HKFRSs.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimated impairment on loans receivable

The Group assesses at the end of each reporting period whether there is objective evidence that a loan receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 March 2014, the carrying amount of loans receivable amounted to approximately HK$30,000,000 (net of allowance for doubtful debts of approximately HK$2,489,000) (2013: HK$108,663,000 (net of allowance for doubtful debts of approximately HK$2,489,000)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated useful lives of property, plant and equipment

The Group's management reviews the estimated useful lives of property, plant and equipment in determining their depreciation charges at the end of each reporting period. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated.

Estimated useful lives of favourable lease asset (included in intangible assets) and prepaid lease payments

The Group determines the estimated useful lives of favourable lease asset (included in intangible assets) and prepaid lease payments and the corresponding amortisation charges. Amortisation charges are charged to profit or loss on a straight-line basis. This estimate is based on the remaining lease periods of the Forest Right Certificates issued by the Forest Bureau of Qinglong Manchu Autonomous County ("Qinglong") of the People's Republic of China (the "PRC"). The Group will increase amortisation charges of favourable lease asset and prepaid lease payments where useful lives of the Forestlands are less than previously estimated lives. Actual economic lives may differ from the estimated useful lives. Periodic review could result in change in amortisable lives and therefore amortisation charges in the future periods.

Estimated impairment loss of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The recoverable amount of the cash-generating unit has been determined based on fair value less costs of disposal. Should the fair value less costs of disposal is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, a material impairment loss may arise.

As at 31 March 2014, the carrying amount of goodwill was approximately HK$144,319,000 (2013: Nil) after an impairment loss of approximately HK$3,720,000 was recognised during the year (2013: Nil). Details of the impairment loss calculation are set out in note 17.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimated impairment of property, plant and equipment

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that property, plant and equipment may be impaired or an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the Group is required to estimate the asset's recoverable amount. The recoverable amount of the asset has been determined based on fair value less costs of disposal. Should the fair value less costs of disposal is less than the carrying amount of the asset, a material impairment loss may arise.

As at 31 March 2014, the carrying amount of property, plant and equipment was approximately HK$69,731,000 (2013: HK$81,001,000) after an impairment loss of approximately HK$6,654,000 was recognised during the year (2013: Nil). Details of impairment loss calculation are set out in note 15.

Impairment of non-financial assets (other than goodwill and property, plant and equipment)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices, or fair value as determined by professional valuer, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Measurement of fair value of biological assets

HKAS 41 requires that the Group measures its biological assets at fair value less costs of disposal, which requires the extensive use of accounting estimates. The determination of such fair value less costs of disposal is performed by an independent competent valuer engaged by the Group. The significant assumptions used in determination of fair value of biological assets are set out in note 18. Any changes in fair value of the biological assets may significantly affect the Group's profit or loss. As at 31 March 2014, the carrying amount of biological assets was approximately HK$70,737,000 (2013: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Measurement of fair values of financial assets

The Group has significant amounts of financial assets measured at fair values that are classified as Level 2 and Level 3 fair value measurements under HKFRS 13. The Group engaged independent competent valuers to perform the valuation of those financial instruments. As at 31 March 2014, the financial assets that are classified as Level 2 and Level 3 fair value measurements under HKFRS 13 amounted to approximately HK$130,406,000 and HK$22,142,000 respectively (2013: HK$117,400,000 and HK$17,791,000 respectively). Details of the fair value measurement are set out in note 39.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker ("CODM"). For the year ended 31 March 2013, the Group had only five reportable operating segments. Following the Acquisition and from the current year onwards, the Group has an additional reportable operating segment, being the management of the Forestlands segment. Details are as follows:

(i) the property investment segment engages primarily in the investments in properties for rental income potential and/or appreciation in values;

(ii) the investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(iii) the money lending segment engages primarily in money lending operations in Hong Kong;

(iv) the investment holding segment engages primarily in investment holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation;

(v) the Chinese medicine clinic segment engages primarily in Chinese medicine clinic operations in Hong Kong; and

(vi) the management of the Forestlands segment engages primarily in management of the Forestlands located in Qinglong of the PRC.

5. OPERATING SEGMENT INFORMATION (continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that unallocated finance costs and unallocated expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than tax recoverable and unallocated corporate assets. Goodwill is allocated to the management of the Forestlands segment as described in note 17; and

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities.

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		Management of the Forestlands		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000 (restated)	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000 (restated)
Segment revenue:														
Revenue from external customers	**2,157**	1,020	**3,563**	10,525	**6,284**	5,830	**-**	–	**2,480**	2,259	**-**	–	**14,484**	19,634
Other income	**-**	–	**372**	–	**-**	9	**5**	432	**-**	10	**4**	–	**381**	451
Total	**2,157**	1,020	**3,935**	10,525	**6,284**	5,839	**5**	432	**2,480**	2,269	**4**	–	**14,865**	20,085
Segment results	**(2,857)**	9,827	**387,203**	(43,789)	**2,092**	5,335	**(10)**	(6,103)#	**(6,613)**	(6,776)	**(25,993)**	–	**353,822**	(41,506)
Reconciliation:														
Impairment loss on property, plant and equipment, unallocated													**(6,654)**	–
Unallocated finance costs													**(37,592)**	(237)
Unallocated expenses													**(32,642)**	(29,253)
Profit/(loss) before tax													**276,934**	(70,996)

Including acquisition-related costs for the Acquisition as further detailed in note 33(b) to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

5. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		Management of the Forestlands		Consolidated	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000 (restated)	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000 (restated)
Other segment information:														
Finance costs – allocated	(125)	(412)	(1,366)	–	-	–	-	–	-	–	-	–	(1,491)	(412)
Finance costs – unallocated													(37,592)	(237)
													(39,083)	(649)
Depreciation – allocated	-	–	-	–	-	–	-	–	(1,945)	(1,945)	(214)	–	(2,159)	(1,945)
Depreciation – unallocated													(4,307)	(3,196)
													(6,466)	(5,141)
Amortisation	-	–	-	–	-	–	-	–	-	–	(17,430)	–	(17,430)	–
Impairment loss of goodwill	-	–	-	–	-	–	-	–	-	–	(3,720)	–	(3,720)	–
Loss on disposal of subsidiaries	(500)	–	-	–	-	–	-	–	-	–	-	–	(500)	–
(Losses)/gains arising from changes in fair value of investment properties, net	(2,150)	9,647	-	–	-	–	-	–	-	–	-	–	(2,150)	9,647
Fair value gains/(losses) on investments at fair value through profit or loss, net	-	–	385,433	(52,526)	-	–	-	–	-	–	-	–	385,433	(52,526)
Fair value gains on derivative financial instruments	-	–	-	–	-	–	-	–	1,972	1,822	-	–	1,972	1,822
Fair value gains on conversion options embedded in a convertible bond	-	–	331	–	-	–	-	–	-	–	-	–	331	–
(Impairment)/reversal of impairment of loans receivable	-	–	-	–	(3,600)	9	-	–	-	–	-	–	(3,600)	9
Capital expenditure – allocated*	-	2,053	-	–	-	–	-	–	-	–	447	–	447	2,053
Capital expenditure – unallocated*													444	90
													891	2,143

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

5. OPERATING SEGMENT INFORMATION (continued)

The following is an analysis of the Group's assets and liabilities by reportable operating segments:

	2014 HK$'000	2013 HK$'000
Segment assets:		
Property investment	–	44,989
Investment in securities	530,033	222,790
Money lending	30,133	109,913
Investment holding	112,800	582,811
Chinese medicine clinic	25,078	25,054
Management of the Forestlands	973,242	–
	1,671,286	985,557
Tax recoverable	38	–
Unallocated assets	70,202	86,344
Total assets	1,741,526	1,071,901
Segment liabilities:		
Property investment	–	6,542
Investment in securities	100	–
Money lending	–	486
Investment holding	–	50
Chinese medicine clinic	78	94
Management of the Forestlands	101	–
	279	7,172
Deferred tax liabilities	192,888	598
Unallocated liabilities	39,285	30,565
Total liabilities	232,452	38,335

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

5. OPERATING SEGMENT INFORMATION (continued)

Revenue from external customers

The Group's revenue is substantially derived from its external customers in Hong Kong.

Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. All segments are carried out in Hong Kong except for the management of the Forestlands that is carried out in other parts of the PRC. The geographical location of the non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, investment properties, prepaid lease payments, favourable lease asset included in intangible assets, and biological assets, and the location of the operation to which they are allocated, in the case of goodwill included in intangible assets, deposits paid for purchase of items of property, plant and equipment, and deposits other than those classified as financial assets. The information about the Group's non-current assets by geographical location of the assets is set out below:

	2014	2013
	HK$'000	HK$'000
Hong Kong	**68,539**	125,909
Other parts of the PRC	**966,113**	470,000
	1,034,652	595,909

Note: Non-current assets exclude available-for-sale investments, conversion options embedded in a convertible bond and investments at fair value through profit or loss, loans receivable and financial assets included in deposits.

6. REVENUE

Revenue, which is also the Group's turnover, represents gross rental income received and receivable; interest income from money lending operations; dividend and interest income from investments at fair value through profit or loss; and income from Chinese medicine clinic operations earned during the year.

An analysis of revenue is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
		(restated)
Gross rental income	**2,157**	1,020
Interest income from money lending operations	**6,284**	5,830
Interest income from investments at fair value through profit or loss	**72**	3,624
Dividend income from investments at fair value through profit or loss	**3,491**	6,901
Income from Chinese medicine clinic operations	**2,480**	2,259
	14,484	19,634

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Note	**2014 HK$'000**	2013 HK$'000
Auditor's remuneration:			
– audit services		**1,330**	1,768
– non-audit services		**200**	260
Cost of inventories sold and consumables used		**474**	353
Employee benefit expense (including directors' remuneration (note 9)):			
Directors' remuneration:			
– Fee		**480**	480
– Salaries and allowances excluding an estimated value of a director's quarter plus the related charges borne by the Group totaling HK$2,088,000 (2013: HK$1,015,000)		**5,270**	5,887
– Retirement benefit scheme contributions (defined contribution scheme)*		**56**	67
		5,806	6,434
Other staff's costs:			
– Salaries and allowances		**5,625**	4,616
– Retirement benefit scheme contributions (defined contribution scheme)*		**234**	212
		5,859	4,828
Total employee benefit expenses		**11,665**	11,262
Fair value (gains)/losses on investments at fair value through profit or loss, net:			
– realised (gains)/losses		**(18,975)**	27,771
– unrealised (gains)/losses		**(366,458)**	24,755
		(385,433)	52,526
Impairment loss/(reversal of impairment loss) of loans receivable	24	**3,600**	(9)
Net foreign exchange loss		**184**	–
Gross rental income from investment properties		**(141)**	(1,020)
Less: direct operating expenses arising on rental-earning investment properties		**12**	125
		(129)	(895)
Direct operating expenses arising on non-rental-earning investment properties		**128**	102

* At 31 March 2014, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2013: Nil).

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years (note)	**565**	649
Interest on margin loans	**1,366**	–
Amortised interest on bonds (note 28(b))	**37,152**	–
	39,083	649

Note: The Group's bank borrowings containing an on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such borrowings is disclosed as "Interest on bank borrowings wholly repayable within five years".

9. DIRECTORS' REMUNERATION

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

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**480**	480
Other emoluments:		
Salaries, allowances and benefits in kind	**7,358**	6,902
Retirement benefit scheme contributions (defined contribution scheme)	**56**	67
	7,414	6,969
	7,894	7,449

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2014 HK$'000	2013 HK$'000
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	120	120
Mr. Lo Wong Fung	120	120
	480	480

There were no other emoluments payable to the independent non-executive directors during the year ended 31 March 2014 (2013: Nil).

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2014				
Dr. Kwong Kai Sing, Benny^	–	4,488	15	4,503
Mr. Ong Peter	–	1,440	15	1,455
Mr. Chow Chi Wah, Vincent	–	885	15	900
Dr. Wu Jian#	–	150	4	154
Ms. Chen Wei*	–	395	7	402
	–	7,358	56	7,414

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2013				
Dr. Kwong Kai Sing, Benny^	–	3,415	15	3,430
Mr. Ong Peter	–	1,440	15	1,455
Ms. Poon Chi Wan**	–	960	15	975
Mr. Chow Chi Wah, Vincent	–	744	15	759
Dr. Wu Jian#	–	343	7	350
	–	6,902	67	6,969

** Ms. Poon Chi Wah retired from her position as an executive director of the Company with effect from 15 March 2013.

* Ms. Chen Wei was appointed as an executive director of the Company with effect from 7 October 2013.

Dr. Wu Jian was appointed as an executive director of the Company with effect from 5 September 2012 and retired from his position with effect from 30 June 2013.

^ Included in benefits in kind in respect of a property owned by the Group and used by Dr. Kwong Kai Sing, Benny (that is, as a director's quarter) with effective from 1 October 2012 is an estimated value with reference to market rental of similar properties plus related charges borne by the Group totaling approximately HK$2,088,000 (2013:HK$1,015,000).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year ended 31 March 2014 (2013: Nil).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 31 March 2014 included four (2013: four) directors of the Company, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining one (2013: one) non-director, highest paid employee of the Company are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries and allowances	**390**	443
Retirement benefit scheme contributions (defined contribution scheme)	**15**	11
	405	454

The emoluments of the remaining one (2013:one) individual fell within the following band:

	2014 Number of individual	2013 Number of individual
Nil – HK$1,000,000	**1**	1

11. INCOME TAX CREDIT/(CHARGE)

No provision for current Hong Kong profits tax has been made for the years ended 31 March 2014 and 2013 as the Group did not generate any assessable profits arising in Hong Kong during both years.

No provision for PRC Enterprise Income Tax has been made as the Group did not generate any assessable profits arising in the PRC during the year ended 31 March 2014 (2013: Nil).

11. INCOME TAX CREDIT/(CHARGE) (continued)

	Group	
	2014	2013
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax	**–**	–
Deferred tax credit/(charge) (note 29)	**4,091**	(598)
Total income tax credit/(charge) recognised in profit or loss	**4,091**	(598)

The income tax credit/(charge) for the year can be reconciled to profit/(loss) before tax per the consolidated income statement as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Profit/(loss) before tax	**276,934**	(70,996)
Income tax expense/(credit) at domestic tax rate of 16.5% (2013: 16.5%)	**45,694**	(11,714)
Tax effect of income not taxable for tax purpose	**(1,742)**	(4,427)
Tax effect of expenses not deductible for tax purpose	**11,227**	2,735
Utilisation of tax losses not recognised in previous periods	**(62,889)**	(142)
Tax effect of tax losses not recognised	**4,565**	13,008
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,391)**	–
Others	**445**	1,138
Income tax (credit)/charge recognised in profit or loss	**(4,091)**	598

The domestic tax rate in Hong Kong is used for 2014 and 2013 reconciliations above as it is where the operation of the Group is substantially based.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

12. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit/(loss) attributable to owners of the Company for the year ended 31 March 2014 includes a loss of approximately HK$52,284,000 (2013: HK$17,241,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2014	2013
	HK$'000	HK$'000
Amount of loss attributable to owners of the Company dealt with in the Company's financial statements	**(52,284)**	(17,241)
Net amount of reversal of impairment loss on amounts due from subsidiaries	**10,332**	120,651
Company's (loss)/profit for the year (note 32(b))	**(41,952)**	103,410

13. DIVIDENDS

No dividend was paid or proposed for the year ended 31 March 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.

14. EARNINGS/(LOSS) PER SHARE FOR PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share amount for the year ended 31 March 2014 is based on the profit for the year attributable to owners of the Company of HK$281,025,000 (2013: loss for the year of HK$71,594,000), and the weighted average number of ordinary shares of 2,667,112,701 (2013: 997,685,322) in issue during the year. The basic earnings/(loss) per share amount for the prior year has been adjusted to reflect the rights issue during the year (note 30(d)).

(b) Diluted earnings/(loss) per share

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 March 2014 as there was no dilutive potential ordinary shares in existence as at 31 March 2014. No adjustment had been made to the basic loss per share amounts presented for the year ended 31 March 2013 in respect of a dilution as the impact of the warrants outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2014					
At 1 April 2013:					
Cost	73,000	12,907	5,668	6,778	98,353
Accumulated depreciation	(1,050)	(6,765)	(3,999)	(5,538)	(17,352)
Net carrying amount	71,950	6,142	1,669	1,240	81,001
At 1 April 2013, net of accumulated depreciation	71,950	6,142	1,669	1,240	81,001
Additions	–	242	278	371	891
Acquisition of subsidiaries (note 33(b))	–	–	121	853	974
Depreciation provided during the year	(2,101)	(2,620)	(963)	(782)	(6,466)
Impairment loss for the year	(6,654)	–	–	–	(6,654)
Exchange realignment	–	–	(2)	(13)	(15)
At 31 March 2014, net of accumulated depreciation and impairment	63,195	3,764	1,103	1,669	69,731
At 31 March 2014:					
Cost	73,000	13,149	6,065	7,989	100,203
Accumulated depreciation and impairment	(9,805)	(9,385)	(4,962)	(6,320)	(30,472)
Net carrying amount	63,195	3,764	1,103	1,669	69,731

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2013					
At 1 April 2012:					
Cost	–	12,866	5,801	6,778	25,445
Accumulated depreciation	–	(4,188)	(3,268)	(4,937)	(12,393)
Net carrying amount	–	8,678	2,533	1,841	13,052
At 1 April 2012, net of accumulated depreciation	–	8,678	2,533	1,841	13,052
Additions	–	41	49	–	90
Transfer from investment properties (note 19)	73,000	–	–	–	73,000
Depreciation provided during the year	(1,050)	(2,577)	(913)	(601)	(5,141)
At 31 March 2013, net of accumulated depreciation	71,950	6,142	1,669	1,240	81,001
At 31 March 2013:					
Cost	73,000	12,907	5,668	6,778	98,353
Accumulated depreciation	(1,050)	(6,765)	(3,999)	(5,538)	(17,352)
Net carrying amount	71,950	6,142	1,669	1,240	81,001

As at 31 March 2014, certain leasehold land and building with a net carrying value of HK$63,195,000 (2013: 71,950,000) was pledged to secure general banking facilities granted to the Group (note 35).

The Group's leasehold land included in property, plant and equipment with a net carrying amount of HK$63,195,000 (2013: HK$71,950,000) is situated in Hong Kong and is held under a medium term lease.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

During the year ended 31 March 2014, the Group has conducted a review on the Group's leasehold land and building by engaging an independent external valuer to perform valuation on the leasehold land and building and determined that carrying amount of the leasehold land and building was written down their recoverable amounts of approximately HK$63,195,000. Accordingly, an impairment loss of approximately HK$6,654,000 has been recognised in profit or loss in the consolidated income statement for the year ended 31 March 2014. The recoverable amount has been determined based on fair value less costs of disposal, using direct comparison method by reference to recent transaction prices of nearby properties. For the year ended 31 March 2013, no impairment loss was made in profit or loss.

16. PREPAID LEASE PAYMENTS

Group

	HK$'000
Leasehold land in the PRC under medium-term lease:	
At 1 April 2012, 31 March 2013 and 1 April 2013	–
Acquisition of subsidiaries (note 33(b))	47,128
Amortisation of during the year	(1,066)
Exchange realignment	(189)
As at 31 March 2014	45,873
Analysed for reporting purposes as:	
Current assets, included in prepayments, deposits and other receivable (note 23)	1,066
Non-current assets	44,807
	45,873

The Group's prepaid lease payments, acquired through the Acquisition, represent the land portion of the Forestlands use rights granted to Global Castle Group and are located in Qinglong of the PRC. The Forestlands use rights will expire in the year 2057. Usage of the Forestlands is regulated by the implementation regulations of the PRC Forest Law promulgated by the State Council of the PRC.

The prepaid lease payments are amortised on a straight-line basis over the remaining term of the lease of the Forestlands.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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17. INTANGIBLE ASSETS

Group

	Interest in certain concession rights and interests* HK$'000	Favourable lease asset HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2012	–	–	–	–
Additions	50,000	–	–	50,000
Disposal (note 33(a))	(50,000)	–	–	(50,000)
At 31 March 2013 and 1 April 2013	–	–	–	–
Acquisition of subsidiaries (note 33(b))	–	722,900	148,635	871,535
Amortisation during the year	–	(16,364)	–	(16,364)
Impairment loss for the year	–	–	(3,720)	(3,720)
Exchange realignment	–	(2,901)	(596)	(3,497)
At 31 March 2014	–	703,635	144,319	847,954

* in respect of certain forest land located in the PRC

(a) Favourable lease asset

Favourable lease asset arising from the Acquisition represents the terms of the Forestlands use rights granted to Global Castle Group which are favourable relative to the market terms as at the date of the Acquisition. Favourable lease asset is amortised on a straight-line basis over the remaining term of the lease of the Forestlands. Details are set out in note 16 above.

(b) Goodwill

Goodwill was arising from the Acquisition and has been allocated to a cash-generating unit ("CGU") that is expected to benefit from the Acquisition. The entire carrying amount of goodwill has been allocated to the management of the Forestlands segment.

The recoverable amount of the CGU is determined based on fair value less costs of disposal of the Forestlands. The fair value less costs of disposal of the Forestlands was determined by an independent professional valuer engaged by the Company, LCH (Asia-Pacific) Surveyors Limited ("LCH"), using Comparable Sales Approach by reference to ask prices of comparable forestlands in the neighbourhood townships, adjusted for the condition and features of the comparable forestlands such as their locations, accessibility, size and tree species planted. LCH determines that the recoverable amount of the CGU was approximately HK$772,274,000. This is categorised as Level 3 fair value hierarchy. Accordingly, the carrying amount of the CGU has been written down to the recoverable amount and an impairment loss on goodwill of approximately HK$3,720,000 was recognised in profit or loss in the consolidated income statement for the year ended 31 March 2014 (2013: Nil).

17. INTANGIBLE ASSETS (continued)

(b) Goodwill (continued)

Key assumptions used for the determination of the fair value less costs of disposal of the Forestlands are as follows:

- the Group could be able to sell the Forestlands in its highest and best form and as part of a going concern business of the Group in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Forestlands;

- the Group has free and uninterrupted rights to assign the interest for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

- all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates determined by LCH are based;

- the Forestlands has obtained relevant government's or organisation's approvals for the sale of the Forestlands and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market;

- the Forestlands can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government;

- the Group has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as compensation and soil erosion) to the Forestlands and the proper usage of the Forestlands; and

- there is no material difference between the information contained in the Forestland Rights Certificate and the actual size figures.

Any adverse change in the assumptions as stated above for the determination of the fair value less costs of disposal would result in further impairment losses.

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18. BIOLOGICAL ASSETS

Group

	HK$'000
At 1 April 2012, 31 March 2013 and 1 April 2013	–
Acquisition of subsidiaries (note 33(b))	71,022
Exchange realignment	(285)
As at 31 March 2014	70,737

(a) Nature of activities

Biological assets predominately consist of various standing fruit trees that are attached to the Forestlands, of which the Forestry Right Certificates have been obtained from the Forest Bureau in Qinglong prior to the Acquisition. The Forestlands have a total leasehold land base of 63,035.29 Chinese Mu ("mu") and the rights to use the Forestlands will be expired in the year 2057.

Pursuant to a forest survey report (the "Investigation Report") prepared by an independent licensed forestry professionals and consultants in the PRC (the "Forest Survey Team"), estimated number of 4 major species of fruit trees (the "Relevant Biological Assets") planting on 40,571.54 mu of the Forestlands and owned by the Group at the end of the reporting period is shown as follows:

	2014		2013	
	Estimated number	**Area (mu)**	Estimated number	Area (mu)
Apricot trees	**2,793,254**	**33,653.66**	–	–
Hawthorn trees	**373,881**	**5,341.15**	–	–
Chestnut trees	**69,346**	**990.65**	–	–
Pear trees	**41,026**	**586.08**	–	–
Total	**3,277,507**	**40,571.54**	–	–

There is no gains or losses arising from biological assets during the period since the Acquisition as there is no material physical changes. The Group considers that the costs of harvest outweigh the economic benefits derived from selling the fruits. Accordingly, the Group does not harvest any agricultural produce, being the fruits of the biological assets, during the period since the Acquisition and no gains or losses arising from agricultural produce harvested is recognised.

18. BIOLOGICAL ASSETS (continued)

(a) Nature of activities (continued)

In additional to the financial risk management as disclosed in note 40 below, the Group is exposed to the following operational risks relating the biological assets:

(i) Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC in which it operates. Since the Group has not yet commenced harvesting any agricultural produce during the period since the Acquisition, the Group has not yet established any environmental policies and procedures. Management will establish relevant environmental policies and procedures aimed at compliance with local environment and other laws and will perform regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(ii) Climate and other natural risks

The Group's biological assets are exposed to the risk of damage from climate changes, diseases, forest fires and other natural forces. The Group has procedures in place aimed at monitoring and mitigating those risks, including regular forest inspections by setting up forest patrol team.

(iii) Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of various types of fruits. The Group currently has not established any measures to mitigate supply and demand risk as the Group has not yet harvested any agricultural produce during the period since the Acquisition.

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18. BIOLOGICAL ASSETS (continued)

(b) Value of biological assets

The Group's biological assets are measured at fair value less costs of disposal at the date of the Acquisition and at the end of the reporting period in accordance with HKAS 41 "Agriculture". The fair values of biological assets were determined with reference to the work performed by LCH. LCH has various professional qualifications and extensive experience in the valuation of agricultural and biological assets and its related businesses for the listed companies in Hong Kong. Accordingly, the directors are of the view that LCH is competent to determine the fair value of the Group's biological assets. The Group's management has discussion with LCH on the valuation assumptions and valuation results when the valuation is performed at the end of each reporting period.

As advised by the Forest Survey Team, tree species other than the Relevant Biological Assets attached to the remaining areas of the Forestlands have no significant economic value. Accordingly, LCH determined the fair values of the Relevant Biological Assets as the fair values of the biological assets at the date of the Acquisition and at end of the reporting period.

LCH determined the fair values of the Relevant Biological Assets using the Comparable Sales Approach which based on a special assumption (the "Special Assumption") that Relevant Biological Assets could be sold in an active market which is not the case as the Group does not have any licenses and approvals from the relevant authorises on out planting, cutting, logging, transplanting or selling the biological assets on piecemeal basis (hereinafter the "Relevant Licenses and Approvals") at the date of the Acquisition and at the end of the reporting period. The Group will proceed to obtain the Relevant Licenses and Approvals when deemed necessary. As of the date of this report, the Group has not obtained the Relevant Licenses and Approvals.

Should the Group fails to obtain the Relevant Licenses and Approvals and the alternative estimates of fair value of the biological assets are either not available or determined to be clearly unreliable, the carrying amount of the biological assets may adversely affect. However, the directors consider that no impairment is necessary as at the end of the reporting period as the Group considers that the Relevant Licenses and Approvals are not unobtainable.

18. BIOLOGICAL ASSETS (continued)

(b) Value of biological assets (continued)

In addition to the Special Assumption, principal assumptions adopted by LCH to value the fair values of the Relevant Biological Assets are as follows:

- the Group could be able to sell the Relevant Biological Assets in its highest and best form in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Relevant Biological Assets;

- the Group has free and uninterrupted rights to assign the interest (a part of or the whole of) for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

- all required licenses, certificates, consents, or other legislative or administrative authority to dispose the Relevant Biological Assets from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates determined by LCH are based;

- the Investigation Report applied to the Relevant Biological Assets as at 31 March 2014;

- the Relevant Biological Assets, as required under the relevant accounting standards, can be freely disposed, outplanting and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government; and

- the Group has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, insects and soil erosion) to sale of the Relevant Biological Assets and the proper usage of the Relevant Biological Assets.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. BIOLOGICAL ASSETS (continued)

(c) Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's biological assets at as 31 March 2014:

	Fair value at 31 March 2014	Fair value measurement as at 31 March 2014 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000
Group				
Recurring fair value measurement:				
– biological assets	70,737	–	–	70,737

During the period from date of the Acquisition to 31 March 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The valuation technique applied by LCH is Comparable Sales Approach. The fair value less costs of disposal of the Relevant Biological Assets are determined with reference to the market-determined prices of tree species with similar heights, adjusted for the conditions of Relevant Biological Assets. The valuation method adopted by LCH is limited to the following assumptions:

- the end product or the market being assessed are for inventory of standing trees;
- number of each tree species considered in LCH's valuation is based on the Investigation Report;
- the prices for each tree species are homogenous and the average price for each species was used as valuation basis. LCH has also factored in the age and height of the various tree species as provided in the Investigation Report; and
- prices for each species were taken from LCH's on-site research and interview, official construction cost journals, local practitioners, and forestry products industry information in the PRC from various websites in the public domain. No allowances for transportation were considered as these costs are normally paid for by the buyer. However, the referenced prices adopted are after allowance for the uprooting and loading.

18. BIOLOGICAL ASSETS (continued)

(c) Fair value hierarchy (continued)

The following table presents the change in Level 3 fair value measurements for the year ended 31 March 2014:

	Biological assets
	HK$'000
Opening balance	–
Acquired through acquisition of subsidiaries	71,022
Total loss recognised in other comprehensive income	(285)
Closing balance	70,737

The total loss recognised in other comprehensive income in the current year is included in exchange differences arising on translation of financial statements of foreign operations as set out in consolidated statement of comprehensive income.

(d) Highest and best use

In estimating the fair value of the Relevant Biological Assets, the highest and best use of the Relevant Biological Assets is sale of Relevant Biological Assets to independent third parties. The Group's intended use of the Relevant Biological Assets are used in conjunction with the ecotourism. However, the Group has not yet commenced the business of ecotourism during the current period after the Acquisition. Alternative estimates of fair value of the biological assets which concurred on the Group's intended current use, such as using Income Approach and/or Cost Approach as advised by LCH, could not determine a clearly reliable fair value of the biological assets. Accordingly, Comparable Sales Approach is adopted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. INVESTMENT PROPERTIES

	Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount at beginning of year	**44,800**	106,100
Additions	**–**	2,053
Net (losses)/gains from fair value adjustments	**(2,150)**	9,647
Disposal of subsidiaries (note 33(a))	**(42,650)**	–
Transfer to owner-occupied property (note 15)	**–**	(73,000)
Carrying amount at end of year	**–**	44,800

As at 31 March 2014, the Group has no investment properties.

As at 31 March 2013, the Group's investment properties were all situated in Hong Kong and were held under long term leases. The Group's investment properties were revalued on 31 March 2013 by Asset Appraisal Limited, independent professionally qualified valuers, at HK$44,800,000 on an open market, existing use basis. The investment properties were leased to third parties under operating leases, further summary details of operating leases arrangements of the Group as the lessor are included in note 36(a) to the consolidated financial statements.

At 31 March 2013, the Group's investment properties with an aggregate carrying value of HK$41,800,000 were pledged to secure general banking facilities granted to the Group (note 35).

20. INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**3,102,926**	2,947,731
Impairment*	**(1,980,480)**	(1,995,912)
	1,122,446	951,819
	1,122,447	951,820

* Due to the dismal performance of certain subsidiaries, impairment testing for amounts due therefrom was performed. An impairment was recognised for certain amounts due from subsidiaries with a carrying amount of approximately HK$3,102,926,000 (2013: HK$2,928,676,000) (before deducting the impairment loss) because these subsidiaries have deficiency in assets and, accordingly, a portion of the receivables is impaired. The reversal of impairment losses was recognised for the year ended 31 March 2014 amounting to approximately HK$10,332,000 (2013: HK$120,651,000). Owing to struck-off of certain subsidiaries during the year ended 31 March 2014, allowance of impairment loss of amounts due from subsidiaries amounting to approximately HK$5,100,000 has been written off as uncollectable (2013: Nil).

As at 31 March 2014, included in the amounts due from subsidiaries are aggregate carrying amounts of approximately HK$41,797,000 (2013: HK$114,726,000) which carry interest of 7% (2013: 7%) per annum. The remaining amounts due from subsidiaries with aggregate carrying amounts of approximately HK$1,080,649,000 (2013: HK$837,093,000) are interest-free. All the amounts due from subsidiaries are unsecured and have no fixed terms of repayment. In the opinion of the directors, these balances are considered as quasi-equity loans to the subsidiaries.

Particulars of principal subsidiaries are set out in note 43 to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club membership debenture, at fair value (note a)	**4,500**	4,600	**4,500**	4,600
Debt element of a convertible bond, at fair value (note b)	**13,106**	–	**–**	–
	17,606	4,600	**4,500**	4,600

Note:

(a) Club membership debenture was designated as an available-for-sale financial asset at initial recognition and has no fixed maturity date or coupon rate. The fair value of club membership debenture is based on its quoted price in an open market taking into account the estimated transfer fee upon sale. The Group does not intend to dispose the investments in the near future.

(b) The amount represents the debt element of a convertible bond measured at fair value. Details of the convertible bond are set out in note 22 below. The fair value of debt element is the present value of the contractually determined stream of future cash flows discounted at the interest and providing substantially the same cash flows, on the same terms, but without the conversion options. The discount rate used to compute the fair value of debt element comprises the risk-free rate and a credit spread which is determined by reference to the credit analysis of the issuer and the market rate with similar credit rating. The credit spreads at the date of initial recognition and as at 31 March 2014 are 11.41% and 10.97% respectively.

During the year ended 31 March 2014, net fair value gains on available-for-sale investments amounting to approximately HK$54,000 (2013: HK$100,000) was recognised in statement of other comprehensive income.

22. CONVERSION OPTIONS EMBEDDED IN A CONVERTIBLE BOND

	Group	
	2014	2013
	HK$'000	HK$'000
Fair value of the entire convertible bond	**15,485**	–
Less: debt element of a convertible bond included in available-for-sale investments, at fair value (note 21)	**(13,106)**	–
Conversion options embedded in a convertible bond, at fair value	**2,379**	–

On 10 December 2013, the Group entered into a subscription agreement with Great Desire International Limited ("Great Desire"), a company incorporated in the British Virgin Islands, in relation to the subscription of convertible bond in the principal amount of HK$30,000,000. On 7 February 2014, the Group subscribed convertible bond in the principal amount of HK$15,000,000. The convertible bond is unsecured, carries interest of 5% per annum, payable half yearly each, and is due on 30 months after the date of issue.

The Group shall have the right exercisable to convert the whole or part of the outstanding principal amount of the convertible bond held by the Group into such number of shares of Great Desire as will be determined by dividing the principal amount of the convertible bond to be converted by the conversion price in effect on the maturity date. The conversion price of the convertible bond should be determined with reference to the net profit of Great Desire in the year 2015 at a price earnings ratio agreed by both parties to the subscription agreement.

The fair values at initial recognition of the debt element and conversion options embedded in a convertible bond amounted to approximately HK$12,952,000 and HK$2,048,000 respectively.

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For the year ended 31 March 2014

22. CONVERSION OPTIONS EMBEDDED IN A CONVERTIBLE BOND (continued)

The fair values of the entire convertible bond at initial recognition and at 31 March 2014 are calculated using Binomial tree pricing model. The inputs to the model were as follows:

	At initial recognition	**At 31 March 2014**
Expected net profit (note a)	HK$18,916,000	HK$18,916,000
Underlying asset value (note b)	HK$10,891,000	HK$12,127,000
Expected volatility (note c)	36.46%	32.66%
Risk-free rate (note d)	0.47%	0.60%
Dividend yield	0%	0%

Note:

(a) Expected net profit is determined by reference to the net profits suggested by Great Desire.

(b) Underlying asset value is determined by reference to Price to Earnings (P/E) and Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortisation (EV to EBITDA) of companies principally engaged into similar business as the subsidiaries of Great Desire, adjusted for discount of lack of marketability.

(c) Expected volatility is the annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share prices of comparable companies.

(d) Risk-free rate is determined by reference to the yields to maturity of Hong Kong Exchange Fund Notes.

During the year ended 31 March 2014, net gains arising on change in fair value of approximately HK$331,000 are recognised in the consolidated income statement.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets				
Rental deposit	**700**	700	**–**	–
Deposits paid for the Acquisition (note)	**–**	470,000	**–**	–
	700	470,700	**–**	–
Current assets				
Prepaid lease payments (note 16)	**1,066**	–	**–**	–
Prepayments	**792**	672	**391**	315
Deposits	**79**	116	**–**	–
Interest receivables	**127**	1,244	**–**	–
Receivables from a financial institution	**–**	10,163	**–**	–
Other receivables	**728**	549	**252**	346
	2,792	12,744	**643**	661

Note: As at 31 March 2013, the amount represented the partial consideration paid for the Acquisition which was completed during the current year. Details of the Acquisition are set out in note 33(b).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

24. LOANS RECEIVABLE

	Group	
	2014	2013
	HK$'000	HK$'000
Loans receivable	**32,489**	111,152
Less: allowance for impairment loss	**(2,489)**	(2,489)
	30,000	108,663
Portion classified as current assets	**(30,000)**	(83,863)
Non-current portion	**–**	24,800

Loans receivable as at 31 March 2014 represented receivables arising from the money lending business of the Group and carry variable interest rate of 2.5% per annum over Hong Kong Dollar prime rate. The effective interest rate of such loans receivable as at 31 March 2014 is 7.5% per annum. As at 31 March 2013, loans receivable arising from the money lending business of the Group carried fixed interest at contractual rates ranging from 0.4% to 15% per annum. The granting of these loans has been approved and monitored by the Company's executive directors in charge of the Group's money lending operations. Overdue balances are reviewed regularly by senior management.

As at 31 March 2014, the Group did not hold any collateral or other credit enhancements over the loans receivable. As at 31 March 2013, except for loans receivable amounting to approximately HK$29,400,000 which were secured by the pledge of certain collaterals including properties and shares in a private company, the Group did not hold any collateral or other credit enhancements over the remaining loans receivable balance of approximately HK$79,263,000.

On 6 November 2013, the Company and a financial institution (the "Participant") entered into a loan participation agreement pursuant to which the Participant agreed to arrange and provide to the Group a participation scheme in respect of the loans receivable (the "Loans") amounting to approximately HK$24,800,000, which was classified as non-current portion as at 31 March 2013, in that the Participant irrevocably offers to the Group to participate in each of the Loans to the extent of 100% thereof in the consideration of HK$24,800,000 (the "Participation"). In consideration of the Participant's arrangement of the Participation, the Group shall pay an arrangement fee of HK$3,600,000 and the interests received in advance on the Loans of HK$400,000 to the Participant or its nominee. Accordingly, an impairment loss on loans receivable of HK$3,600,000 was made in the consolidated income statement for the year ended 31 March 2014. The Loans have been derecognised entirety during the year ended 31 March 2014 upon the transfer of all risks, rewards, right and obligations of the Loans to another financial institution pursuant to a deed of assignment.

24. LOANS RECEIVABLE (continued)

The movements in the allowance for impairment loss of loans receivable are as follows:

	2014	2013
	HK$'000	HK$'000
At beginning of year	**2,489**	2,498
Impairment loss for the year	**3,600**	–
Reversal of impairment loss	**–**	(9)
Written off as uncollectable	**(3,600)**	–
At end of year	**2,489**	2,489

The allowance for impairment loss of loans receivable as at 31 March 2014 is an individually impaired loans receivable of HK$2,489,000 (2013: HK$2,489,000) with an original carrying amount of HK$2,489,000 (2013: HK$2,489,000)

The individually impaired loans receivable relates to a borrower that was in financial difficulties and was in default in both interest and principal payments.

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

	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**30,000**	108,663

Receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default. Based on past experience, the executive directors of the Company in charge of the Group's money lending operations were of the opinion that no allowance for impairment loss was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

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25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Non-current assets		
Unlisted equity investments, designated as at fair value through profit or loss upon initial recognition (note a)	**112,800**	112,800
Current assets		
Held-for-trading listed equity investments, at fair value (note b):		
Hong Kong	**477,809**	180,619
Elsewhere	**36,693**	31,921
	514,502	212,540

Note:

(a) The unlisted equity investments at 31 March 2014 and 2013 were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The unlisted equity investments and the listed equity investments form a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment strategy. Their performances are regularly reviewed by the key management personnel of the Group.

The fair value of unlisted equity investments were estimated by independent professionally qualified valuers with reference to the subscription prices of other recent share allotments of those investees with other independent third parties.

(b) At 31 March 2014 and 2013, the listed equity investments were held for trading and were classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments were determined by quoted bid prices in active markets.

As at 31 March 2014, the carrying amount of the following listed equity investment exceeded 10% of the Group's total assets. None of the carrying amount of the Group's shareholding in a listed equity security exceeds 10% of the Group's total assets as at 31 March 2013.

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

Note: (continued)

(b) (continued)

Company name	Place of incorporation	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Group as at 31 March 2014
Rising Development Holdings Limited	Bermuda	Investment holding, trading of securities, manufacture and sale of fur garment and skins, and businesses of mining natural resources and solar energy	Ordinary shares of HK$0.01 each	4.58%

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount of approximately HK$477,809,000 (2013: HK$180,619,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group (note 35).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets	
Group	**2014 HK$'000**	2013 HK$'000
Call and put options	**19,763**	17,791

On 8 August 2011, the Group entered into an options agreement (the "Options Agreement") with an independent third party (the "Buyer") whereby (i) the Group has granted to the Buyer an option to purchase (the "Call Option") and; (ii) the Buyer has granted to the Group an option to sell (the "Put Option"), for a period of five years, the entire issued capital of the Company's wholly-owned subsidiary, Apex Corporate Investments Limited ("Apex"), together with the assignment of a shareholders' loan due therefrom (if any) in accordance with the terms of the Options Agreement. Apex and its subsidiaries (collectively referred to as "Apex Group") are primarily involved in Chinese medicine clinic operations.

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26. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

According to the Options Agreement, the Group shall warrant that, amongst other things, until the exercise or expiry of the Options (i) the total amount of the paid up share capital of Apex and the shareholders' loan(s) of the Group will not be less than HK$25,000,000; and (ii) the total amount of liabilities of Apex Group excluding the shareholders' loan(s) will not exceed HK$10,000,000.

The exercise price is determined with the following conditions:

(I) If the audited consolidated financial statements of the Apex Group for the year ended 31 March 2012 or any accounting period subsequent thereto have not been released and issued, the exercise price shall be HK$25,000,000 for the exercise of Options;

and

(II) If the audited consolidated financial statements of Apex Group for the year ended 31 March 2012 or any accounting period subsequent thereto have been released and issued, the exercise price shall be as follows:

(a) In the case of the exercise of the Call Option, the higher of (i) HK$25,000,000; or (ii) the lower of 10 times earnings before interest, tax, depreciation and amortisation ("EBITDA") or HK$75,000,000; and

(b) In the case of the exercise of the Put Option, the higher of (i) HK$25,000,000; or (ii) the lower of 5 times EBITDA or HK$75,000,000.

The fair value of the Options Agreement was approximately HK$19,763,000 (2013: HK$17,791,000) as at 31 March 2014. During the year, fair value gains on the derivative financial instruments of HK$1,972,000 (2013: HK$1,822,000) were recognised in the consolidated income statement.

The above derivative financial instruments were measured at fair value at the end of the reporting period and the fair value was determined based on the asset-based approach.

27. CASH AND CASH EQUIVALENTS

As at 31 March 2014, the Group maintained cash and cash equivalents amounting to approximately HK$5,471,000 (2013: Nil) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

28. BORROWINGS

	Group		Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest-bearing bank borrowings (note a):				
– portion of bank borrowings due for repayment within one year	**1,405**	2,473	**–**	–
– portion of bank borrowings due for repayment after one year which contain a repayment on demand clause	**23,640**	30,329	**–**	–
Bonds due for repayment (note b):				
– within one year	**488**	–	**488**	–
– after one year	**9,300**	–	**9,300**	–
	34,833	32,802	**9,788**	–
Less: amount classified as current liabilities	**(25,533)**	(32,802)	**(488)**	–
Amount classified as non-current liabilities	**9,300**	–	**9,300**	–
Analysed as:				
Secured	**25,045**	32,802	**–**	–
Unsecured	**9,788**	–	**9,788**	–
	34,833	32,802	**9,788**	–

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. BORROWINGS (continued)

Note:

(a) Interest-bearing bank borrowings

The Group's term loans with an aggregate carrying amount of HK$25,045,000 (2013: HK$32,802,000) containing a repayment on demand clause have been classified in total as current liabilities. Accordingly, a portion of the bank borrowings due for repayment after one year with an aggregate carrying amount of HK$23,640,000 (2013: HK$30,329,000) has been reclassified under current liabilities. For the purpose of the above analysis, the borrowings are included within current interest-bearing bank borrowings and analysed into bank borrowings repayable within one year or on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans are repayable:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**1,405**	2,473
In the second year	**1,467**	2,580
In the third to fifth years, inclusive	**4,558**	8,062
Beyond five years	**17,615**	19,687
	25,045	32,802

As at 31 March 2014, the Group's bank borrowings are variable-rate borrowings which carry interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.5% (2013: HIBOR plus 1.5% and Hong Kong Dollar prime rate minus 2.9%) and the effective interest rate was 1.71% (2013: effective interest rates ranging from 1.73% to 2.35%). The maturity, being the year when the last instalment of the bank borrowings falls due which ignore the effect of any repayment on demand clause, is year 2029 (2013: 2018 to 2029).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. BORROWINGS (continued)

Note: (continued)

(b) Bonds

	Group and Company	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**–**	–
Gross proceeds from issue of bonds during the year	**360,000**	–
Less: transaction costs arising from issue of bonds	**(26,800)**	–
Net proceeds received on initial recognition	**333,200**	–
Interest charged calculated at an effective interest rate (note 8)	**37,152**	–
Less: early redemption during the year	**(360,564)**	–
At end of year	**9,788**	–

On 15 October 2012, the Company entered into a selling agreement (the "Selling Agreement") with Freeman Securities Limited ("Freeman"), pursuant to which Freeman agreed to sell a series of 5% unsecured seven-year straight bonds with an aggregate principal amount to HK$450,000,000 to be issued by the Company during a 6-month selling period ended which was further extended to 30 June 2013. During the year ended 31 March 2014, such straight bonds with an aggregate principal amount of HK$350,000,000 were issued and were fully redeemed.

During the year ended 31 March 2014, the Company also issued a 5% unsecured seven-year straight bonds with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year 2020.

As at 31 March 2013, the Group and the Company had no bonds issued and outstanding.

(c) Pledge of assets

As at 31 March 2014, the interest-bearing bank borrowings with carrying amount of approximately HK$25,045,000 (2013: HK$26,461,000) are secured by mortgage over the Group's leasehold land and building which is situated in Hong Kong with carrying amount of approximately HK$63,195,000 (2013: HK$71,950,000) and a corporate guarantee with amount up to HK$31,500,000 (2013: HK$31,500,000) executed by the Company.

As at 31 March 2013, the interest-bearing borrowings with carrying amount of approximately HK$6,341,000 were secured by mortgage over the Group's investment property which was situated in Hong Kong with carrying amount of approximately HK$41,800,000. Following the disposal of subsidiaries during the year ended 31 March 2014, no interest-bearing borrowing was secured by the Group's investment property (note 33(a)).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DEFERRED TAX

The components of deferred tax liabilities and assets recognised in the consolidated statement of financial position and the movements during the years ended 31 March 2014 and 2013 are as follows:

Group

	Depreciation allowances in excess of related depreciation HK$'000	Loss available for offsetting against future taxable profits HK$'000	Fair value adjustments arising from business combination HK$'000	Total HK$'000
At 1 April 2012	–	–	–	–
Charge/(credited) to profit or loss for the year	1,735	(1,137)	–	598
At 31 March 2013 and 1 April 2013	1,735	(1,137)	–	598
Acquisition of subsidiaries (note 33(b))	–	–	197,172	197,172
Charge/(credited) to profit or loss for the year	(987)	987	(4,091)	(4,091)
Exchange realignment	–	–	(791)	(791)
At 31 March 2014	748	(150)	192,290	192,888

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of deferred tax balances for financial reporting purposes:

	2014 HK$'000	2013 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**192,888**	598

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DEFERRED TAX (continued)

At 31 March 2014, the Group had tax losses arising in Hong Kong of approximately HK$1,242,044,000 (2013: HK$1,635,950,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of those losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

30. ISSUED CAPITAL

Authorised and issued capital

	Company	
	2014	2013
	HK$'000	HK$'000
Authorised capital:		
500,000,000,000 (2013: 500,000,000,000) ordinary shares of HK$0.001 (2013: HK$0.001) each	**500,000**	500,000
Issued and fully paid:		
2,823,953,041 (2013: 1,877,204,322) ordinary shares of HK$0.001 (2013: HK$0.001) each	**2,824**	1,877

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

30. ISSUED CAPITAL (continued)

Authorised and issued capital (continued)

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

	Note	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2012		7,727,591,301	77,276	1,368,311	1,445,587
Placement of new shares	(a)	369,406,562	882	87,185	88,067
Capital reorganisation	(b)	(6,248,343,188)	(76,542)	–	(76,542)
Warrants exercised	(c)	28,549,647	261	1,313	1,574
Share issue expenses		–	–	(2,443)	(2,443)
At 31 March 2013 and 1 April 2013		1,877,204,322	1,877	1,454,366	1,456,243
Right issues	(d)	939,739,198	940	201,104	202,044
Warrants exercised	(e)	7,009,521	7	1,357	1,364
Share issue expenses		–	–	(5,651)	(5,651)
At 31 March 2014		2,823,953,041	2,824	1,651,176	1,654,000

Note:

(a) During the year ended 31 March 2013, the Company had the following placements of shares:

(i) On 15 May 2012, the Company allotted and issued a total of 56,989,403 ordinary shares of HK$0.01 each for cash at a price of HK$0.12 per share. Further details of the placing are set out in the Company's announcement dated 20 April 2012.

(ii) On 10 September 2012, the Company allotted and issued a total of 312,417,159 ordinary shares of HK$0.001 each for cash at a price of HK$0.26 per share. Further details of the placing are set out in the Company's announcement dated 27 August 2012.

(b) The Company effected a capital reorganisation on 17 August 2012 which involved: (i) a share consolidation of every five shares of HK$0.01 each in the issued ordinary share capital of the Company into one consolidated share of HK$0.05 each; (ii) a reduction in the nominal value of each consolidated share of the Company from HK$0.05 to HK$0.001 by the cancellation of HK$0.049 of the paid-up capital for each consolidated share; (iii) a transfer of the credit arising from the capital reduction of approximately HK$76,542,000 to the Company's contributed surplus account; and (iv) a sub-division of every authorised but unissued ordinary share of the Company of HK$0.01 into 10 shares of HK$0.001 each. Further details of the capital reorganisation are also set out in the Company's announcement dated 10 July 2012.

30. ISSUED CAPITAL (continued)

Authorised and issued capital (continued)

Note: (continued)

(c) During the year ended 31 March 2013, 25,848,280 shares of HK$0.01 each and 2,701,367 shares of HK$0.001 each were issued for cash at a subscription price of HK$0.04 and HK$0.2 per share, respectively, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK$1,034,000 and HK$540,000, respectively.

(d) On 9 May 2013, a rights issue of one rights share for every two existing share held by members of the Company on the register of members on 9 May 2013 was made by the Company, at an issue price of HK$0.215 per rights share, resulting in the issuance of 939,739,198 ordinary shares of the Company HK$0.001 each for a total cash consideration, before expenses, of approximately HK$202,000,000. Further details of the rights issue are also set out in the Company's prospectus dated 10 May 2013 and the Company's announcement dated 4 June 2013.

(e) During the year ended 31 March 2014, 2,274,075 shares of HK$0.001 each and 4,735,446 shares of HK$0.001 each were issued for cash at a subscription price of HK$0.20 and HK$0.192 per share respectively, pursuant to the exercise of the Company's warrants for a total cash consideration, before expenses, of approximately HK$1,364,000.

Warrants

During the year ended 31 March 2012, pursuant to the rights issue of 22 rights shares for every existing share held by members of the Company on the register of members on 3 October 2011, a bonus issue of warrants (the "Warrants") was made in proportion of one Warrant for every five rights shares taken up and held by the first registered holders of the rights shares, resulting in 1,253,766,879 Warrants being issued. Each Warrant originally entitled the first registered holders of the rights shares thereof to subscribe for one ordinary share of the Company of HK$0.01 at an initial exercise price of HK$0.04, payable in cash and subject to adjustment, and the Warrants would be exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 24 months after the date of issue.

Pursuant to the terms and conditions of the instrument creating the Warrants, the subscription price and rights of the outstanding Warrants immediately before the right issues was adjusted. The subscription price of the outstanding Warrants immediately after the right issues was adjusted from HK$0.20 per share to HK$0.192 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

30. ISSUED CAPITAL (continued)

Warrants (continued)

The Warrants were expired on 25 October 2013. Before the expiry of the Warrants, 11,370,375 Warrants and 23,677,230 Warrants were exercised for 2,274,075 share of HK$0.001 each and 4,735,446 shares of HK$0.001 each at the subscription price of HK$0.20 and HK$0.192 per share, respectively. 5,554,272 Warrants were not exercised before the expiry of the Warrants and were lapsed accordingly.

As at 31 March 2014, the Company has no warrants outstanding. As at 31 March 2013, the Company had 40,601,877 Warrants outstanding.

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 2013.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings represent interest-bearing borrowings. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

Group

	2014 **HK$'000**	2013 HK$'000
Total borrowings	**34,833**	32,802
Total assets	**1,741,526**	1,071,901
Gearing ratio	**2%**	3%

31. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004 for the primary purpose providing incentives to selected participants for their contribution to the Group, and will expire on 27 September 2014. Under the Scheme, the board of directors of the Company may grant options to the Company's directors, including the independent non-executive directors, and other employees of the Group and of the Group's investee entities, and any consultant, advisor or agent engaged by any member of the Group or any investee entity.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. 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. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. SHARE OPTION SCHEME (continued)

During the year ended 31 March 2014, the Company did not grant any share options. During the year ended 31 March 2013, the Company granted the following share options which were cancelled:

	Number of share options**							Price of the Company's shares***		
Name or category of participant	At 1 April 2012 '000	Granted during the year '000	Cancelled during the year '000	At 31 March 2013 '000	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Investment advisors										
In aggregate	–	18,996	(18,996)	–	20-4-2012	20-4-2012 to 19-4-2022	0.137	0.137	–	–

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

The fair value of the share options granted during the year ended 31 March 2013 was approximately HK$1,288,000, of which the Group recognised equity-settled share option expenses of approximately HK$1,288,000 during the year ended 31 March 2013.

31. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year ended 31 March 2013 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2013:

	2013
Expected volatility (%)	108.19
Historical volatility (%)	108.19
Risk-free interest rate (%)	1.18
Option life (year)	10
Weighted average share price (HK$ per share)	0.14
Exercise multiple	2.0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, no outstanding share options under the Scheme are issued but not exercise thereafter.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. SHARE PREMIUM AND RESERVES

(a) Share premium and reserves

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iii) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

(iv) Available-for-sale investments redemption reserve

The reserve comprises the cumulative net changes in fair value of available-for-sale investments held at the end of the reporting period.

(v) Translation reserve

The reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

32. SHARE PREMIUM AND RESERVES (continued)

(b) Reconciliation of movements of share premium and 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 share premium and reserves between the beginning and the end of years are set out below:

Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2012		1,368,311	–	1,177	1,448,035	20	(2,128,481)	689,062
Profit for the year		–	–	–	–	–	103,410	103,410
Other comprehensive income for the year:								
Change in fair value of available-for-sale investment		–	–	–	–	100	–	100
Total comprehensive income for the year		–	–	–	–	100	103,410	103,510
Placement of new shares	30(a)	87,185	–	–	–	–	–	87,185
Capital reorganisation	30(b)	–	–	–	76,542	–	–	76,542
Warrants exercised	30(c)	1,313	–	–	–	–	–	1,313
Share issue expenses	30	(2,443)	–	–	–	–	–	(2,443)
Equity-settled share option arrangements		–	1,288	–	–	–	–	1,288
Cancellation of equity-settled share option arrangements		–	(1,288)	–	–	–	1,288	–
At 31 March 2013		1,454,366	–	1,177	1,524,577	120	(2,023,783)	956,457

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. SHARE PREMIUM AND RESERVES (continued)

(b) Reconciliation of movements of share premium and reserves (continued)

Company

	Note	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2013		1,454,366	–	1,177	1,524,577	120	(2,023,783)	956,457
Loss for the year		–	–	–	–	–	(41,952)	(41,952)
Other comprehensive loss for the year:								
Change in fair value of available-for-sale investment		–	–	–	–	(100)	–	(100)
Total comprehensive loss for the year		–	–	–	–	(100)	(41,952)	(42,052)
Right issues	30(d)	201,104	–	–	–	–	–	201,104
Warrants exercised	30(e)	1,357	–	–	–	–	–	1,357
Share issue expenses	30	(5,651)	–	–	–	–	–	(5,651)
At 31 March 2014		1,651,176	–	1,177	1,524,577	20	(2,065,735)	1,111,215

(c) Distributability of reserves

As at 31 March 2014 and 2013, the Company has no reserve available for distribution to equity shareholders of the Company other than the contributed surplus of HK$1,524,577,000 (2013: HK$1,524,577,000) which may be distributed under certain circumstances set out in note 32(a) to the consolidated financial statements.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

	2014 HK$'000	2013 HK$'000
Net assets/(liabilities) disposed of:		
Investment properties (note 19)	42,650	–
Intangible asset (note 17)	–	50,000
Prepayments, deposits and other receivables	265	–
Other payables and accruals	(16)	–
Amounts due to group companies	–	(50,548)
Interest-bearing bank borrowing	(5,319)	–
	37,580	(548)
Amounts due from subsidiaries disposed of	–	50,548
Loss on disposal of subsidiaries	(500)	–
	37,080	50,000
Satisfied by:		
Cash	37,080	50,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2014 HK$'000	2013 HK$'000
Cash consideration and net inflow of cash and cash equivalents in respect of disposal of subsidiaries	37,080	50,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of subsidiaries

On 5 April 2013, the Group acquired the entire share capital of Global Castle and the entire shareholder loan and other indebtedness due to Speedy Harvest Holdings Limited (the "Vendor") owed by Global Castle Group pursuant to a sales and purchase agreement dated 5 October 2012 which was supplemented by a supplemental agreement dated 24 December 2012 between the Group and the Vendor, at a total consideration of HK$800,000,000.

As a result of the Acquisition, the Group expects to diversify its business to capture the benefits from the trend of ecotourism in the PRC by utilising the Forestlands in Qinglong in the PRC whose rights to use were held by Global Castle Group at the date of acquisition. Goodwill of approximately HK$148,635,000 arising from the Acquisition is attributable to the management of the Forestlands segment of the Group.

None of the goodwill recognised is expected to be deductible for income tax purpose. The following table summarises the consideration paid for the Acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition, together with the fair value adjustments in relation to biological assets and favourable lease asset and their corresponding deferred tax effects at the date of acquisition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of subsidiaries (continued)

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment (note 15)	974
Prepaid lease payments (note 16)	47,128
Biological assets (note 18)	5,236
Prepayments and other receivables	375
Cash and cash equivalents	6,599
Other payables and accruals	(461)
Loan from and amount due to the Vendor	(62,898)
Total identifiable net liabilities of subsidiaries assumed	(3,047)
Fair value adjustments on:	
Favourable lease asset, included in intangible assets (note 17)	722,900
Biological assets (note 18)	65,786
Deferred tax liabilities (note 29)	(197,172)
Total identifiable net assets	588,467
Loan from and amount due to the Vendor acquired by the Group	62,898
Goodwill (note 17)	148,635
	800,000
Total consideration satisfied by:	
Cash consideration paid during the year ended 31 March 2013 recognised as deposits as at 31 March 2013 (note 23)	470,000
Cash consideration paid during the year ended 31 March 2014	330,000
	800,000
Net cash outflow arising on the Acquisition during the year:	
Cash consideration paid during the current year	330,000
Cash and cash equivalents acquired	(6,599)
	323,401

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Acquisition of subsidiaries (continued)

Acquisition-related costs of approximately HK$2,953,000 were charged to other expenses in the consolidated income statement for the year ended 31 March 2013. No acquisition-related costs were recognised during the year ended 31 March 2014.

The fair value of favourable lease asset at the acquisition date was determined based on an assumption that the fair values of biological assets attached to the Forestlands together with the fair value of lease assets in relation to the land portion of the Forestlands form the entire fair value of the Forestlands. The Group has engaged LCH to determine the fair values of the Forestlands using the Comparable Sales Approach, by reference to ask prices of comparable forestlands in the neighbourhood townships, adjusted for the condition and features of the comparable forestlands such as their locations, accessibility, size and tree species planted. The fair value of favourable lease asset at acquisition date is computed as follows:

	HK$'000
Fair value of the Forestlands	841,050
Less: fair value of biological assets	(71,022)
Less: prepaid lease payments	(47,128)
Fair value of favourable lease asset at acquisition date	722,900

Fair value of biological assets at the acquisition date was determined by LCH with reference to the market-determined prices of tree species with similar heights, adjusted for the conditions of Relevant Biological Assets. This is a Level 3 fair value measurement. Details are set out in note 18 above.

During the current year, Global Castle Group had no revenue contributed to the Group since the Acquisition. The profit/(loss) per the consolidated income statement for the year ended 31 March 2014 include a loss of approximately HK$20,867,000 contributed by Global Castle Group over the same year. Had the Acquisition been completed on 1 April 2013, the consolidated income statement would have included revenue of HK$Nil and loss of approximately HK$20,867,000.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. FINANCIAL GUARANTEE CONTRACT

As at the end of the reporting period, the Company has issued a financial guarantee to a bank in respect of banking facility granted to a subsidiary of the Company. Details are as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
Guarantee given to a bank in connection with facility granted to a subsidiary	**31,500**	31,500

As a 31 March 2014, the directors of the Company do not consider it probable that a claim will be made against the Company under any of the aforesaid guarantee. The banking facility granted to a subsidiary subject to guarantee given to the bank by the Company was utilised to the extent of approximately HK$25,045,000 (2013: HK$26,461,000).

35. PLEDGE OF ASSETS

The Group's investments in Hong Kong listed equity securities with an aggregate carrying amount at the end of the reporting period of approximately HK$477,809,000 (2013: HK$180,619,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which were not utilised as at 31 March 2014 and 2013 (note 25).

Details of the Group's interest-bearing bank borrowings, which are secured by certain assets of the Group (notes 15 and 19), are included in note 28 to the consolidated financial statements.

36. COMMITMENTS

Operating lease arrangements

(a) As lessor

The Group leases its investment properties prior to disposal of subsidiaries (note 19) and its office premise under operating lease arrangements, with leases negotiated for initial terms ranging from two to three years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**2,016**	2,104
In the second to fifth years, inclusive	**1,703**	3,719
	3,719	5,823

(b) As lessee

The Group leases certain office premises under operating lease arrangements, with leases negotiated for initial terms ranging from one to five years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**9,795**	8,542
In the second to fifth years, inclusive	**8,296**	13,432
	18,091	21,974

36. COMMITMENTS (continued)

Capital commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2014	2013
	HK$'000	HK$'000
Contracted, but not provided for:		
Leasehold land and building	**2,100**	–
Office equipment	**–**	39
Leasehold improvements	**936**	69
Acquisition of a subsidiary	–	330,000
	3,036	330,108

37. RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with related parties:

(a) On 31 March 2014, the Group disposed its entire equity interest in New Range Investments Limited ("New Range"), a jointly-controlled entity, to another joint venture partner of New Range with a minimal consideration. Prior to the disposal, New Range was an investment holding and its subsidiaries are principally engaged into provision of investment and management consultancy services and advertising and related services.

(b) Compensation of key management personnel of the Group:

	2014	2013
	HK$'000	HK$'000
Short term employee benefits	**8,228**	7,825
Post-employment benefits	**71**	78
Total compensation paid to key management personnel	**8,299**	7,903

Further details of directors' emoluments and the five highest paid employees are included in notes 9 and 10, respectively, to the consolidated financial statements.

(c) Applicability of the Listing Rules relating to connected transactions

None of the above related party transactions fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

Group

Financial assets

	Financial assets at fair value through profit or loss				
	– held for trading HK$'000	– designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
2014					
Available-for-sale investments	**–**	**–**	**–**	**17,606**	**17,606**
Rental deposit (note 23)	**–**	**–**	**700**	**–**	**700**
Loans receivable	**–**	**–**	**30,000**	**–**	**30,000**
Investments at fair value through profit or loss	**514,502**	**112,800**	**–**	**–**	**627,302**
Conversion options embedded in a convertible bond	**2,379**	**–**	**–**	**–**	**2,379**
Derivative financial instruments	**19,763**	**–**	**–**	**–**	**19,763**
Financial assets included in prepayments, deposits and other receivables (note 23)	**–**	**–**	**934**	**–**	**934**
Cash and cash equivalents	**–**	**–**	**6,122**	**–**	**6,122**
	536,644	**112,800**	**37,756**	**17,606**	**704,806**
2013					
Available-for-sale investments	–	–	–	4,600	4,600
Rental deposit (note 23)	–	–	700	–	700
Loans receivable	–	–	108,663	–	108,663
Investments at fair value through profit or loss	212,540	112,800	–	–	325,340
Derivative financial instruments	17,791	–	–	–	17,791
Financial assets included in prepayments, deposits and other receivables (note 23)	–	–	12,072	–	12,072
Cash and cash equivalents	–	–	6,023	–	6,023
	230,331	112,800	127,458	4,600	475,189

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**4,731**	4,400
Interest-bearing borrowings	**34,833**	32,802
	39,564	37,202

Company

Financial assets

	Loans and receivables		Available-for-sale financial assets		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments	**–**	–	**4,500**	4,600	**4,500**	4,600
Financial assets included in prepayments, deposits and other receivables (note 23)	**252**	346	**–**	–	**252**	346
Cash and cash equivalents	**351**	5,521	**–**	–	**351**	5,521
	603	5,867	**4,500**	4,600	**5,103**	10,467

Financial liabilities

	Financial liabilities at amortised cost	
	2014	2013
	HK$'000	HK$'000
Other payables and accruals	**4,114**	4,268
Interest-bearing borrowings	**9,788**	–
	13,902	4,268

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

39. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

(a) Fair value of financial assets that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Group
2014

Items	Fair value of the Group HK$'000	Fair value of the Company HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Club membership debenture	4,500	4,500	Level 2	Quoted price in an open market taken into account the estimated transfer fee of the club membership upon sale.
Investments in listed equity securities	514,502	–	Level 1	Quoted bid price in an active market
Investment in unlisted equity securities	112,800	–	Level 2	Subscription prices of other recent share allotments of those investees with other independent third parties
Call Option and Put Option	19,763	–	Level 3	The fair value is determined based on asset-based approach with reference to the equity value of Apex Group
Convertible bond:				
– debt element	13,106	–	Level 2	Discounted cash flow with future cash flows based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of the counterparty
– conversion options embedded in a convertible bond	2,379	–	Level 3	The fair value is determined by binomial tree pricing model taking into account the expected net profit of Great Desire, P/E, EV to EBITDA, discount of lack of marketability, estimated volatility, and estimated amounts of debt and cash balance of Great Desire

During the year ended 31 March 2014, the Group and the Company do not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy and no transfer into or out of Level 3 fair value hierarchy.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

39. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Financial assets measured at fair value:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2014				
Available-for-sale investments	**–**	**17,606**	**–**	**17,606**
Investments at fair value through profit or loss	**514,502**	**112,800**	**–**	**627,302**
Conversion options embedded in a convertible bond	**–**	**–**	**2,379**	**2,379**
Derivative financial instruments	**–**	**–**	**19,763**	**19,763**
	514,502	**130,406**	**22,142**	**667,050**
As at 31 March 2013				
Available-for-sale investments	–	4,600	–	4,600
Investments at fair value through profit or loss	212,540	112,800	–	325,340
Derivative financial instruments	–	–	17,791	17,791
	212,540	117,400	17,791	347,731

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

39. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value on a recurring basis (continued)

Financial assets measured at fair value: (continued)

	Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2014				
Available-for-sale investments	**–**	**4,500**	**–**	**4,500**
As at 31 March 2013				
Available-for-sale investments	–	4,600	–	4,600

39. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(b) Information about Level 3 fair value measurements

Items	Key unobservable inputs	Value	Relationship of unobservable inputs to fair value
Call Option and Put Option	Equity value of Apex Group	HK$5,237,000	The lower the equity value, the higher the fair value
Conversion options embedded in a convertible bond	Expected net profit of Great Desire	HK$18,916,000	The higher the expected net profit, the lower the fair value
	Expected EBITDA	HK$9,292,000	The higher the expected EBITDA, the lower the fair value
	Discount of lack of marketability	25%	The more discount of lack of marketability, the lower the fair value
	P/E	31.05	The higher the P/E, the lower the fair value
	EV to EBITDA	15.16	The higher the EV to EBITDA, the lower the fair value
	Expected volatility	32.66%	The higher the expected volatility, the higher the fair value
	Estimated amounts of debt of Great Desire	HK$20,000,000	The more the debt, the higher the fair value
	Estimated amounts of cash balances of Great Desire	HK$491,000	The more the cash, the lower the fair value

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

39. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(c) Reconciliation of Level 3 fair value measurements

	Call Option and Put Option	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**17,791**	15,969
Total unrealised gains recognised in the consolidated income statement	**1,972**	1,822
At end of year	**19,763**	17,791

	Conversion options embedded in a convertible bond	
	2014	2013
	HK$'000	HK$'000
At beginning of year	**–**	–
Additions	**2,048**	–
Total unrealised gains recognised in the consolidated income statement	**331**	–
At end of year	**2,379**	–

Total gains of Call Option and Put Option recognised in the current year are included in fair value gains on derivative financial instruments in the consolidated income statement. Total gains of conversion options embedded in a convertible bond recognised in the current year are included in fair value gains on conversion options embedded in a convertible bond in the consolidated income statement.

(d) Fair value measurement and valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market-observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivable, deposits and other receivables, available-for-sale investments, conversion options embedded in a convertible bond, investments at fair value through profit or loss, derivative financial instruments, cash and cash equivalents, other payables and accruals and borrowings. Details of these financial instruments are disclosed in respective notes.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk, equity price risk and other price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable primarily at floating interest rates whereas interest-bearing financial liabilities are mainly bank borrowings at floating interest rates. The Group's policy is to obtain the most favourable interest rate available.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit/(loss) after tax (through the impact on floating rate loans receivable and interest-bearing bank borrowings).

		Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in equity** HK$'000	**Increase/ (decrease) in profit after tax** HK$'000
2014			
Hong Kong dollar	**25**	**(12)**	**(12)**
Hong Kong dollar	**(25)**	**12**	**12**
2013			
Hong Kong dollar	25	(86)	86
Hong Kong dollar	(25)	86	(86)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 March 2014 and 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivable, available-for-sale investments, deposits and other receivables and bank balances as stated in the consolidated statement of financial position. The Company is also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in note 34 to the consolidated financial statements.

The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the executive directors in charge of the Group's money lending operations on an ongoing basis. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable are disclosed in note 24 to the consolidated financial statements.

For the Group's credit risk arising from investment in a convertible bond which the debt element has been recognised as available-for-sale investments in the consolidated statement of financial position, the management considers the credit risk to be low taking into account the financial positions of the investee. In addition, should the investee have default in payment of any interests or principal amount of the convertible bond at agreed payment date, the Group could exercise its option to convert the convertible bond into shares of the investee. In this regard, the management considers that this measure could further reduce the credit risk.

The management considers that the credit risk of club membership debenture recognised as available-for-sale investments in the consolidated statement of financial position and in the Company's statement of financial position is low as the club has good reputation.

The credit risks of deposits and other receivables are low as the Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future.

The Group's liquid funds (mainly bank balances) are placed in various banks. The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity risk is managed by senior management on an ongoing basis by the raising of loans and/or equity fundings to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

The maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2014					
	On demand/ no fixed terms of repayment HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**
Financial liabilities included in other payables and accruals	**2,321**	**2,230**	**180**	**–**	**–**	**4,731**
Borrowings (note 28):						
– bonds	**–**	**–**	**500**	**2,000**	**11,000**	**13,500**
– interest-bearing bank borrowings	**25,045**	**–**	**–**	**–**	**–**	**25,045**
	27,366	**2,230**	**680**	**2,000**	**11,000**	**43,276**

	2013					
	On demand/ no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
Financial liabilities included in other payables and accruals	2,160	1,940	300	–	–	4,400
Borrowings (note 28):						
– interest-bearing bank borrowings	32,802	–	–	–	–	32,802
	34,962	1,940	300	–	–	37,202

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2014					
	On demand/ no fixed terms of repayment	**Less than 3 months**	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total undiscounted cash flows**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**722**	**3,380**	**12**	**–**	**–**	**4,114**
Borrowings (note 28):						
– bonds	**–**	**–**	**500**	**2,000**	**11,000**	**13,500**
Guarantee given to a bank in connection with facility granted to a subsidiary	**25,045**	**–**	**–**	**–**	**–**	**25,045**
	25,767	**3,380**	**512**	**2,000**	**11,000**	**42,659**

	2013					
	On demand/ no fixed terms of repayment	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total undiscounted cash flows
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	2,356	1,797	115	–	–	4,268
Guarantee given to a bank in connection with facility granted to a subsidiary	26,461	–	–	–	–	26,461
	28,817	1,797	115	–	–	30,729

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note:

Included in the above interest-bearing bank borrowings are term loans with an aggregate carrying amount of HK$25,045,000 (2013: HK$32,802,000). The loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “repayable on demand”.

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: (i) the financial position of the Group at the date of approval of these financial statements; (ii) the Group’s compliance with the loan covenants; (iii) the lack of events of default; and (iv) the fact that the Group has made all previously scheduled repayment on time.

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	Group				
	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
As at 31 March 2014	**414**	**1,395**	**7,442**	**19,229**	**28,480**
As at 31 March 2013	710	2,347	12,518	21,760	37,335

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain bank balances and investments at fair value through profit or loss are denominated in Hong Kong Dollars ("HKD"), Singapore Dollar ("SGD") and Renminbi ("RMB"), currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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

	2014		2013	
	RMB against HKD HK$'000	**HKD against SGD HK$'000**	RMB against HKD HK$'000	HKD against SGD HK$'000
Bank balances and cash	**4,734**	–	–	–
Investments at fair value through profit or loss	**–**	36,693	–	31,921
	4,734	36,693	–	31,921

The following table details the Group's sensitivity analysis for increase and decrease in the functional currencies of the respective group entities against relevant foreign currencies and all other variables were held constant.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Strengthen/ (weaken) by %	**Increase/ (decrease) in equity HK$'000**	**Increase/ (decrease) in profit after tax HK$'000**
2014			
RMB strengthen against HKD by	**5**	**237**	**237**
RMB weaken against HKD by	**(5)**	**(237)**	**(237)**
SGD strengthen against HKD by	**5**	**1,835**	**1,835**
SGD weaken against HKD by	**(5)**	**(1,835)**	**(1,835)**

	Strengthen/ (weaken) by %	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in loss after tax HK$'000
2013			
SGD strengthen against HKD by	5	1,596	(1,596)
SGD weaken against HKD by	(5)	(1,596)	1,596

The sensitivity rate used above represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is performed on the same basis for 2013.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held for trading equity investments (note 25) as at 31 March 2014 and 2013. The Group's listed investments are listed on the Stock Exchange and Singapore Exchange Limited and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for investments in unlisted equity securities classified as financial assets designated as at fair value through profit or loss and the investments in unlisted equity securities were excluded for sensitivity analysis.

The following table demonstrates the sensitivity to every 15% (2013: 10%) change in equity prices of the listed equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity prices %	**Carrying amount of equity investments HK$'000**	**Increase/ (decrease) in equity HK$'000**	**Increase/ (decrease) in profit after tax HK$'000**
2014				
Investments listed in:				
– Hong Kong	**15**	**477,809**	**71,671**	**71,671**
	(15)	**477,809**	**(71,671)**	**(71,671)**
– Signapore	**15**	**36,693**	**5,504**	**5,504**
	(15)	**36,693**	**(5,504)**	**(5,504)**

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in loss after tax HK$'000
2013				
Investments listed in:				
– Hong Kong	10	180,619	18,062	(18,062)
	(10)	180,619	(18,062)	18,062
– Signapore	10	31,921	3,192	(3,192)
	(10)	31,921	(3,192)	3,192

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 March 2014 and 2013. For sensitivity analysis purpose, 15% (2013: 10%) was used as the sensitivity rate for the year ended 31 March 2014 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

Other price risk

As at 31 March 2014, the Group holds a convertible bond with the debt elements recognised as available-for-sale investments as detailed in note 21 and the conversion options embedded in a convertible bond as detailed in note 22. Changes in fair values of the debt elements and that of the conversion options are recognised in other comprehensive income and profit or loss respectively. The fair value adjustment of the debt element and the conversion options embedded in a convertible bond would be affected positively or negatively, amongst other things, by the changes in the credit spread of Great Desire.

The Group's exposure to other price risk on the debt element and the conversion options embedded in a convertible bond as a result of change in the risk free rate is insignificant and thus no sensitivity analysis is prepared.

The following table demonstrates the sensitivity for 5% higher/lower in credit spread of Great Desire and all other variables were held constant.

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40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other price risk (continued)

	Higher/ (lower) in credit spread %	Increase/ (decrease) carrying amount HK$'000	Decrease/ (increase) in other in comprehensive loss HK$'000	Increase/ (decrease) in profit after tax HK$'000
Fair value of debt element included in available-for-sale investments	5	(1,122)	(154)	(968)
Fair value of conversion options embedded in a convertible bond	5	1,122	–	1,122
			(154)	154
Fair value of debt element included in available-for-sale investments	(5)	1,528	1,528	–
Fair value of conversion options embedded in a convertible bond	(5)	(1,528)	–	(1,528)
			1,528	(1,528)

The management of the Group considers that the sensitivity analysis above is unrepresentative of the inherent price risk as the pricing model in the valuation of the debt element and the conversion options embedded in a convertible bond involves other assumptions and variables.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following significant events of the Group, not disclosed elsewhere in the consolidated financial statements, took place:

(a) On 14 May 2014, Coupeville Limited ("Coupeville"), a directly wholly-owned subsidiary of the Company, and two private limited companies entered into a shareholders' agreement and a subscription agreement, pursuant to which Coupeville agreed to contribute HK$1,000,000, representing 33% of the entire equity interest in a jointly-controlled company incorporated in the British Virgin Islands.

(b) On 12 June 2014, Mass Nation Investments Limited ("Mass Nation"), an indirectly wholly-owned subsidiary of the Company, and HEC Capital Limited ("HEC Capital") entered into a subscription agreement (the "Subscription Agreement") pursuant to which HEC Capital has conditionally agreed to issue and Mass Nation has conditionally agreed to subscribe 38,000,000 shares ("Subscription Shares") of HEC Capital at a subscription price ("Subscription Price") of HK$6 per Subscription Share and the aggregate of the Subscription Price for 38,000,000 Subscription Shares is HK$228,000,000 (subject to adjustment). Adjustment to Subscription Price and other details of the Subscription Agreement are also set out in the Company's announcement dated 12 June 2014.

42. COMPARATIVE FIGURES

As further explained in note 2 to the consolidated financial statements, due to the reclassification of gains/losses on sale of investments at fair value through profit or loss out of revenue and present the realised and unrealised gains/losses as fair value gains/losses on investments at fair value through profit or loss, certain prior period comparative figures have been reclassified and restated to conform to the current year's revised presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2014 and 2013 are as follows:

Name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interest Held by the Company %	Held by subsidiaries of the Company %	Principal activities
Alpha Ease International Limited	British Virgin Islands	US$1	–	100	Investment holding
Apex Corporate Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
Billion Vision Investments Limited	Hong Kong	HK$1	–	100	Investment holding
Coupeville Limited	British Virgin Islands	US$1	100	–	Investment holding
Dollar Group Limited	British Virgin Islands	US$1	–	100	Investments in securities
Equal Leader Limited	British Virgin Islands	US$1	–	100	Investment holding
Global Castle Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
Heritage International Finance Limited	Hong Kong	HK$1	–	100	Money lending
HON Chinese Medicine Company Limited	Hong Kong	HK$2	–	100	Operation of a Chinese medicine clinic
Mass Nation Investments Limited	British Virgin Islands	US$1	–	100	Investment holding
Noble Castle International Limited	Hong Kong	HK$1	–	100	Investment holding
Planner Ford Limited	Hong Kong	HK$2	–	100	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100	–	Provision of corporate services

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Percentage of ownership interest Held by the Company %	Held by subsidiaries of the Company %	Principal activities
Power Global Limited	British Virgin Islands	US$1	100	–	Investment holding
Rainbow Fair Development Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles
Sheng Yuan Investments Management Services (Tian Jin) Co. Ltd.*	PRC	HK$9,000,500	–	100	Management of the Forestlands
秦皇島漢基生態農林有限公司*	PRC	HK$5,000,000	–	100	Plantation of fruit trees

* These companies are as a wholly foreign-owned companies established in the PRC

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in presentation of gains/losses on sales of investments at fair value through profit or loss, as detailed in note 2 to consolidated the financial statements.

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**14,484**	19,634	11,454	5,497	22,543
PROFIT/(LOSS) BEFORE TAX	**276,934**	(70,996)	(369,122)	(392,365)	(5,232)
Income tax credit/(expense)	**4,091**	(598)	–	–	–
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**281,025**	(71,594)	(369,122)	(392,365)	(5,232)

ASSETS AND LIABILITIES

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,741,526**	1,071,901	1,057,161	1,049,257	1,288,577
TOTAL LIABILITIES	**(232,452)**	(38,335)	(40,587)	(87,542)	(171,056)
NET ASSETS	**1,509,074**	1,033,566	1,016,574	961,715	1,117,521