



Sino Prosper (Group) Holdings Limited

中盈(集團)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 766)

**ANNUAL
REPORT
2014**

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Leung Ngai Man (*Chairman*)

Mr. Sung Kin Man (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Cai Wei Lun

Mr. Zhang Qingkui

Ms. Xuan Hong

COMPANY SECRETARY

Mr. Cheng Chung Yung

AUTHORIZED REPRESENTATIVES

Mr. Leung Ngai Man

Mr. Cheng Chung Yung

AUDIT COMMITTEE

Ms. Xuan Hong (*Chairlady*)

Mr. Cai Wei Lun

Mr. Zhang Qingkui

REMUNERATION COMMITTEE

Ms. Xuan Hong (*Chairlady*)

Mr. Cai Wei Lun

Mr. Zhang Qingkui

Mr. Leung Ngai Man

Mr. Sung Kin Man

LEGAL ADVISORS

Chiu & Partners

AUDITORS

HLB Hodgson Impey Cheng Limited

PRINCIPAL BANKER

Bank of Communications, Hong Kong Branch

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit A03, 11/F.,

Bank of East Asia Harbour View Centre,

56 Gloucester Road, Wanchai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN THE CAYMAN ISLANDS

Royal Bank of Canada Trust Company (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road

George Town

Grand Cayman KY1-1110

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

STOCK CODE

766

WEBSITE

www.sinoprospers.com

MANAGEMENT DISCUSSION & ANALYSIS

On behalf of the board (the “Board”) of directors (the “Director(s)”) of Sino Prosper (Group) Holdings Limited (the “Company”), the annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 March 2014 (the “Reporting Period”) are presented below:

OPERATIONAL REVIEW

The following sets out the major developments of the Group during the Reporting Period.

Current Operations

Aohan Qi Mine, Inner Mongolia

The key activities for Aohanqi Xinrui En Industry Co., Ltd. (“Aohanqi”), an indirect non-wholly-owned subsidiary of the Company, in 2013 were the development and construction of the main tunnels for the four vertical access shafts and related exploration and mining operation. As at the end of March 2014, the accumulated length of tunneling reached 2,770.64 metres with 420.55 metres of underground drilling, while the ore dressed by the processing plants totaled 26,252 tonnes. Besides, the procedures for approval of the tailing pond, reconstruction of explosive magazines and requisition of land and forest were further improved.

To further materialize the related construction works, such as exploration, mining and operation of the mines, sufficient support of liquidity will be indispensable. As disclosed in the Company’s interim report for the six months ended 30 September 2013, Aohanqi needs sufficient liquidity support. Aohanqi has applied to relevant government authorities for an increase of the total investment amount, in order to address the lack of working capital. However, the application is still pending approvals by the aforesaid authorities up to the date of this annual report. The Group, as a foreign shareholder of Aohanqi, also tried to propose to increase the registered capital of Aohanqi as working capital to the Chinese joint-venture cooperative shareholder of Aohanqi, but no consent has been given by the Chinese joint-venture cooperative shareholder regarding such proposal. If Aohanqi could not obtain working capital on a timely basis, it may pose significant adverse impacts on Aohanqi’s future production and operation activities. Aohanqi’s operation may also be adversely affected by a decline in gold price and the increase in production costs.

MANAGEMENT DISCUSSION & ANALYSIS

Zhongyi Weiye Heilongjiang Mines, Heilongjiang Province, PRC (“Zhongyi Weiye Heilongjiang”)

In 2013, Zhongyi Weiye Heilongjiang mainly conducted drilling verification on abnormality, thin section identification, polished section identification, basic analysis and other relevant work, and field work had been completed at the end of November 2013. As at the date of this annual report, data compilation, comprehensive research and report preparation works were in progress.

In 2013, the world's economy was in slow recovery, but the gold price experienced volatility and drop. For the year ended 31 March 2014, the gold price in the Shanghai Gold Exchange opened at RMB319.85 per gram and reached its highest price at RMB320.10 per gram and its lowest price at RMB236.39 per gram. The year-end closing price was RMB257.90 per gram, representing a decrease of approximately 19% as compared with that of the previous year. The average annual gold price also dropped by approximately 21% from RMB335.23 per gram last year to RMB264.52 per gram. The substantial drop in gold price impacted the potential profitability of the Zhongyi Weiye Heilongjiang gold mining project.

Accordingly, the management of the Group conducted an impairment review on the exploration and evaluation assets. For the purpose of impairment testing, the exploration and evaluation assets have been allocated to the cash-generating unit (“CGU”) of Heilongjiang mines (“Heilongjiang CGU”). The recoverable amount of the Heilongjiang CGU has been determined based on value in use calculation. Such calculation uses cash flow projections based on the most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 32.03%. The cash flows beyond the five year period are extrapolated using zero growth rate.

Income approach method of valuation is adopted by the Company to value the carrying amount of exploration and evaluation assets relating to the Zhongyi Weiye Heilongjiang gold mining project. Income approach method is adopted as the valuation method because it eliminates the discrepancy in time value of money by using a discount rate to reflect all business risks and it is by looking at the perspective of the firm's investors including stockholders and bondholders in relation to its business operation and to view the free cash flow available to the business as a whole. In performing impairment testing, the directors of the Company have made reference to valuation performed by an independent professional valuer. Other key assumptions used in the value in use calculation relates to the estimate of cash inflows which included budgeted gold output, mining costs and commodity price, such estimations are based on the management's plan and expectations for market development. Apart from the considerations that have been taken into account in determining the value in use of the Heilongjiang CGU as described above, the Group's management is not aware of other possible changes that would necessitate changes in its key estimates. There is no change in the methodology in assessing the value in use.

Based on the value in use assessment, the recoverable amount of the exploration and evaluation assets was lower than its carrying value, and an impairment loss of exploration and evaluation assets of approximately HK\$164,010,000 has therefore been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

Termination of Proposed Acquisition of Qing Jiao Gold Mine

As disclosed in the Company's announcement dated 30 September 2013, the shareholders of the Company have approved the extension of the long stop date of the acquisition agreement (the "Acquisition Agreement") in relation to Qing Jiao Gold Mine (the "Target Mine") from 30 September 2013 to 31 December 2014 at the extraordinary general meeting held on 30 September 2013.

However, as subsequently disclosed in the Company's announcement dated 7 January 2014, taking into account the fact that (i) the gold price showed a downward trend from approximately USD1,700 per ounce around the date of the Acquisition Agreement to approximately USD1,400 per ounce in September 2013, and further dropped to approximately USD1,200 per ounce in December 2013, representing an overall decrease of approximately 29.4% and such downward trend seems likely to continue in the future; (ii) the exploitation cost of gold mine (such as labour cost) in the People's Republic of China ("PRC") may not decrease and instead is expected to increase; (iii) the potential profit margin of gold mining business decreased to a level that is no longer as attractive as before; and (iv) consequently the Target Mine is no longer as valuable and attractive to the Company as before, the Board (other than Mr. Leung Ngai Man ("Mr. Leung"), who is a director of the Company and is also the Vendor (the "Vendor")) therefore wished to terminate the Acquisition Agreement. Thereafter, the Company had entered into negotiations with the Vendor. After negotiation, the Vendor, being the substantial shareholder, Chairman and a director of the Company, agreed to cater to the Company's request to terminate the Acquisition Agreement. Subsequently, the purchaser (namely, Sino Prosper State Gold HK Limited (being a wholly-owned subsidiary of the Company)) and the Vendor entered into a termination deed (the "Termination Deed") on 7 January 2014 to terminate the Acquisition Agreement with immediate effect.

A deposit of RMB120 million paid to the Vendor in accordance with the Acquisition Agreement was refunded by the Vendor to the Group on the date of the Termination Deed.

Micro-Financing Business and Investment and Management Consultation Services

As disclosed in the Company's announcement dated 11 October 2013, the acquisition of the Target Group (as defined in the Company's circular (the "Circular") dated 24 September 2013) in relation to micro-financing business and investment and management consultation services in the PRC was completed on 11 October 2013. Following such completion, the Target Group has become wholly-owned subsidiaries of the Group (the "PRC Subsidiaries").

Pursuant to the Agreement (as defined in the Circular), the consideration shall be a maximum of HK\$850 million, which shall be satisfied by Favour South Limited (being a wholly-owned subsidiary of the Company) (the "Purchaser") by paying or delivering to Mr. Leung Ngai Man (being a substantial shareholder, an executive Director and the chairman of the Company) (the "Vendor") in the following manner:

- (i) as to HK\$425 million by the payment of the T1 Price (as defined in the Circular) (comprising the T1 CB (as defined in the Circular) of HK\$75 million, the T1 P-Note (as defined in the Circular) of HK\$150 million, and cash payment of HK\$200 million by applying the refundable deposit paid by the Purchaser) at Completion;

MANAGEMENT DISCUSSION & ANALYSIS

- (ii) as to HK\$170 million by the payment of the T2 Price (as defined in the Circular) (comprising the T2 CB (as defined in the Circular) of HK\$120 million and the T2 P-Note (as defined in the Circular) of HK\$50 million) subject to and upon the satisfaction of the T2 Payment Condition (as defined in the Circular);
- (iii) as to HK\$170 million by the payment of the T3 Price (as defined in the Circular) (comprising the T3 CB (as defined in the Circular) of HK\$170 million) subject to and upon the satisfaction of the T3 Payment Conditions (as defined in the Circular); and
- (iv) as to HK\$85 million by the payment of the T4 Price (as defined in the Circular) (comprising the T4 CB (as defined in the Circular) of HK\$85 million) subject to and upon the satisfaction of the T4 Payment Condition (as defined in the Circular).

On or prior to 22 November 2013, the T1 Price and the T2 Price were satisfied by the Purchaser's payment to the Vendor in accordance with the Agreement.

Nevertheless, on 15 January 2014, the Company received advice from its corporate management advisor that it is in the interest of the Company to retain its financial resources for the development of its micro-finance business in Jilin City, the PRC in view of its prospect. One of the ways is to explore and negotiate with the Vendor for the possible cancellation of potential further payments payable by the Purchaser to the Vendor under the Agreement (being the T3 Price and the T4 Price) (the "Cancellation") given that the Vendor, being the single largest shareholder of the Company, will also benefit from the better performance of the Company's micro-finance business resulting from cancelling such payments.

On 22 January 2014, the Company commenced preliminary negotiation with the Vendor regarding such Cancellation. Following such negotiations, the Vendor, on 29 January 2014, executed a deed of waiver (the "Deed of Waiver") in favour of the Purchaser, pursuant to which:

- (i) the Vendor irrevocably and unconditionally waives, releases and discharges the Purchaser from the obligations to pay:
 - (a) the T3 Price, notwithstanding (and assuming) the T3 Payment Conditions being satisfied;
 - (b) the T4 Price, notwithstanding (and assuming) the T4 Payment Conditions being satisfied; and
- (ii) conditional upon a sum of HK\$170 million (being a portion of the aggregate principal amounts owing by the Purchaser to the Vendor under the T1 P-Note and the T2 P-Note) being paid (whether by a single payment or a series of payments) to the Vendor by or on behalf of the Purchaser on or before 28 February 2014 (the "Partial Early Repayment"), the Vendor irrevocably waives, releases and discharges the Purchaser from the obligations to pay the entirety of the interest (the "P-Note Interests") accrued and accruing on the T1 P-Note and the T2 P-Note.

The Partial Early Repayment was subsequently paid to the Vendor by the Group's internal resources within the prescribed time-limit.

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As disclosed in the Company's announcement dated 23 June 2014, it was intended that Target PRC No.1 (as defined in the Circular) would apply for an increase in its registered capital from RMB100 million to RMB200 million while the additional capital injection was expected to be made in 2014 in two tranches of RMB50 million each. In this connection, Target PRC No.1 received a written approval dated 17 June 2014 from Jilin Province Financial Affairs Office (吉林省金融工作辦公室) for the increase in its registered capital from RMB100 million to RMB150 million. The Board further obtained a PRC legal opinion advising that there is no legal obstacle for Target PRC No.1 to obtain approval for any further increase in its registered capital in the future. The additional capital of RMB50 million has been injected in Target PRC No.1 prior to the date of this annual report.

Furthermore, based on the Turnover Certificate (as defined in the Circular) for the T4 Period (as defined in the Circular), the audited consolidated turnover of the Target BVI and its subsidiaries arising from the business of providing micro-financing and investment and management consultation services (exclusive of any value added tax or business tax) for the T4 Period amounted to approximately RMB17,282,000 which has exceeded the threshold as required in the T4 Payment Condition.

Please refer to the Circular and the Company's announcements dated 11 October 2013, 13 November 2013, 22 November 2013, 22 January 2014, 29 January 2014 and 23 June 2014 respectively for further details.

Since satisfactory performance was recorded and promising potential is expected for the micro-financing business in mainland China, the Group will continue to allocate financial resources to this business segment for its growth and expansion.

Money Lending Business

In September 2012, the Group was granted Hong Kong money lenders license and started relevant operation in Hong Kong. This new business segment provided additional revenue to the Group.

Legal Proceedings

As disclosed in the Company's announcements dated 7 October 2013 and 13 January 2014 respectively, with a view to saving the Company from incurring further time, costs and resources in responding to the legal proceedings (the "Legal Proceedings") commenced by the Plaintiff (as defined in the Company's announcement dated 7 October 2013), the Company and Mr. Leung have entered into a settlement agreement (the "Settlement Agreement") with the Plaintiff on 13 January 2014, whereby the parties agree, among other things, that subject to the terms and conditions of the Settlement Agreement, (i) any and all claims be waived and released; (ii) the Legal Proceedings be discontinued and dismissed with no order as to costs; and (iii) all of the ordinary shares held by the Plaintiff in the issued share capital of the Company be acquired by Mr. Leung. For further details, please refer to the abovementioned announcements of the Company.

MANAGEMENT DISCUSSION & ANALYSIS

Development from the end of the Reporting Period

Mr. Ng Kwok Chu, Winfield resigned as an executive director of the Company with effect from 26 May 2014 due to personal health reason.

Save as disclosed elsewhere in this annual report, there have been no material events affecting the Group since the end of the Reporting Period and up to the date of this annual report.

Outlook

In view of substantial decrease in gold price and rising production costs in the PRC during 2013, the Company postponed its mining project in Aohan Qi Mine and exploration projects in Heilongjiang, pending clearer trends of international gold markets for further actions. The Group has allocated more resources to the micro-financing business in Jilin City, the PRC, which shows strong market demands.

Further progress shall be disclosed in announcements or the Company's interim report as and when appropriate.

Update on details of resources previously disclosed publicly

Certain changes to the Listing Rules (including Chapter 18 thereof) took effect from 3 June 2010. Subsequent to that date, the Company issued a circular dated 7 June 2010 (the "Circular") to the Shareholders concerning the Zhongyi-Weiye Project, in which certain details of the resources of certain mines as well as the exploration permits held by Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd. were disclosed.

Pursuant to Rule 18.15 of the Listing Rules, an update on those resources should be included once a year in its annual report. For the purpose of such rule, the Company would confirm that so far as it is aware after making all reasonable enquiries, since the issue of the Circular in June 2010 and up to the date of this annual report, there has not been any material change in the details of such resources other than the development as disclosed in page 4 of this annual report.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded total turnover of approximately HK\$53,830,000 (year ended 31 March 2013 (“FY2013”): HK\$54,483,000) which mainly comprises a turnover of (i) approximately HK\$24,041,000 from the sales of gold (FY2013: HK\$36,930,000); (ii) approximately HK\$6,249,000 from the sales of gold concentrates (FY2013: HK\$15,966,000); (iii) approximately HK\$106,000 from the sales of silver concentrates (FY2013: HK\$248,000); (iv) approximately HK\$8,137,000 representing interest income from loan financing activities (FY2013: HK\$1,339,000); and (v) approximately HK\$15,297,000 representing consultancy services income (FY2013: Nil). The Group’s total turnover decreased by approximately 1% as compared to last financial year. Such decrease was mainly attributable to the decrease in sales of gold and sales of gold concentrates; and generation of interest income from loan financing activities and consultancy services income which was partially offset by the decrease in sales of gold and sales of gold concentrates.

During the Reporting Period, the Group’s net loss attributable to owners of the Company was approximately HK\$66,314,000 (FY2013: approximately HK\$70,687,000). The decrease in the Group’s net loss attributable to owners of the Company was mainly due to (i) the decrease in general and administrative expenses; (ii) the gain on waiver of contingent consideration for acquisition in relation to micro-financing business of approximately HK\$191,220,000; (iii) the impairment loss of exploration and evaluation assets of approximately HK\$164,010,000 and (iv) the loss on early redemption of promissory notes of approximately HK\$60,827,000 while no such losses as mentioned in (iii) and (iv) were recorded in the last financial year.

As at 31 March 2014, the Group recorded total assets of approximately HK\$2,178,453,000 (as at 31 March 2013: approximately HK\$2,060,810,000), and recorded total liabilities of approximately HK\$184,709,000 (as at 31 March 2013: approximately HK\$72,608,000). The Group’s net asset value as at 31 March 2014 increased by 0.28% to approximately HK\$1,993,744,000 as compared to approximately HK\$1,988,202,000 as at 31 March 2013.

MANAGEMENT DISCUSSION & ANALYSIS

CAPITAL REDUCTION

As disclosed in the Company's announcement dated 26 March 2014, all conditions of the capital reduction were satisfied and accordingly, the capital reduction became effective on 25 March 2014. As of 31 March 2014, the credit in the sum of approximately HK\$76,013,000 arising from the capital reduction was applied towards canceling accumulated losses of the Company during the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated cash flows and capital fund raising activities.

As at 31 March 2014, the Group had bank balances and cash of approximately HK\$93,193,000 (as at 31 March 2013: approximately HK\$186,499,000). As at 31 March 2014, the Group had outstanding amounts of HK\$183,530,000 for the convertible bonds and HK\$30,000,000 for the promissory notes respectively. Its gearing ratio calculated as a ratio of net debt (representing borrowings less bank balances and cash) to total equity was approximately 0.36% (as at 31 March 2013: Nil). As at 31 March 2014, net current assets of the Group totaled approximately HK\$218,960,000 (as at 31 March 2013: approximately HK\$532,995,000) and the current ratio was maintained at a level of approximately 8 (as at 31 March 2013: approximately 15.4).

On 11 April 2012, an aggregate of 152,000,000 unlisted warrants were successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK\$0.01 per warrant and the subscription price of HK\$0.72 per warrant share. The subscription period for the warrants is from the date of issue of the warrants to 31 December 2014 (both dates inclusive).

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 152,000,000 shares will be allotted and issued. The net proceeds from the placing (without taking into account of the exercise of the subscription rights attaching to the warrants) after taking into account the expenses in relation to the placing and issue of unlisted warrants amounted to approximately HK\$1.4 million. The Company intends to utilize the net proceeds from the placing for general working capital of the Group. Details in relation to the actual uses of proceeds will be disclosed in the Company's future annual report or announcement as and when the Directors consider appropriate.

TREASURY POLICIES

As at 31 March 2014, the Group had cash and bank balances of approximately HK\$93,193,000 (2013: HK\$186,499,000), most of which were denominated in Renminbi and placed as short-term deposits. The Group has sufficient capital, and generally exercises caution when using cash and making capital commitments. As at 31 March 2014, the Group had loans receivable of approximately HK\$134,347,000 (2013: HK\$15,632,000). It also planned to invest more capital in the micro-financing business and financial management consultation services business of its PRC subsidiaries.

CONTINGENT LIABILITIES

As at 31 March 2014 and 31 March 2013, the Group had no significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2014, the Group had the following significant commitments which were not provided for in the consolidated financial statements:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for:		
– Exploration and evaluation expenditure	948	714
– Construction expenditure	–	6,536
– Purchase of property, plant and equipment	–	168
	948	7,418

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to currency exchange rates is minimal as the Group usually holds most of their financial assets/liabilities in their own functional currencies.

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all of the Group's revenue and cost of sales are denominated in the functional currency of the operating units generating the revenue, and substantially all of the cost of sales are denominated in the operating unit's functional currency. Accordingly, the Directors consider that the Group is not exposed to significant foreign currency risk.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2014, the Group employed 76 full-time employees in the PRC and Hong Kong. The Group remunerated its employees based on their performance, qualifications, work experience and the prevailing market salaries. Performance related bonuses are paid on a discretionary basis. Other employee benefits include mandatory provident fund, insurance and medical coverage, training programs and grant of share options under the Company's share options scheme.

REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the "AGM") is scheduled to be held on Friday, 12 September 2014. In order to qualify for attending the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 11 September 2014.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LEUNG Ngai Man, aged 53, is the Chairman of the Group. He was appointed as an executive Director in 2001. Active in China since the 1980s, Mr. Leung has over two decades of experience in the areas of trading, investment, property development and management. Mr. Leung has an extensive network and relationship with numerous PRC companies and authorities. He is currently the Chairman and executive director of China Netcom Technology Holdings Limited (“China Netcom”, stock code: 8071), the shares of which are listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange.

Mr. SUNG Kin Man, aged 42, is the Chief Executive Officer of the Group. He was appointed as an executive Director in 2009. Mr. Sung graduated from the University of Southern California and obtained a Bachelor’s Degree of Science in Business Administration majoring in finance and minoring in marketing. Mr. Sung has been working in the finance industry and international capital markets in Hong Kong and other parts of Asia since 1994. He has extensive management experience and prior to his appointment at the Company, Mr. Sung was an executive director of UBS Securities Asia Ltd., responsible for business in Greater China and had been a director of Global Equity of Merrill Lynch Asia Inc. from 2005 to 2007. Currently, Mr. Sung is an executive director, an authorized representative and a member of the Senior Management Committee of China Netcom.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CAI Wei Lun, aged 58, joined the Group and was appointed as an independent non-executive Director in June 2004. Mr. Cai has over two decades of experience in China property. Mr. Cai is also an independent non-executive director of China Netcom.

Mr. ZHANG Qingkui, aged 46, joined the Group and was appointed as an independent non-executive Director in 2011. Mr. Zhang graduated from the Faculty of Geology of China University of Mining and Technology in 1991 with a Bachelor’s degree in water engineering and graduated from China University of Geosciences in 2004 with a Postgraduate’s degree in geology. He has successively obtained the titles of and worked as assistant geology engineer, engineer and senior engineer. From 1995 to now, Mr. Zhang has worked with Liaoning Provincial Institute of Geological Exploration, mainly involving in the geological exploration of mines.

Ms. XUAN Hong, aged 49, join the Group and was appointed as independent non-executive Director of the Company in December 2013. She has the qualifications of certified public accountant in the PRC and is a senior accountant, and has worked in several accounting firms. She has extensive working experience in accounting, auditing and taxation, and has substantial experience in accounting policy, tax law and judicial accounting sectors. Currently, Ms. Xuan is also an independent non-executive director of China Netcom.

SENIOR MANAGEMENT

Ms. WU Wei Hua, aged 43, joined the Group in 1996. Ms. Wu is the Finance Director of the Group in the PRC. Ms. Wu holds a Bachelor's degree in Textile Engineering from Donghua University in the PRC. She has over 18 years of accounting experience. Ms. Wu is an executive director of China Netcom.

Mr. CHENG Chung Yung, aged 42, joined the Group as General Counsel in November 2013 and was appointed as Company Secretary in January 2014. He is responsible for overseeing all legal, regulatory, compliance and corporate governance matters of the Group. Prior to joining the Company, Mr. Cheng has over 14 years' solid experience in the legal profession. He served as company secretary in a listed company on the GEM board and as legal counsel in three listed companies on the main board respectively. Mr. Cheng graduated from the University of Hong Kong with a Bachelor's degree in Laws in 1995 and also obtained a Master degree in Chinese and Comparative Laws from the City University of Hong Kong in 1997. He is a qualified solicitor in Hong Kong and is also an associate member of The Hong Kong Institute of Chartered Secretaries as well as a member of Hong Kong Securities and Investments Institute.

DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements of the Group for the Reporting Period.

CHANGE OF COMPANY NAME

With a view to more accurately reflecting the principal activities of the Group and provide the Company with a fresh corporate image and identity, the name of the Company has been changed from “Sino Prosper State Gold Resources Holdings Limited” to “Sino Prosper (Group) Holdings Limited” and to adopt “中盈(集團)控股有限公司” as the dual foreign name of the Company to replace “中盈國金資源控股有限公司” pursuant to a special resolution passed on 11 December 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are investment holding, investment in energy and natural resources (including precious metals) related projects in the PRC and provision of loan financing and investment and management consultation services. Details of its subsidiaries are set out in note 17 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the Reporting Period and the state of affairs of the Group as at 31 March 2014 are set out on pages 34 to 135 of this annual report.

The Directors do not recommend the payment of any dividend in respect of the Reporting Period.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements of the Group is set out on page 136 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL, SHARE OPTIONS, UNLISTED WARRANTS AND CONVERTIBLE BONDS

Details of the movements in the Company's share capital, share options, unlisted warrants and convertible bonds during the year, together with the reasons thereof, are set out in notes 32, 33, 35 and 28 to the consolidated financial statements respectively.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in note 34 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

In accordance with the Companies Law of the Cayman Islands, the share premium as received in the share premium account is distributable to the Shareholders provided that immediately following the distribution or payment of the dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. As at 31 March 2014, the reserves of the Company available for distribution to the Shareholders amounted to approximately HK\$1,236,229,000 (FY2013: approximately HK\$1,224,090,000).

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 67% of the total sales for the year and sales to the largest customer amounted to 35%. Purchases from the Group's five largest suppliers accounted for 97% of the total purchases for the year and purchases from the largest supplier amounted to 90%.

The Group's top three largest customers, which accounted for over half of the Group's revenue for the year ended 31 March 2014 comprise Hong Kong and PRC companies, which have business relationships with the Group for more than three years. 56% of the Group's revenue are from these three major customers for the year ended 31 March 2014 (FY2013: 97%). Products sold to them by the Group include gold, gold concentrates and silver concentrates. Payments are settled upon delivery and satisfactory inspection by the customers and no other credit terms are granted to these three major customers. Such credit terms are in line with those granted to other similar types of customers of the Group. No long-term agreements had been entered into between these three major largest customers and the Group. As these three major customers accounted for a significant portion of the Group's total sales for the year, if in the future the Group loses one of these major customers or any of these major customers significantly reduces its volume of trade or business with Group while the Group is unable to look for new potential customers, the Group's sales and revenue might be adversely affected. Nevertheless, the Group believes that it has built up and developed long term and stable relationships with these major customers that they are likely to maintain the Group as their suppliers. The Group has also conducted business with new customers and will continue to seek business from other potential customers.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's largest customer or supplier.

DIRECTORS

The Directors during the year and up to the date of this annual report were:

Executive Directors

Mr. Leung Ngai Man (*Chairman*)

Mr. Sung Kin Man (*Chief Executive Officer*)

Mr. Ng Kwok Chu, Winfield (resigned on 26 May 2014)

Mr. Yeung Kit (retired on 28 June 2013)

DIRECTORS' REPORT

Independent Non-executive Directors

Mr. Cai Wei Lun

Mr. Zhang Qingkai

Mr. Niu Zhihui (resigned on 3 December 2013)

Ms. Xuan Hong (appointed on 3 December 2013)

In accordance with Article 112 of the articles of association of the Company (the "Articles"), Ms. Xuan Hong shall hold office until the forthcoming annual general meeting of the Company (the "AGM") and being eligible, will offer herself for re-election as Director at the AGM.

In accordance with Article 108(A) of the Articles, Mr. Sung Kin Man and Mr. Zhang Qingkai will retire as Directors by rotation and, being eligible, offer themselves for re-election as Directors at the AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 12 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Leung Ngai Man entered into a service contract with the Group for an initial term of one year commencing from 3 September 2013 which was automatically renewable for the successive terms of one year but not more than an aggregate of three years from the date of initial commencement, unless terminated by either party giving not less than three months' notice in writing to the other party.

Mr. Sung Kin Man entered into a service contract with the Group for a period of twelve months commencing from 1 January 2014 and may be renewed thereafter on terms to be mutually agreed. Each party may terminate such contract by giving to the other party one month's notice or payment of the one month's salary in lieu.

Mr. Cai Wei Lun signed an appointment letter with the Group on 31 March 2013 for a term of two years commencing from 1 April 2014, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Mr. Zhang Qingkui signed an appointment letter with the Group on 31 January 2013 for an initial term of two years commencing from 31 January 2013, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

Ms. Xuan Hong has signed an appointment letter with the Group on 3 December 2013 for an initial term of one year commencing from 3 December 2013, which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

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

DIRECTOR'S INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of the related party transactions are set out in note 41 to the consolidated financial statements.

Save as disclosed above and the acquisition agreements as mentioned in note 38 to the consolidated financial statements (namely, the acquisition by the Group from Mr. Leung of the equity interest in Treasure Join Limited, which was completed on 11 October 2013 and subject to a deed of waiver dated 29 January 2014), no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year, nor are there any other connected transactions which are subject to reporting or announcement requirements under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 March 2014, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors were deemed or taken to have under such provisions of the SFO) or 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 (the "Model Code") for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules were as follows:-

Interests and Long Positions in the Shares and Underlying Shares

Name	Capacity	Number of Shares	Number of Underlying Shares	Total	Approximate percentage of issued share capital (Note 1)
Leung Ngai Man (Executive Director)	Beneficial Owner	244,508,300	496,827,026 (Note 2, 3 and 4)	741,335,326	87.77%
Sung Kin Man (Executive Director)	Beneficial Owner	Nil	7,000,000 (Note 5)	7,000,000	0.83%
Zhang Qingkui (Independent Non-Executive Director)	Beneficial Owner	Nil	7,700,000 (Note 6)	7,700,000	0.91%
Wu Wei Hua (PRC Finance Director)	Beneficial Owner	Nil	8,800,000 (Note 7)	8,800,000	1.04%

DIRECTORS' REPORT

Notes:

1. This percentage is calculated on the basis of 844,587,497 Shares in issue as at 31 March 2014 but does not take into account of any Shares which may fall to be allotted and issued upon the exercise of any options which remained outstanding as at 31 March 2014.
2. These Underlying Shares comprise (i) 800,000 Shares to be issued upon exercise of certain share options (as explained in Note 3 below) granted to Mr. Leung under the Company's old share option scheme (the "2002 Scheme"); (ii) 171,702,702 Shares to be issued upon exercise of conversion rights attaching to the outstanding balance of T1 CB (as defined in Note 4 below) issued by the Company on 11 October 2013; and (iii) 324,324,324 Shares to be issued upon exercise of conversion rights attaching to the T2 CB (as defined in Note 4 below) issued by the Company on 22 November 2013.
3. On 3 January 2005, share options carrying rights to subscribe for 8,000,000 Shares were granted to Mr. Leung by the Company under the 2002 Scheme. Pursuant to an ordinary resolution passed on 24 February 2012, a share consolidation was approved with effect from 27 February 2012 in which every 10 of the then existing issued and unissued ordinary shares of HK\$0.01 each in the share capital of the Company were consolidated into 1 consolidated share having a par value of HK\$0.1 per share (the "Share Consolidation"). Every 10 of the then options were consolidated into 1 consolidated option and the exercise prices were adjusted accordingly.
4. On 11 October 2013, tranche 1 convertible bonds (the "T1 CB") in the principal amount of HK\$75,000,000 at the conversion price of HK\$0.37 per Share were issued Mr. Leung pursuant to completion of the acquisition agreement in relation to the micro-finance business in the PRC. On 22 November 2013, tranche 2 convertible bonds (the "T2 CB") in the principal amount of HK\$120,000,000 at the conversion price of HK\$0.37 per Share were issued Mr. Leung pursuant to satisfaction of the T2 Payment Condition. On 24 March 2014, Mr. Leung exercised his conversion rights to the extent of HK\$11,470,000 under the T1 CB and converted such amount for 31,000,000 new Shares of the Company at the conversion price of HK\$0.37. As at 31 March 2014, the T1 CB together with the T2 CB in the aggregate amount of HK\$183,530,000 remains outstanding. Such interests constituted a long position of the Director in a physically settled equity derivatives for the purpose of the SFO.
5. Share options carrying rights to subscribe for 10,000,000 and 60,000,000 Shares were granted to Mr. Sung Kin Man on 4 May 2010 and 27 January 2012 respectively pursuant to the 2002 Scheme, which have been adjusted to 7,000,000 Shares by the Share Consolidation as stated in Note 3 above.
6. Share options carrying rights to subscribe for 7,700,000 Shares were granted to Mr. Zhang Qingkui on 26 April 2012 pursuant to a new share option scheme adopted by the Company on 20 April 2012 (the "2012 Scheme").
7. Share options carrying rights to subscribe for 3,000,000 Shares, 8,000,000 Shares and 60,000,000 Shares were granted to Ms. Wu Wei Hua on 8 May 2006, 4 May 2010 and 27 January 2012 respectively pursuant to the 2002 Scheme, which have been adjusted to 7,100,000 Shares by the Share Consolidation as stated in Note 3 above. Subsequently, share options carrying rights to subscribe for 1,700,000 Shares were granted to Ms. Wu Wei Hua on 24 September 2012 pursuant to the 2012 Scheme.

Save as disclosed above as at 31 March 2014, none of the Directors or the chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sub-section headed "Micro-Financing Business and Investment and Management Consultation Services" under the section headed "Current Operations" as well as the sections headed "Directors' Interests and Short Positions in Shares" and "Share Option Scheme" of this annual report, at no time during the Reporting Period were rights to acquire benefits by means of the acquisition of shares in and debentures of the Company granted to any Director 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.

DIRECTORS' INTEREST IN COMPETING BUSINESS

Mr. Leung has established and operated a micro-financing enterprise in Changchun city, Jilin Province. However, such enterprise is not allowed to conduct business in Jilin City (although such enterprise and the PRC Subsidiaries of the Group both are located at Jilin Province) due to the geographic restrictions imposed by the relevant permits and the related applicable laws and regulations in the PRC.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, no Director and his/her associates are considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, other than those businesses of which the Directors were nominated and appointed as directors and/or senior management to represent the interests of the Company and/or the Group.

ANNUAL CONFIRMATIONS FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on the Stock Exchange. The Company considers that all of the independent non-executive Directors are independent.

Regarding the Directors' view of the independence of Mr. Cai Wei Lun, please refer to page 23 of this annual report.

SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES AS AT 31 MARCH 2014

Save as disclosed above, as at 31 March 2014, no person, (other than Mr. Leung, a Director whose interests are set out in the section headed "Directors' interests and short positions in Shares and Underlying Shares" above), had interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' REPORT

EMOLUMENT POLICY

The Group's emolument policy, including salaries and bonuses, are in line with the local practices where the Company and its subsidiaries operate, and is reviewed and determined by the Board regularly with reference to the duties, responsibility and performance of individual employees, the legal framework and the market conditions.

The emolument of the Directors is subject to review by the Remuneration Committee of the Board. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

Details of Directors' and employees' emoluments are set out in notes 10, 11 and 12, respectively to the consolidated financial statements.

SHARE OPTION SCHEME

The old share option scheme was adopted by the Company on 25 April 2002 (the "2002 Scheme") to grant share options to eligible participants for the purpose of providing incentives and rewards to those who contribute to the success of the Group's operations. As the 2002 Scheme would expire on 15 May 2012, it was terminated and a new share option scheme was adopted by the Company on 20 April 2012 (the "2012 Scheme"). The terms of the 2012 Scheme largely follow those of the 2002 Scheme, and the 2012 Scheme will expire on 20 April 2022. Details of the two share option schemes are set out in note 33 to the consolidated financial statements.

As at 31 March 2014, the Company had 97,620,000 share options outstanding under the two share option schemes, which represented approximately 11.56% of the Shares in issue as at 31 March 2014. An aggregate of 37,800,000 share options has been exercised to subscribe for a total of 37,800,000 new Shares in the capital of the Company pursuant to the 2012 Scheme during the Reporting Period.

CONTRACT OF SIGNIFICANCE

Saved as disclosed in this annual report, during the Reporting Period, the Group did not enter into any contract of significance with the controlling Shareholder or any of its subsidiaries, nor was there any contract of significance for the provision of services to the Group by the controlling Shareholder or any of its subsidiaries.

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

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

MATERIAL ACQUISITIONS OR DISPOSALS

Saved as disclosed in this annual report, there were no material acquisitions or disposals of subsidiaries or associates during the Reporting Period.

TAXATION RELIEF

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float during the Reporting Period. Based on the information that is publicly available to the Company and within the knowledge of the Directors, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

AUDIT COMMITTEE'S REVIEW

The annual results of the Group for the Reporting Period have been reviewed by the Audit Committee.

AUDITORS

The accounts for the year ended 31 March 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the AGM. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the AGM. The accounts for the year ended 31 March 2012 were audited by HLB Hodgson Impey Cheng and the accounts for the year ended 31 March 2013 were audited by HLB Hodgson Impey Cheng Limited. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganized as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board
Leung Ngai Man
Chairman

Hong Kong, 30 June 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE & PRACTICES

The Board is committed to maintaining high standard of corporate governance within the Group at all times and believes that good corporate governance helps the Group to safeguard the interests of the Shareholders and improve its performance.

In essence, the Board supports the principles-based approach of the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules and periodically reviews the corporate governance practices of the Group to meet rising expectations of the Shareholders and comply with the increasingly stringent regulatory requirements. The Board is of the opinion that the Group has applied and adopted the principles and strives to implement the best practices embodies in the Code where feasible and as far as practicable. Throughout the Reporting Period, the Group complied with the code provisions of the Code, except for the deviations set out below.

Code Provision A.5.1

Pursuant to Code Provision A.5.1, the Company should establish a nomination committee which should be chaired by the chairman of the Board or an independent non-executive Director. However, the Company has not established a nomination committee but it has formulated a policy statement (the “Policy Statement”) regarding nomination of Directors and senior officers. The Company considers that the Policy Statement is sets out the Board’s policy on nomination of Directors and senior officers of the Company, which will be followed generally. The Policy Statement is available at the website of the Company.

Code Provision A.6.7

Pursuant to Code Provision A.6.7, the three independent non-executive Directors of the Company should attend general meetings. However, three independent non-executive Directors were absent from (i) some of the extraordinary general meetings of the Company held on 28 June 2013, 30 September 2013, 11 October 2013 (only Mr. Cai attended) and 11 December 2013 due to other business commitments; and (ii) the annual general meeting of the Company held on 28 June 2013 due to other business commitments. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors can attend the general meetings.

Code Provision E.1.2

Pursuant to Code Provision E.1.2, the chairman of the Board should attend the annual general meeting. However, the chairman of the Board was absent from the annual general meeting held on 28 June 2013 due to other business commitments. A Director was present at the annual general meeting to chair the meeting. To ensure compliance with the Code in the future, the Company has arranged and will continue to arrange to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way that all Directors (including the chairman of the Board) can attend the annual general meeting.

Independence of Mr. Cai Wei Lun (“Mr. Cai”)

Mr. Cai has been an independent non-executive Director (“INED”) of the Company since June 2004. He served on the Board for approximately 10 years, and was re-elected at the last annual general meeting. During his service with the Company, Mr. Cai has not received any remuneration, nor exercised any option to subscribe for shares granted by the Company to him.

As disclosed in the Company’s interim report dated 10 December 2013, the Company noted that the extent of the share options (the “Options”) granted to Mr. Cai (on the assumption that all the Options had been exercised at the material time) rendered Mr. Cai to become entitled to subscribe for more than 1% of the total number of issued shares of the Company (exceeding by 0.04% of the 1% guideline for purpose of Note 2 to Rule 3.13(1) of the Listing Rules). With a view to rectifying the situation, all the Options were cancelled on 23 May 2013, thus decreasing Mr. Cai’s interest to subscribe for share capital of the Company to nil.

Having taken into consideration of the above and the guidelines as set out in Rule 3.13 of the Listing Rules, the Directors are of the view that Mr. Cai is able to continue to fulfill his role as INED, and his independence was not and will not be undermined during the Reporting Period and in the future.

Appointment of Corporate Management Advisor

In order to further strengthen the Group’s corporate governance structure and assist the Group in maintaining of a high corporate governance practices and procedures to safeguard the interests of the Shareholders and enhance the performance of the Group, the Board has appointed Mr. Zhang Huaqiao (“Mr. Zhang”) as corporate management advisor to the Company for providing advice to the Company and the Board from time to time on the overall corporate governance of the Group for a term of one year commencing from 10 December 2013 (subject to renewal on a yearly basis).

Mr. Zhang, aged 51, is currently the chairman and non-executive director of China Smartpay Group Holdings Limited (Stock Code: 8325). He has also been the chairman, non-executive director and/or independent non-executive director of various companies listed on the Main Board and GEM Board of the Hong Kong Stock Exchange. Mr. Zhang has 15 years of experience in working in the investment banking industry since 1994. He served as managing director and the co-head of China research team from June 1999 to April 2006 and the deputy head of China investment banking division of UBS AG, Hong Kong Branch from September 2008 to June 2011.

Mr. Zhang obtained a master’s degree in economics from the Financial Research Institute of the People’s Bank of China in 1986 and a master’s degree of economics of development from the Australian National University in 1991.

Corporate Governance Functions

The Board is responsible for performing the functions set out in Code Provision D.3.1 of the Code.

Up to the date of this annual report, the Board met once during the Reporting Period to review the Group’s corporate governance policies and practices, training and continuous professional development of directors and senior management of the Group and the Group’s policies and practices in compliance with legal and regulatory requirements such as the Model Code and the disclosure obligations under the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the Company's code of conduct for dealing in securities of the Company by the Directors. In response to the Company's specific enquiry made, all Directors of the Reporting Period have confirmed that they have complied with the required standard set out in the Model Code throughout the Reporting Period.

BOARD OF DIRECTORS

The composition of the Board during the Reporting Period and up to the date of this annual report is as follows:

Executive Directors

Mr. Leung Ngai Man (*Chairman*)

Mr. Sung Kin Man (*Chief Executive Officer*)

Mr. Ng Kwok Chu, Winfield (resigned on 26 May 2014)

Mr. Yeung Kit (retired on 28 June 2013)

Independent Non-Executive Directors

Mr. Cai Wei Lun

Mr. Zhang Qingkui

Ms. Xuan Hong (appointed on 3 December 2013)

Mr. Niu Zhihui (resigned on 3 December 2013)

The biographical details of the current Directors are set out on page 12 of this annual report. The Board possesses a balance of skills and experience which is appropriate for the requirements of the business of the Group. The opinions raised by the independent non-executive Directors in the Board meetings facilitate the maintenance of good corporate governance practices. A balanced composition of executive Directors and independent non-executive Directors also provides a strong independent element on the Board, which allows for independent and objective decision making in the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of the Group's business.

The Company has received from each independent non-executive Director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all the independent non-executive Directors to be independent during the Reporting Period and up to the date of this annual report.

As at the date of this annual report, there is no financial relationship between any of the Directors and the members of the senior management, nor is there any business, family or other material or relevant relationships among the members of the Board (other than that some are common directors of China Netcom).

BOARD MEETINGS

The Board conducts regularly scheduled meetings on a quarterly basis to discuss and formulate the overall strategies of the Group, to approve annual and interim results, as well as to review the business operation and the internal control system of the Group. Ad-hoc meetings are convened when circumstances require, such as material contracts and transactions as well as other significant policy and financial matters. The Board has delegated the power to oversee the daily operational matters of the Group to senior management under the supervision of the Board.

During the Reporting Period, 29 Board meetings were held and the individual attendance of Directors is set out below:–

	Attendance
Executive Directors	
Mr. Leung Ngai Man (<i>Chairman</i>)	26/29
Mr. Sung Kin Man (<i>Chief Executive Officer</i>)	26/29
Mr. Ng Kwok Chu, Winfield (resigned on 26 May 2014)	29/29
Mr. Yeung Kit (retired on 28 June 2013)	2/6
Independent Non-Executive Directors	
Mr. Cai Wei Lun	25/29
Mr. Zhang Qingkui	20/29
Ms. Xuan Hong (appointed on 3 December 2013)	10/22
Mr. Niu Zhihui (resigned on 3 December 2013)	4/7

The Directors attended the Board meetings in person, via telephone conference or through electronic means as permitted under the Articles.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

During the Reporting Period, the Directors were provided with updates on the Company's performance, position and prospects as well as the latest development and changes of the Listing Rules, applicable laws, rules and regulations relating to Directors' duties and responsibilities, so as to enable the Board as a whole and each Director to discharge their duties. In addition, the Directors are committed to participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution into the Board remains informed and relevant.

CORPORATE GOVERNANCE REPORT

Pursuant to the records maintained by the Company, the Directors received the following training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the requirement of the Code on continuous professional development during the Reporting Period:-

	Types of Training (Note 1)			
	A	B	C	D
Executive Directors				
Mr. Leung Ngai Man	✓		✓	✓
Mr. Sung Kin Man	✓			✓
Mr. Ng Kwok Chu, Winfield (resigned on 26 May 2014)			✓	✓
Mr. Yeung Kit (retired on 28 June 2013)	✓			✓
Independent Non-Executive Directors				
Mr. Cai Wei Lun	✓			✓
Mr. Zhang Qingkui	✓			✓
Ms. Xuan Hong (appointed on 3 December 2013)	✓			✓
Mr. Niu Zhihui (appointed on 3 December 2013)	✓			✓

Note 1:

“A” refers to attending internal updated briefings

“B” refers to attending talks, conferences and/or forums

“C” refers to attending seminars or courses organized by professional bodies

“D” refers to reading materials, books, articles and/or journals relating to economy, company business, accounting, finance, investment, legal and regulatory, corporate governance and management or director’s duties and responsibilities etc.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of the chairman (the “Chairman”) and the chief executive officer (the “CEO”) of the Company are held by separate individuals with a view to maintain an effective segregation of duties with respect to the management of the Board and the day-to-day management of the Group’s business.

Currently, Mr. Leung Ngai Man is the Chairman and Mr. Sung Kin Man assumes the role of CEO. The Chairman is responsible for leadership of the Board to ensure it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The CEO, with support of the executive Directors, is responsible for strategic planning of different business functions and day-to-day management and operation of the Group.

NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed by the Company for a specific term which would then be renewed thereafter on terms to be mutually agreed, unless terminated by either party giving not less than one month's notice in writing to the other party.

The Articles of the Company provide that at each annual general meeting, one-third of the directors for the time being, or if their number is not a multiple of three then the nearest number to but not less than one-third of the directors, shall retire from office. A retiring director shall be eligible for re-election.

NOMINATION OF DIRECTORS

The Board has not set up a nomination committee. The Board is empowered under the Articles to appoint any person as a Director either to fill a casual vacancy or as an additional member of the Board. New Directors appointed by the Board must retire and be re-elected at the first general meeting after his appointment under the requirements of the Articles.

The selection criteria of new Directors are mainly based on the professional qualification and experience of the candidate for directorship. Nomination procedure has been in place, pursuant to which (i) an interview/meeting will be conducted with the candidates for Directors; and (ii) Board meeting may be held to consider and if thought fit, to approve the appointment of the new Directors. The Chairman of the Board is responsible for nominating any suitable person to join the Board if considered necessary, such nomination will have to be approved by the Board.

On 26 March 2012, a policy statement ("Policy Statement") of the Board regarding nomination of Directors and senior officers, was adopted by the Board. Under the Policy Statement, the functions reserved by the Board on nomination matters included, among others, (a) to review and assess the performance of the Directors and the independence of independent non-executive Directors in relation to their appointment or reappointment as Directors; and (b) to review at least annually the structure, size and composition (including the skills, knowledge and experience) of the Board and to consider and (if necessary) make changes to complement the Company's corporate strategy.

With effect from September 2013, the Company has adopted a board diversity policy in accordance with the requirement set out in the code provisions of the Code. The board diversity policy is available on the Company's website.

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, knowledge, expertise, culture, independence, age and gender. All future appointment of any Board member will be based on merit while taking into account diversity.

During the Reporting Period, the Board had selected and appointed a new independent non-executive Director in accordance with the Policy Statement and board diversity policy.

REMUNERATION COMMITTEE

The Remuneration Committee was established with its terms of reference prepared in accordance with the provisions set out in the Code. The roles and functions of the Remuneration Committee is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their individual contribution to the Group's overall performance, having regard to the interests of shareholders of the Company. The principal duties of the Remuneration Committee include approving the terms of service contraction of the executive directors, determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates should be involved in any decision as to his own remuneration.

During the Reporting Period, the Remuneration Committee convened four (4) meetings regarding determination of grant of share options and bonus rewards as well as review of the remuneration packages of the Board members and senior management of the Company. The individual attendance of its members is set out below:–

	Attendance
Independent Non-Executive Directors	
Mr. Niu Zhihui (<i>Chairman</i> , resigned on 3 December 2013)	3/4
Ms. Xuan Hong (<i>Chairlady</i> , appointed on 3 December 2013)	0/0
Mr. Cai Wei Lun (<i>Member</i>)	4/4
Mr. Zhang Qingkui (<i>Member</i>)	4/4
Executive Directors	
Mr. Leung Ngai Man (<i>Member</i>)	3/4
Mr. Sung Kin Man (<i>Member</i>)	3/4

AUDIT COMMITTEE

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. In regard to the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Financial Controller of the Group.

During the Audit Committee meetings, members of the Audit Committee reviewed the Group's annual results for the last financial year and interim results for the six months period ended 30 September 2013, and reviewed the internal control system of the Group. Both aforesaid meetings were held with representatives of the Company's auditors being in attendance.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, three (3) Audit Committee meetings were held and the individual attendance of its members is set out below:–

Attendance

Independent Non-Executive Directors

Mr. Niu Zhihui (<i>Chairman</i> , resigned on 3 December 2013)	2/3
Ms. Xuan Hong (<i>Chairlady</i> , appointed on 3 December 2013)	1/1
Mr. Cai Wei Lun (<i>Member</i>)	3/3
Mr. Zhang Qingkui (<i>Member</i>)	2/3

The accounts for the year ended 31 March 2014 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be re-appointed as the auditors of the Company at the forthcoming annual general meeting.

AUDITORS' REMUNERATION

During the Reporting Period, fees paid/payable to the Company's external auditors for audit services and non-audit services are set out as follows:

Services rendered	Fees paid/payable (HK\$'000)
Audit services	1,808
Acting as reporting accountants to report on financial information included in investment circular	850
Non-audit services relating to review on financial disclosures of interim financial report	268

ACCOUNTABILITY

The Directors acknowledge their responsibility for preparing the accounts for the Reporting Period which are prepared in accordance with statutory requirements and applicable accounting standards. The Company's auditors acknowledge their reporting responsibilities in the independent auditors' report on the consolidated financial statements for the Reporting Period.

There were no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern for the Reporting Period.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL

The Board acknowledges its responsibility for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Group has in place an effective internal control system which encompasses sound control environment, appropriate segregation of duties, well-defined policies and procedures, close monitoring and is reviewed and enhanced by the management at regular intervals.

The Group is committed to maintaining and upholding good corporate governance practices and internal control system. The Group has engaged external consultant, CT Partners Consultants Limited, to conduct an annual review on the internal control system of the Group (including but not limited to evaluating the control environment, and performing risk assessment against the micro-financing business and investment and management consultation services in the PRC under 2013 COSO Framework, and making recommendations for improvement and strengthening of the operation). In respect of the Reporting Period, the Board considered the internal control system effective and adequate. No significant areas of concern which might affect shareholders were identified.

COMPANY SECRETARY

The company secretary of the Company assists the Board by ensuring good information flow within the Board and the Board policy and procedures are followed. The company secretary is also responsible for advising the Board on governance matters. Mr. Cheng Chung Yung as the company secretary of the Company, has undertaken not less than 15 hours of relevant professional training to update his skills and knowledge during the Reporting Period.

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to Convene an extraordinary general meeting

Pursuant to the Articles of the Company, one or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition.

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

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Company Secretary whose main address is Unit A03, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

Procedures for Putting forward Proposals at a General Meeting

Pursuant to the Articles of the Company, to put forward proposals at a general meeting of the Company, a Shareholder should lodge a written notice of his/her proposal ("Proposal") with his/her detailed contact information at the Company's principal place of business in Hong Kong at Unit A03, 11/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

The Proposal must state the resolution, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution, signed by all the Shareholders concerned. The Proposal may consist of several documents in like form (which between them contain the signatures of all the Shareholders concerned).

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

- (a) At least 14 days' notice in writing if the Proposal is subject to approval by way of an ordinary resolution of the Company; or
- (b) At least 21 days' notice in writing if the Proposal is subject to approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

INDEPENDENT AUDITORS' REPORT



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

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

TO THE SHAREHOLDERS OF
SINO PROSPER (GROUP) HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sino Prosper (Group) Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 34 to 135, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other 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.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 loss 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.

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Hui Chun Keung, David

Practising Certificate Number: P05447

Hong Kong, 30 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Revenue	5	53,830	54,483
Cost of sales		(32,493)	(51,718)
Gross profit		21,337	2,765
Other income and gains	7	15,274	10,357
Gain on waiver of contingent consideration for acquisition of subsidiaries	38	191,220	–
General and administrative expenses		(77,335)	(91,750)
Impairment loss of exploration and evaluation assets	19	(164,010)	–
Loss on early redemption of promissory notes	29	(60,827)	–
Finance costs	8	(8,884)	–
Loss before tax		(83,225)	(78,628)
Income tax (expense)/credit	9	(816)	1,038
Loss for the year	10	(84,041)	(77,590)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		21,746	9,015
Other comprehensive income for the year, net of income tax		21,746	9,015
Total comprehensive expense for the year		(62,295)	(68,575)
Loss attributable to:			
Owners of the Company		(66,314)	(70,687)
Non-controlling interests		(17,727)	(6,903)
		(84,041)	(77,590)
Total comprehensive expense attributable to:			
Owners of the Company		(46,854)	(62,515)
Non-controlling interests		(15,441)	(6,060)
		(62,295)	(68,575)
Loss per share	14		
Basic and diluted (HK cents per share)		(8.32)	(9.11)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	16	102,719	104,116
Other intangible assets	18	140,364	141,419
Exploration and evaluation assets	19	1,009,530	1,151,082
Goodwill	20	675,767	94,177
		1,928,380	1,490,794
Current assets			
Inventories	22	4,602	9,244
Loans receivables	23	134,347	15,632
Trade and other receivables	24	17,931	358,641
Bank balances and cash	25	93,193	186,499
		250,073	570,016
Current liabilities			
Other payables and accruals	26	19,603	26,837
Amount due to a non-controlling interest of a subsidiary	27	9,372	9,205
Tax payable		2,138	979
		31,113	37,021
Net current assets		218,960	532,995
Total assets less current liabilities		2,147,340	2,023,789
Non-current liabilities			
Convertible bonds	28	82,889	–
Promissory notes	29	17,429	–
Provision for restoration costs	30	400	393
Deferred tax liabilities	31	52,878	35,194
		153,596	35,587
Net assets		1,993,744	1,988,202
Capital and reserves			
Share capital	32	8,446	77,579
Reserves		1,877,795	1,787,679
Equity attributable to owners of the Company		1,886,241	1,865,258
Non-controlling interests		107,503	122,944
Total equity		1,993,744	1,988,202

The consolidated financial statements were approved and authorized for issue by the board of directors on 30 June 2014 and are signed on its behalf by:

Leung Ngai Man
Director

Sung Kin Man
Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Investments in subsidiaries	17	803,744	656,554
Current assets			
Amounts due from subsidiaries	17	1,024,376	873,460
Bank balances		151	29,611
		1,024,527	903,071
Current liabilities			
Other payables and accruals	26	2,792	2,032
Amounts due to subsidiaries	17	347,208	158,823
		350,000	160,855
Net current assets		674,527	742,216
Total assets less current liabilities		1,478,271	1,398,770
Non-current liabilities			
Convertible bonds	28	82,889	–
Deferred tax liabilities	31	16,563	–
		99,452	–
Net assets		1,378,819	1,398,770
Capital and reserves			
Share capital	32	8,446	77,579
Reserves	34	1,370,373	1,321,191
Total equity		1,378,819	1,398,770

Leung Ngai Man
Director

Sung Kin Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company										Attributable to non- controlling interests	Total
	Share capital	Share premium	Warrant reserve	Share options reserve	Shareholder's contribution	Foreign currency translation reserve	Capital redemption reserve	Other reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2012	77,579	1,619,430	-	69,950	12,640	105,164	1,020	249,089	(220,590)	1,914,282	129,004	2,043,286
Loss for the year	-	-	-	-	-	-	-	-	(70,687)	(70,687)	(6,903)	(77,590)
Other comprehensive income for the year	-	-	-	-	-	8,172	-	-	-	8,172	843	9,015
Total comprehensive income/(expense) for the year	-	-	-	-	-	8,172	-	-	(70,687)	(62,515)	(6,060)	(68,575)
Recognition of equity-settled share-based payments	-	-	-	12,071	-	-	-	-	-	12,071	-	12,071
Issue of unlisted warrants (<i>Note 35</i>)	-	-	1,520	-	-	-	-	-	-	1,520	-	1,520
Transaction costs attributable to issue of unlisted warrants	-	-	(100)	-	-	-	-	-	-	(100)	-	(100)
Balance at 31 March 2013	77,579	1,619,430	1,420	82,021	12,640	113,336	1,020	249,089	(291,277)	1,865,258	122,944	1,988,202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company											Attributable to non-controlling interests	Total
	Share capital	Share premium	Warrant reserve	Convertible bonds equity reserve	Share options reserve	Shareholder's contribution	Foreign currency translation reserve	Capital redemption reserve	Other reserve	Accumulated losses	Subtotal		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2013	77,579	1,619,430	1,420	-	82,021	12,640	113,336	1,020	249,089	(291,277)	1,865,258	122,944	1,988,202
Loss for the year	-	-	-	-	-	-	-	-	-	(66,314)	(66,314)	(17,727)	(84,041)
Other comprehensive income for the year	-	-	-	-	-	-	19,460	-	-	-	19,460	2,286	21,746
Total comprehensive income/ (expense) for the year	-	-	-	-	-	-	19,460	-	-	(66,314)	(46,854)	(15,441)	(62,295)
Recognition of equity-settled share-based payments	-	-	-	-	9,142	-	-	-	-	-	9,142	-	9,142
Issue of ordinary shares under share option scheme	3,780	9,458	-	-	(5,734)	-	-	-	-	-	7,504	-	7,504
Release of reserve upon share options lapsed/canceled	-	-	-	-	(8,415)	-	-	-	-	8,415	-	-	-
Recognition of the equity component of convertible bonds (Note 28)	-	-	-	63,350	-	-	-	-	-	-	63,350	-	63,350
Deferred tax relating to convertible bonds	-	-	-	(17,245)	-	-	-	-	-	-	(17,245)	-	(17,245)
Conversion of convertible bonds	3,100	6,041	-	(4,055)	-	-	-	-	-	-	5,086	-	5,086
Capital reduction (Note 32 (iii))	(76,013)	-	-	-	-	-	-	-	-	76,013	-	-	-
Balance at 31 March 2014	8,446	1,634,929	1,420	42,050	77,014	12,640	132,796	1,020	249,089	(273,163)	1,886,241	107,503	1,993,744

Notes:

- (i) Other reserve represents the difference between the consideration paid for the additional interests in a subsidiary and the non-controlling interests' share of the assets and liabilities reflected in the consolidated statement of financial position at the date of acquisition of the non-controlling interests.
- (ii) Capital redemption reserve represents the nominal value of the share capital of the Company repurchased and canceled.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Cash flows from operating activities			
Loss for the year		(84,041)	(77,590)
Adjustments for:			
Income tax expense/(credit) recognized in profit or loss		816	(1,038)
Finance costs recognized in profit or loss		8,884	–
Gain on waiver of contingent consideration for acquisition of subsidiaries		(191,220)	–
Interest income on bank deposits		(3,515)	(8,425)
Loss on early redemption of promissory notes		60,827	–
Loss on disposal of property, plant and equipment		94	7
Depreciation of property, plant and equipment		6,543	6,518
Amortization of other intangible assets		4,259	7,065
Impairment loss of exploration and evaluation assets		164,010	–
Impairment loss of inventories		–	250
Expense recognized in respect of equity-settled share-based payments		9,142	12,071
		(24,201)	(61,142)
Movements in working capital			
Decrease in inventories		4,642	6,560
Increase in loans receivables		(59,183)	(15,632)
Decrease in trade and other receivables		195,011	136
(Decrease)/increase in other payables and accruals		(7,588)	2,418
Increase in amount due to a non-controlling interest of a subsidiary		167	3
Cash generated from/(used in) operations		108,848	(67,657)
PRC Enterprise Income Tax paid		(951)	–
Net cash generated by/(used in) operating activities		107,897	(67,657)
Cash flows from investing activities			
Interest received on bank deposits		3,667	10,891
Payments for property, plant and equipment		(3,887)	(30,974)
Proceeds from disposal of property, plant and equipment		739	460
Deposit paid for acquisition of subsidiaries	38	–	(200,000)
Refund of deposit paid for acquisition of subsidiaries		147,240	–
Payments for exploration and evaluation assets		(1,493)	(4,226)
Net cash outflow on acquisition of subsidiaries	38	(182,337)	–
Net cash used in investing activities		(36,071)	(223,849)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Cash flows from financing activities			
Proceeds from issue of ordinary shares under share option scheme	32(iv)	7,504	–
Proceed from issue of unlisted warrants	35	–	1,520
Payment for transaction costs attributable to issue of unlisted warrants		–	(100)
Repayment of promissory notes	29	(170,000)	–
Net cash (used in)/generated by financing activities		(162,496)	1,420
Net decrease in cash and cash equivalents		(90,670)	(290,086)
Cash and cash equivalents at the beginning of year		186,499	477,218
Effect of foreign exchange rate changes, net		(2,636)	(633)
Cash and cash equivalents at the end of year		93,193	186,499
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		93,193	186,499

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. General

Sino Prosper (Group) Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section of the annual report.

Pursuant to the special resolution passed by the shareholders at the extraordinary general meeting of the Company held on 11 December 2013, the name of the Company has been changed from “Sino Prosper State Gold Resources Holdings Limited 中盈國金資源控股有限公司” to “Sino Prosper (Group) Holdings Limited 中盈(集團)控股有限公司”. The certificate of incorporation on change of name of the Company was issued by the Registrar of Companies in the Cayman Islands on 12 December 2013 and the certificate of registration of change of corporate name of non-Hong Kong company was issued by the Registrar of Companies in Hong Kong on 10 January 2014.

During the year ended 31 March 2014, the Company and its subsidiaries (together referred to as the “Group”) were involved in the following principal activities:

- investment holding, investment in energy and natural resources (including precious metals) related projects in China

- provision of loan financing and investment and management consultation services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards (“HKAS(s)”), HKFRS(s), amendments and interpretations (“HK(IFRIC) – Int”) (hereinafter collectively referred to as the “new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”):

Amendments to HKFRS 1	<i>Government Loans</i>
Amendments to HKFRS 7	<i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	<i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
Amendments to HKAS 1	<i>Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (as revised in 2011)	<i>Employee Benefits</i>
HKAS 27 (as revised in 2011)	<i>Separate Financial Statements</i>
HKAS 28 (as revised in 2011)	<i>Investments in Associates and Joint Ventures</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2009 – 2011 Cycle</i>
HK(IFRIC) – Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (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 fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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 realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of 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 from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognized in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

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

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the “statement of comprehensive income” is renamed as the “statement of profit or loss and other comprehensive income” and the “income statement” is renamed as the “statement of profit or loss”. 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. However, 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HK (IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine*

HK (IFRIC) – Int 20 *Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of a mine (production stripping costs). Under the interpretation, the costs from this waste removal activity (stripping) which provide improved access to ore is recognized as a non-current asset (stripping activity asset) when certain criteria are met, whereas the costs of normal on-going operational stripping activities are accounted for in accordance with HKAS 2 *Inventories*. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset and classified as tangible or intangible according to the nature of the existing asset of which it forms part.

HK (IFRIC) – Int 20 is effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are provided to entities that apply HK (IFRIC) – Int 20 for the first time. However, HK (IFRIC) – Int 20 must be applied to production stripping costs incurred on or after the beginning of the earliest period presented. The adoption of HK (IFRIC) – Int 20 has had no material impact on the Group’s consolidated financial statements for the current and prior year.

The directors of the Company consider that other than the additional disclosures, the application of the new and revised HKFRSs has had no material effect on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	<i>Financial Instruments</i> ³
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁶
Amendments to HKFRS 9 and HKFRS 7	<i>Mandatory Effective Date of HKFRS 9 and Transition Disclosures</i> ³
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	<i>Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39</i> ⁵
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	<i>Investment Entities</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ⁶
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i> ⁶
Amendments to HKAS 19	<i>Defined Benefit Plans: Employee Contributions</i> ²
Amendments to HKAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i> ¹
Amendments to HKAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i> ¹
Amendments to HKAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i> ¹
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2010 – 2012 Cycle</i> ⁴
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2011 – 2013 Cycle</i> ²
HK(IFRIC) – Int 21	<i>Levies</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

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

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

⁵ No mandatory effective date yet determined but is available for adoption.

⁶ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognized financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized 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 amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- 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 hedge accounting 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 application 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, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

The directors of the Company do not anticipate that the investment entities amendments will have any effect on the Group’s consolidated financial statements as the Company is not an investment entity.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group’s consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

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 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 cash-generating unit. 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 cash-generating unit was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group’s consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group’s consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK (IFRIC) – Int 21 Levies

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognize a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK (IFRIC) – Int 21 will have no effect on the Group’s consolidated financial statements as the Group does not have any levy arrangements.

2. Application of New and Revised Hong Kong Financial Reporting Standards (“HKFRSs”) (continued)

New and revised HKFRSs in issue but not yet effective (continued)

Annual Improvements to HKFRSs 2010 – 2012 Cycle and HKFRSs 2011 – 2013 Cycle

The *Annual Improvements to HKFRSs 2010 – 2012 Cycle* and the *Annual Improvements to HKFRSs 2011 – 2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. The directors of the Company have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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

3. Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. These consolidated financial statements comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit”, which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosures provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Basis of preparation (continued)

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 realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized 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 than quoted prices included within 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.

The principal accounting policies are set out below.

Basis of consolidation

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

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

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 statement of profit or loss and other comprehensive income 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 into line with the Group's accounting policies.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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 recognized in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. Significant Accounting Policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized 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 recognized 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, when applicable, on the basis specified in another HKFRS.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Business combinations (continued)

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

Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized 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.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognized when services are rendered.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Leasing (continued)

The Group as lessee (continued)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant Accounting Policies (continued)

Foreign currencies

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

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Foreign currencies (continued)

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements 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.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through 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 recognized in other comprehensive income.

Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Share-based payment arrangements

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

3. Significant Accounting Policies (continued)

Share-based payment arrangements (continued)

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement (continued)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to accumulated losses.

Share options granted to consultants in an equity-settled share-based payment transactions

Share options issued in exchange for goods or services are measured at fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of goods or services received are recognized as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share options reserve).

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax (continued)

Deferred tax liabilities are recognized 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 and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Property, plant and equipment (continued)

Depreciation is recognized so as to write-off the cost of assets (other than construction in progress and mining structures) less their residual values over their useful lives, using the straight-line method, as follows:

Leasehold land	:	Over the term of the lease
Buildings	:	Over the shorter of the term of lease or 50 years
Buildings at the mining site	:	5 to 7 years
Leasehold improvements	:	5 years
Plant and machinery	:	2 – 7 years
Motor vehicles	:	3 – 8 years
Furniture, fixtures and equipment	:	3 – 5 years

Mining structures are included in property, plant and equipment and are depreciated on the unit of production method utilizing only recoverable reserves as the depletion base and a proportion of resources available to be mined by the production equipment to the extent that such resources are considered to be economically recoverable.

Construction in progress represents buildings, mining structures, and plant and equipment in the course of construction for its own use purposes. Construction in progress is stated at cost less any identified impairment loss. Cost comprises construction expenditure and other direct costs attributable to such projects. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

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

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

Derecognition of intangible assets

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

Mining rights

Mining rights are initially measured at cost. The carrying amount of exploration and evaluation assets is reclassified to mining rights when the technical feasibility and commercial viability of extracting mineral resources are demonstrable. Mining rights with finite useful lives are carried at costs less accumulated amortization and any identified impairment losses. The mining rights with finite useful lives are amortized on a unit of production basis over the estimated economic reserve of the mine.

Exploration and evaluation assets

Exploration and evaluation assets are recognized at cost on initial recognition. Subsequent to initial recognition, exploration and evaluation assets are stated at cost less any accumulated impairment losses. Exploration and evaluation assets include the cost of exploration rights and the expenditures incurred in the search for mineral resources as well as the determination of the technical feasibility and commercial viability of extracting those resources. When the technical feasibility and commercial viability of extracting mineral resources become demonstrable, previously recognized exploration and evaluation assets are reclassified as either intangible assets or property, plant and equipment. These assets are assessed for impairment before reclassification, and any impairment loss is recognized in profit or loss.

3. Significant Accounting Policies (continued)

Impairment of exploration and evaluation assets

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with HKAS 36 *Impairment of Assets* whenever one of the following events or changes in circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment of tangible and intangible assets other than goodwill and exploration and evaluation assets

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

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

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

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, which comprises all costs of purchase and, where applicable, cost of conversion and other direct costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

Provisions

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

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

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

3. Significant Accounting Policies (continued)

Provision for restoration cost

The Group is required to incur costs for restoration of the land after the underground sites have been mined. Provision for restoration cost is recognized when the Group has a present obligation as a result of past event, and it is probable that the Group will be required to settle that obligation. Provision is measured by reference to relevant rules and regulations applicable in the People's Republic of China ("PRC") at the end of the reporting period, and is discounted to their present value where the effect is material.

Restoration cost is provided in the period in which the obligation is identified and is capitalized to the cost of mining structures. The cost is charged to profit or loss through depreciation of the assets, which are depreciated using the unit of production method based on actual production volume over the estimate economic reserve of the mine.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statement of profit or loss and other comprehensive income.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

- a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) those that the entity designates as available for sale; and
- c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment (see the accounting policy in respect of impairment losses on financial assets below).

AFS financial assets

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

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognized in profit or loss. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including loans receivables, trade and other receivables, amounts due from subsidiaries and bank balances and cash) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

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

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

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

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

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

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

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

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (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 Group are recognized at the proceeds received, net of direct issue costs.

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

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognized in equity will be transferred to accumulated losses. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible bonds using the effective interest method.

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the consolidated statement of profit or loss and other comprehensive income.

Other financial liabilities

Other financial liabilities (including other payables and accruals, amounts due to subsidiaries and amount due to a non-controlling interest of a subsidiary) are subsequently measured at amortized cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

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

Interest expense is recognized on an effective interest basis other than financial liabilities classified as at FVTPL.

Derecognition

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

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

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

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. Significant Accounting Policies (continued)

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 controls or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (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) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Renewal of exploration and mining right permits

The Group owns certain exploration permits and a mining right permit with license period of 2 to 3 years at date of issue which will be expired in year 2015, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration and mining right permits upon the expiration at minimal costs.

If the Group is not able to obtain approval for renewal upon the expiration of its exploration and mining right permits, the carrying amounts of the exploration and evaluation assets and mining rights of approximately HK\$1,009,530,000 (2013: HK\$1,151,082,000) and HK\$139,756,000 (2013: HK\$141,419,000) respectively as at 31 March 2014 might be significantly reduced and the Group will increase amortization charges of mining rights and depreciation charges where useful lives are less than previously estimated lives, or it will write-off or write-down the carrying amounts of the exploration and evaluation assets and the mining rights, which significant impairment loss might be recognized.

Key sources of estimation uncertainty

The following are 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.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

Impairment loss of loans receivables

The Group reviews its portfolios of loans receivables to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss and other comprehensive income, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans receivables before the decrease can be identified with an individual loan receivable in those portfolios. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group.

For loans receivables for which no individual impairment are observed, management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. These estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Ore reserve and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of future operating performance, future capital requirements, short and long term commodity prices, and short and long term exchange rates. Changes in reserves and resources estimates impact the carrying value of property, plant and equipment, provision for restoration costs, as well as the amount of depreciation and amortization recognized.

Impairment review of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the carrying amount of goodwill is approximately HK\$675,767,000 (2013: HK\$94,177,000). Details of the recoverable amount calculation are disclosed in note 20.

Impairment of mining rights and exploration and evaluation assets

The carrying amounts of mining rights and exploration and evaluation assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable in accordance with the accounting policy as disclosed in note 3. The recoverable amounts of these assets, or, where appropriate, the cash-generating units to which they belong, are calculated as the higher of its fair value less costs of disposal and value in use. Estimating the value in use requires the Group to estimate the expected future cash flows from the cash-generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for restoration costs

Provision for restoration costs has been estimated by the directors by reference to the current regulatory requirements and the area affected estimated by the management. Significant changes in the regulatory requirements in relation to such costs will result in changes to the provision amount from period to period. In addition, the expected timing of cash outflows of such restoration costs are estimated based on the expected completion date of the mines and is subject to any significant changes to the production plan. As at 31 March 2014, the balance of provision for restoration costs was approximately HK\$400,000 (2013: HK\$393,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Valuation of share options granted

The fair value of share options granted to employees were calculated using the Black-Scholes Option Pricing Model and based on the Group's management's significant inputs into calculation including an estimated life of share options granted, exercise restrictions and behavioral consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

Net realizable value of inventories

Net realizable value of inventories is the estimated selling price for inventories less all estimated costs of completion and the costs necessary to make the sale. These estimates are based on the current market condition as at the end of the reporting period and the historical experience of manufacturing and selling of products of similar nature.

5. Revenue

An analysis of the Group's revenue for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Revenue from sales of gold concentrates	6,249	15,966
Revenue from sales of silver concentrates	106	248
Revenue from sales of gold	24,041	36,930
Interest income from loan financing activities	8,137	1,339
Consultancy services income	15,297	–
	<hr/>	<hr/>
	53,830	54,483

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. Segment Information

Information reported to the board of directors of the Company, being the chief operating decision maker (the “CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s reportable and operating segments under HKFRS 8 are as follows:

- (a) investment in energy and natural resources (including precious metals) related projects; and
- (b) the money lending segment represents provision of loan financing and investment and management consultation services (“Money lending”).

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment:

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Segment revenue:						
Revenue from external customers	30,396	53,144	23,434	1,339	53,830	54,483
Segment (loss)/profit	(176,598)	(20,612)	18,677	1,201	(157,921)	(19,411)
Interest on bank deposits, other income and gains					15,274	10,357
Gain on waiver of contingent consideration for acquisition of subsidiaries					191,220	-
Loss on early redemption of promissory notes					(60,827)	-
Finance costs					(8,884)	-
Central administration costs					(62,087)	(69,574)
Loss before tax					(83,225)	(78,628)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. Segment Information (continued)

Segment revenue and results (continued)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss)/profit represents the (loss)/profit incurred by each segment without allocation of central administration costs, gain on waiver of contingent consideration for acquisition of subsidiaries, loss on early redemption of promissory notes, finance costs and interest on bank deposits, other income and gains. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Segment assets	1,354,131	1,508,950	747,739	25,906	2,101,870	1,534,856
Corporate and unallocated assets					76,583	525,954
Consolidated assets					2,178,453	2,060,810
Segment liabilities	48,556	58,451	3,747	199	52,303	58,650
Corporate and unallocated liabilities					132,406	13,958
Consolidated liabilities					184,709	72,608

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

- all assets are allocated to operating segments other than other unallocated head office and corporate assets. Other intangible assets, exploration and evaluation assets and goodwill are allocated to operating segments; and
- all liabilities are allocated to operating segments other than convertible bonds, promissory notes and other unallocated head office and corporate liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. Segment Information (continued)

Other segment information

	Investment in energy and natural resources (including precious metals) related projects		Money lending		Total	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
<i>Amounts included in the measure of segment profit or loss:</i>						
Depreciation	5,697	5,373	66	–	5,763	5,373
Unallocated depreciation					780	1,145
					6,543	6,518
Amortization of other intangible assets	4,244	7,065	15	–	4,259	7,065
Impairment loss of inventories	–	250	–	–	–	250
Impairment loss of exploration and evaluation assets	164,010	–	–	–	164,010	–
Additions to non-current assets	6,852	35,953	582,826	–	589,678	35,953
Unallocated					111	104
Total additions to non-current assets					589,789	36,057

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations in Hong Kong and the PRC.

The Group's revenue from external customers and information about its non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	20,874	29,044	578	795
PRC	32,956	25,439	1,927,802	1,489,999
	53,830	54,483	1,928,380	1,490,794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. Segment Information (continued)

Information about major customers

Revenue from customers of corresponding years contributing over 10% of total revenue of the Group is as follows:

	2014 HK\$'000	2013 HK\$'000
Customer A	18,694	27,706
Customer B	6,361	16,214
Customer C	N/A ¹	9,224
	<hr/> 25,055	<hr/> 53,144

¹ The revenue did not contribute over 10% of the total revenue of the Group.

For the year ended 31 March 2014, there were two (2013: three) customers with revenue which accounted for more than 10% of the total revenue related to investment in energy and natural resources (including precious metals) related projects segment.

7. Other Income and Gains

	2014 HK\$'000	2013 HK\$'000
Interest income on bank deposits	3,515	8,425
Net foreign exchange gains	6,331	1,818
Sundry income	5,428	114
	<hr/> 15,274	<hr/> 10,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

8. Finance Costs

	2014 HK\$'000	2013 HK\$'000
Effective interest on convertible bonds	4,135	–
Effective interest on promissory notes	4,749	–
	<hr/>	
	8,884	–

No interest was capitalized during the year ended 31 March 2014 (2013: Nil).

9. Income Tax Expense/(Credit)

Income tax recognized in profit or loss

	2014 HK\$'000	2013 HK\$'000
Current tax		
Hong Kong Profits Tax	2	199
PRC Enterprise Income Tax	1,760	529
Deferred tax	(946)	(1,766)
	<hr/>	
Total income tax expense/(credit) recognized in profit or loss	816	(1,038)

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for both years.

Under the prevailing tax law in the PRC, PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Notwithstanding the above, certain PRC subsidiaries have obtained written approvals from the local government authorities, the PRC subsidiaries were subject to PRC Enterprise Income Tax at the effective rate of 2.5% on revenue for the year ended 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. Income Tax Expense/(Credit) (continued)

Income tax recognized in profit or loss (continued)

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

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(83,225)	(78,628)
Tax at the Hong Kong Profits Tax rate of 16.5% (2013: 16.5%)	(13,732)	(12,974)
Tax effect of expenses not deductible for tax purpose	47,490	9,581
Tax effect of income not taxable for tax purpose	(34,116)	(1,922)
Tax effect of deductible temporary differences not recognized	29	950
Tax effect of estimated tax losses not recognized	2,095	4,945
Utilization of tax losses previously not recognized	–	(39)
Effect of different tax rates of group entities operating in other jurisdictions	(3,510)	(2,108)
Withholding tax on profits retained by the PRC subsidiaries	800	–
PRC Enterprise Income Tax	1,760	529
Income tax expense/(credit) for the year	816	(1,038)

Income tax recognized directly in equity

	2014 HK\$'000	2013 HK\$'000
Deferred tax		
Initial recognition of the equity component of convertible bonds	18,342	–
Conversion of convertible bonds	(1,097)	–
Total income tax recognized directly in equity	17,245	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. Loss for the Year

Loss for the year has been arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Directors' and chief executive's emoluments (<i>Note 11</i>)	19,777	26,656
Employee benefits expense (excluding directors' and chief executive's emoluments):		
– Salaries and other benefits (<i>Note (i)</i>)	11,126	24,326
– Contributions to retirement benefits schemes (<i>Note (i)</i>)	681	779
– Equity-settled share-based payments	1,163	5,802
Total staff costs	32,747	57,563
Auditors' remuneration	1,580	1,180
Amortization of other intangible assets included in general and administrative expenses	4,259	7,065
Cost of inventories recognized as expense	32,493	51,718
Depreciation of property, plant and equipment (<i>Note (ii)</i>)	6,543	6,518
Loss on disposal of property, plant and equipment	94	7
Expenses in relation to share options granted to consultants	7,979	2,710
Impairment loss of inventories included in general and administrative expenses	–	250
Minimum lease payments paid under operating leases in respect of land and buildings	2,290	3,892

Notes:

- (i) Amount excluded expenses capitalized in construction in progress of approximately HK\$27,000 for the year ended 31 March 2014 (2013: HK\$1,119,000). Salaries and other benefits of approximately HK\$1,529,000 were capitalized in inventories for the year ended 31 March 2014 (2013: HK\$7,299,000).
- (ii) Amount excluded expenses capitalized in construction in progress of approximately HK\$1,583,000 for the year ended 31 March 2014 (2013: HK\$835,000). Depreciation of property, plant and equipment of approximately HK\$4,938,000 was capitalized in inventories for the year ended 31 March 2014 (2013: HK\$2,570,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. Directors' and Chief Executive's Emoluments

The emoluments paid or payable to each of the eight (2013: eight) directors and the chief executive were as follows:

For the year ended 31 March 2014

	Fees HK\$'000	Salaries and other benefits HK\$'000	Equity-settled share-based payments HK\$'000	Contributions to retirement benefits schemes HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Mr. Leung Ngai Man	-	6,960	-	15	5,000	11,975
Mr. Sung Kin Man	-	4,350	-	15	2,000	6,365
Mr. Ng Kwok Chu, Winfield (Note (iv))	-	240	-	12	600	852
Mr. Yeung Kit (Note (iii))	-	480	-	15	40	535
<i>Independent non-executive directors</i>						
Ms. Xuan Hong (Note (i))	-	-	-	-	-	-
Mr. Cai Wei Lun	-	-	-	-	-	-
Mr. Zhang Qingkui	-	-	-	-	-	-
Mr. Niu Zhihui (Note (ii))	50	-	-	-	-	50
Total emoluments	50	12,030	-	57	7,640	19,777

For the year ended 31 March 2013

	Fees HK\$'000	Salaries and other benefits HK\$'000	Equity-settled share-based payments HK\$'000	Contributions to retirement benefits schemes HK\$'000	Discretionary bonus HK\$'000	Total HK\$'000
<i>Executive directors</i>						
Mr. Leung Ngai Man	-	6,960	-	15	5,000	11,975
Mr. Sung Kin Man	-	5,000	43	15	5,000	10,058
Mr. Ng Kwok Chu, Winfield (Note (iv))	-	240	-	12	240	492
Mr. Yeung Kit (Note (iii))	-	480	-	15	40	535
<i>Independent non-executive directors</i>						
Mr. Cai Wei Lun	-	-	1,758	-	-	1,758
Mr. Zhang Qingkui	-	-	1,758	-	-	1,758
Mr. Niu Zhihui (Note (ii))	-	-	-	-	-	-
Dr. Leung Wai Cheung (Note (v))	80	-	-	-	-	80
Total emoluments	80	12,680	3,559	57	10,280	26,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. Directors' and Chief Executive's Emoluments (continued)

Notes:

- (i) Appointed on 3 December 2013.
- (ii) Appointed on 6 November 2012 and resigned on 3 December 2013.
- (iii) Retired on 28 June 2013.
- (iv) Resigned on 26 May 2014.
- (v) Resigned on 6 November 2012.

The chief executive of the Company, Mr. Sung Kin Man, is also a director of the Company for the years ended 31 March 2014 and 2013.

During the year ended 31 March 2014, Mr. Cai Wei Lun, an independent non-executive director of the Company, agreed with the Company to cancel the share options granted to him in respect of 340,000 and 7,700,000 share options under the 2002 Scheme and 2012 Scheme respectively.

Save as disclosed above, neither the chief executive nor any of the directors waived any emoluments in the year ended 31 March 2014 (2013: Nil).

12. Employees' Emoluments

Of the five individuals with the highest emoluments in the Group, two (2013: three) were directors of the Company whose emoluments are included in the disclosures in note 11 above. The emoluments of the remaining three (2013: two) individuals were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries and other benefits	2,017	3,597
Contributions to retirement benefits schemes	73	34
Equity-settled share-based payments	1,163	1,416
Discretionary bonus	300	3,000
	<hr/>	<hr/>
	3,553	8,047

Their emoluments fell within the following band:

	Number of employees	
	2014	2013
HK\$1,000,001 – HK\$1,500,000	3	–
HK\$2,500,001 – HK\$3,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	–	1

During the year ended 31 March 2014, no emoluments were paid by the Group to any of the five highest paid individuals including directors and the chief executive, as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

13. Retirement Benefits Schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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 the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

During the year ended 31 March 2014, the total amount contributed by the Group to the schemes and charged to the consolidated statement of profit or loss and other comprehensive income amounted to approximately HK\$738,000 (2013: HK\$836,000). At 31 March 2014, there were no forfeited contributions available for the Group to offset contributions payable in future years (2013: Nil).

14. Loss Per Share

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

	2014 HK\$'000	2013 HK\$'000
<u>Loss</u>		
Loss for the year attributable to owners of the Company for the purposes of basic and diluted loss per share	(66,314)	(70,687)
<hr/>		
<u>Number of shares</u>		
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	797,358	775,787
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The computation of diluted loss per share did not assume the exercise of the Company’s potential ordinary shares granted under the Company’s share option schemes, convertible bonds and outstanding warrants since their exercise would have an anti-dilutive effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. Loss Attributable to Owners of the Company

The consolidated loss attributable to owners of the Company for the year ended 31 March 2014 includes a loss of approximately HK\$32,528,000 (2013: HK\$27,612,000) which has been dealt with in the financial statements of the Company.

16. Property, Plant and Equipment

Group

	Buildings at the mining site HK\$'000	Leasehold improvements HK\$'000	Mining structures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost								
Balance at 1 April 2012	18,162	254	13,548	8,579	8,392	994	36,951	86,880
Additions	2,328	-	-	8,442	-	109	20,952	31,831
Disposals	-	(155)	-	-	(1,406)	(147)	-	(1,708)
Transferred from construction in progress	1,689	-	8,455	-	-	-	(10,144)	-
Effect of foreign currency exchange differences	146	-	140	107	40	4	312	749
Balance at 31 March 2013	22,325	99	22,143	17,128	7,026	960	48,071	117,752
Additions	-	86	-	295	14	11	5,064	5,470
Disposals	-	-	-	-	(1,682)	-	-	(1,682)
Transferred from construction in progress	1,430	-	43,545	-	-	-	(44,975)	-
Acquisitions through business combination (Note 38)	-	87	-	-	-	119	-	206
Effect of foreign currency exchange differences	407	-	338	338	113	10	935	2,141
Balance at 31 March 2014	24,162	272	66,026	17,761	5,471	1,100	9,095	123,887

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. Property, Plant and Equipment (continued)

Group (continued)

	Buildings at the mining site HK\$'000	Leasehold improvements HK\$'000	Mining structures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Furniture, fixtures and equipment HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Accumulated depreciation and impairment								
Balance at 1 April 2012	3,007	168	31	1,802	2,065	370	-	7,443
Eliminated on disposals of assets	-	(155)	-	-	(939)	(147)	-	(1,241)
Depreciation expense	3,027	20	107	2,626	1,379	194	-	7,353
Effect of foreign currency exchange differences	38	-	1	27	13	2	-	81
Balance at 31 March 2013	6,072	33	139	4,455	2,518	419	-	13,636
Eliminated on disposals of assets	-	-	-	-	(849)	-	-	(849)
Depreciation expense	3,603	57	64	3,179	1,010	213	-	8,126
Effect of foreign currency exchange differences	108	-	2	103	38	4	-	255
Balance at 31 March 2014	9,783	90	205	7,737	2,717	636	-	21,168
Carrying amounts								
Balance at 31 March 2014	14,379	182	65,821	10,024	2,754	464	9,095	102,719
Balance at 31 March 2013	16,253	66	22,004	12,673	4,508	541	48,071	104,116

Notes:

- (i) Amongst the depreciation expense of HK\$8,126,000 (2013: HK\$7,353,000), approximately HK\$1,583,000 (2013: HK\$835,000) and HK\$4,938,000 (2013: HK\$2,570,000) were capitalized in construction in progress and inventories respectively, and approximately HK\$1,605,000 (2013: HK\$3,948,000) was included in general and administrative expenses.
- (ii) Buildings at the mining site are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. Investments in Subsidiaries

Company

	2014 HK\$'000	2013 HK\$'000
Unlisted shares, at cost	78	78
Capital contributions	803,666	656,476
	803,744	656,554

The amounts due from and due to subsidiaries are unsecured, interest-free and have no fixed dates of repayment.

Particulars of the Company's principal subsidiaries at 31 March 2014 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Direct	Indirect	
Sino Prosper Group Limited	British Virgin Islands ("BVI")	10,000 ordinary shares of 1 United States Dollar ("US\$") each	100%	–	Investment holding
Favour South Limited	BVI	1 ordinary share of US\$1	–	100%	Investment holding
Treasure Join Limited	BVI	1 ordinary share of US\$1	–	100%	Investment holding
Sino Prosper (States Gold) Investment Limited	Hong Kong	HK\$10	–	100%	Investment holding
Sino Prosper Management Limited	Hong Kong	HK\$1	–	100%	Provision of administrative services
Sino Prosper Mineral Products Limited	Hong Kong	HK\$1	–	100%	Investment holding and sale of gold
Victor Bright Investment Limited	Hong Kong	HK\$1	–	100%	Investment holding
Sino Prosper State Gold HK Limited	Hong Kong	HK\$1	–	100%	Investment holding
Great Surplus Investment Limited	Hong Kong	HK\$1	–	100%	Investment holding
Sino Prosper Credit Limited	Hong Kong	HK\$1	–	100%	Loan financing activities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. Investments in Subsidiaries (continued)

Company (continued)

Name of subsidiary	Place of incorporation/ registration/ operations	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company		Principal activities
			Direct	Indirect	
黑龍江中誼偉業經貿有限公司 (transliterated as Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd.) (Note (i))	PRC	Renminbi ("RMB") 23,310,854	-	98.04%	Exploration and mining of gold
大連廣泓礦業技術諮詢有限公司 (Note (ii))	PRC	RMB9,000,000	-	100%	Investment holding
敖漢旗鑫瑞恩礦業有限責任公司 (transliterated as Aohanqi Xinrui En Industry Co., Ltd. (Note (iii))	PRC	RMB50,000,000	-	70%	Exploration, mining and sales of gold
吉林市瑞信小額貸款有限公司 (Note (iv))	PRC	RMB100,000,000	-	100%	Provision of micro-financing
吉林豐瑞投資管理諮詢有限公司 (Note (v))	PRC	US\$100,000	-	100%	Provision of investment and management consultation services
吉林普達投資管理諮詢有限公司 (Note (v))	PRC	US\$100,000	-	100%	Provision of investment and management consultation services
白城市利達投資諮詢有限公司 (Note (v))	PRC	US\$100,000	-	100%	Provision of investment and management consultation services
白城市豐瑞投資管理諮詢有限公司 (Note (vi))	PRC	RMB100,000	-	100%	Provision of investment and management consultation services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. Investments in Subsidiaries (continued)

Company (continued)

Notes:

- (i) Heilongjiang Zhongyi Weiye Economic & Trade Co., Ltd. (“Heilongjiang Zhongyi Weiye”) was a Sino-foreign equity joint venture company established in the PRC and was amended to become a Sino-foreign cooperative joint venture enterprise. The current business scope includes wholesale of steel, building materials, sunflower seeds, green beans, red beans and kidney beans and carrying out exploration work at the places in respect of which exploration permits have been obtained.
- (ii) 大連廣泓礦業技術諮詢有限公司 is a limited liability company established in the PRC. The current business scope includes mining exploration, technical advise, economic and information consultancy services.
- (iii) Aohanqi Xinrui En Industry Co., Ltd. (“Aohanqi”) is a Sino-foreign cooperative joint venture established under the PRC law. The current business scope includes gold mine exploitation, selection of gold and sale of mineral products (which are permitted by law, rules and regulations, requirements by State Affairs Office of the PRC and cannot engage in those not allowed as said).
- (iv) 吉林市瑞信小額貸款有限公司 is a wholly-foreign-owned enterprise established in the PRC. The current business scope includes provision of micro-financing services in Jilin City, the PRC.
- (v) 吉林豐瑞投資管理諮詢有限公司, 吉林普達投資管理諮詢有限公司 and 白城市利達投資諮詢有限公司 are wholly-foreign-owned enterprises established in the PRC. The current business scope of these companies include the provision of investment and management consultation services in the PRC.
- (vi) 白城市豐瑞投資管理諮詢有限公司 is a limited liability company established in the PRC. The current business scope includes the provision of investment and management consultation services in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, results in particulars of excessive length.

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation/ establishment and principal place of business	Proportion of ownership interests held by the non- controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
				HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aohanqi	PRC	30%	30%	(4,540)	(6,767)	30,907	34,804
Heilongjiang Zhongyi Weiye	PRC	1.96%	1.96%	(13,187)	(136)	76,596	88,140
						<u>107,503</u>	<u>122,944</u>

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. Investments in Subsidiaries (continued)

Aohanqi

	2014 HK\$'000	2013 HK\$'000
Current assets	3,222	10,266
Non-current assets	359,470	359,394
Current liabilities	(128,108)	(123,392)
Non-current liabilities	(35,176)	(35,587)
	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2013 HK\$'000
Revenue	11,702	25,410
Other income and gains	79	60
Expenses	(27,975)	(49,793)
Income tax credit	1,060	1,766
Loss for the year	(15,134)	(22,557)
Loss attributable to owners of the Company	(10,594)	(15,790)
Loss attributable to non-controlling interests	(4,540)	(6,767)
Loss for the year	(15,134)	(22,557)
Other comprehensive income for the year	3,860	1,431
Total comprehensive expense attributable to owners of the Company	(7,377)	(14,598)
Total comprehensive expense attributable to non-controlling interests	(3,897)	(6,528)
Total comprehensive expense for the year	(11,274)	(21,126)
Dividends paid to non-controlling interests	–	–
Net cash inflow from operating activities	937	4,567
Net cash outflow from investing activities	(3,442)	(33,541)
Net cash inflow from financing activities	–	30,718
Net (decrease)/ increase in cash and cash equivalents	(2,505)	1,744

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For the year ended 31 March 2014

17. Investments in Subsidiaries (continued)

Heilongjiang Zhongyi Weiye

	2014 HK\$'000	2013 HK\$'000
Current assets	577	1,936
Non-current assets	985,870	1,128,018
Current liabilities	(3,305)	(2,506)
Non-current liabilities	–	–
	Year ended 31 March 2014 HK\$'000	Year ended 31 March 2013 HK\$'000
Revenue	–	–
Other income and gains	97	1
Expenses	(164,941)	(1,699)
Loss for the year	(164,844)	(1,698)
Loss attributable to owners of the Company	(151,657)	(1,562)
Loss attributable to non-controlling interests	(13,187)	(136)
Loss for the year	(164,844)	(1,698)
Other comprehensive income for the year	20,537	7,546
Total comprehensive (expense)/income attributable to owners of the Company	(132,763)	5,380
Total comprehensive (expense)/income attributable to non-controlling interests	(11,544)	468
Total comprehensive (expense)/income for the year	(144,307)	5,848
Dividends paid to non-controlling interests	–	–
Net cash inflow/(outflow) from operating activities	300	(2,492)
Net cash outflow from investing activities	(1,493)	(1,578)
Net decrease in cash and cash equivalents	(1,193)	(4,070)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. Other Intangible Assets

Group

	Mining rights HK\$'000 <i>(Note (a))</i>	License HK\$'000 <i>(Note (b))</i>	Total HK\$'000
Cost			
Balance at 1 April 2012	150,182	–	150,182
Effect of foreign currency exchange differences	1,012	–	1,012
Balance at 31 March 2013	151,194	–	151,194
Acquired on acquisition of subsidiaries <i>(Note 38)</i>	–	625	625
Effect of foreign currency exchange differences	2,754	(2)	2,752
Balance at 31 March 2014	153,948	623	154,571
Accumulated amortization			
Balance at 1 April 2012	2,651	–	2,651
Charged for the year	7,065	–	7,065
Effect of foreign currency exchange differences	59	–	59
Balance at 31 March 2013	9,775	–	9,775
Charged for the year	4,244	15	4,259
Effect of foreign currency exchange differences	173	–	173
Balance at 31 March 2014	14,192	15	14,207
Carrying amounts			
Balance at 31 March 2014	139,756	608	140,364
Balance at 31 March 2013	141,419	–	141,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. Other Intangible Assets (continued)

Group (continued)

Notes:

- (a) The mining rights represent the rights to conduct mining activities pertains to gold mine ores in the PRC. The mining rights are amortized on a unit of production basis over the estimated economic reserve of the mine. Effective amortization rate for the year approximate to 2.8% (2013: 4.8%).

The mining rights will be expired in May 2015. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew the mining rights upon the expiration at minimal costs.

During the year ended 31 March 2014, the directors of the Company performed an impairment assessment of the mining rights. The mining rights has been allocated to the gold mining activities' cash-generating unit ("CGU") for impairment assessment (Note 21). Based on the assessment, in the opinion of the directors of the Company, the estimated recoverable amount of the mining rights was higher than its carrying amount and therefore, no impairment loss was recognized on the mining rights for the year ended 31 March 2014.

- (b) The license represents the right for providing micro-financing services in Jilin City, the PRC. The license has finite useful life and are amortized on a straight line basis over the licensing period of 20 years which approximates its economic useful life. As at 31 March 2014, the license has a remaining licensing period of approximately 18.5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. Exploration and Evaluation Assets

Group

	HK\$'000
Cost	
Balance at 1 April 2012	1,139,157
Additions	4,226
Effect of foreign currency exchange differences	7,699
Balance at 31 March 2013	1,151,082
Additions	1,493
Effect of foreign currency exchange differences	20,965
Balance at 31 March 2014	1,173,540
Accumulated impairment losses	
Balance at 1 April 2012 and 31 March 2013	–
Impairment loss recognized during the year	(164,010)
Effect of foreign currency exchange differences	–
Balance at 31 March 2014	(164,010)
Carrying amounts	
Balance at 31 March 2014	1,009,530
Balance at 31 March 2013	1,151,082

The exploration and evaluation assets include costs of exploration rights, geological, geochemical and geophysical costs, drilling and exploration and evaluation expenses directly attributable to exploration activities.

The Group through its non-wholly owned subsidiary, Heilongjiang Zhongyi Weiye, is the holder of the exploration permits of gold mines located in the PRC with license period of 2 years at date of issue which will be expired in year 2015, the renewal is subject to the approval by the relevant PRC authorities. In the opinion of the directors, after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration permits upon the expiration at minimal costs.

During the year ended 31 March 2014, due to continuous decline in market price of gold, the management conducted an impairment review on the exploration and evaluation assets. For the purpose of impairment testing, the exploration and evaluation assets have been allocated to the CGU of Heilongjiang mines exploration CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. Exploration and Evaluation Assets (continued)

Group (continued)

The recoverable amount of the Heilongjiang mines exploration CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 32.03%. The cash flows beyond the five year period are extrapolated using zero growth rate. The directors consider that this assumption is applicable as after obtaining opinion from its legal counsel, the Group will be entitled to renew its exploration permits upon their expiration at minimal cost. In performing impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Key assumptions used in the value in use calculation are as follows:

Gold output

The basis used to determine the values assigned to the future revenues is based on the estimated annual ore output and gold production, which is in line with the processing capacity of the Heilongjiang mines exploration CGU, taking into consideration of the expected future capital expenditure and capacity expansion.

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the mining plan at real unit costs.

Commodity price

Future commodity prices in the cash flow projections are estimated by management based on their industry experience, historic price and market trends.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the Heilongjiang mines exploration CGU.

The directors of the Company are of the opinion that based on the value in use assessment, the recoverable amount of the exploration and evaluation assets was lower than its carrying value, an impairment loss of exploration and evaluation assets of approximately HK\$164,010,000 has been recognized to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014 (2013: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. Goodwill

Group

	HK\$'000
Cost and carrying amounts	
Balance at 1 April 2012	93,547
Effect of foreign currency exchange differences	630
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Balance at 31 March 2013	94,177
Amount recognized on acquisition of subsidiaries occurred during the year (<i>Note 38</i>)	581,995
Effect of foreign currency exchange differences	(405)
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Balance at 31 March 2014	675,767

21. Impairment Testing for CGUs Containing Goodwill and Other Intangible Assets

Goodwill acquired through business combinations have been allocated to the following CGUs for impairment testing.

	2014 HK\$'000	2013 HK\$'000
Gold mining activities	95,892	94,177
Loan financing activities	579,875	–
<hr/>		
	675,767	94,177

Gold mining activities

The recoverable amount of the gold mining activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period using pre-tax discount rate of 35.6% (2013: 39.0%). The cash flows beyond the five year period are extrapolated using zero percent growth rate. The directors consider that this assumption is applicable as after obtaining opinion from its legal counsel, the Group will be entitled to renew its mining rights upon the expiration at minimal cost. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the gold mining activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. Impairment Testing for CGUs Containing Goodwill and Other Intangible Assets (continued)

Gold mining activities (continued)

Key assumptions used in the value in use calculation are as follows:

Gold output

The basis used to determine the values assigned to the future revenues is based on the estimated annual ore output and gold production, which is in line with the processing capacity of the CGU, taking into consideration of the expected future capital expenditure and capacity expansion.

Mining costs

The basis used to determine the values assigned to the mining costs is the input requirements in accordance with the mining plan at real unit costs.

Commodity price

Future commodity prices in the valuation model are estimated by management based on their industry experience, historic price and market trends.

Discount rates

The discount rates used are based on a weighted average cost of capital, and are real rates, before tax reflecting specific risks relating to the gold mining activities' CGU.

The directors of the Company are of the view that, based on the value in use assessment, the recoverable amount of the gold mining activities' CGU was higher than its carrying amount and hence no impairment of goodwill and the mining rights allocated to the gold mining activities' CGU was recognized for the years ended 31 March 2014 and 2013.

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause the carrying amount of the gold mining activities' CGU to exceed the recoverable amount of the gold mining activities' CGU.

21. Impairment Testing for CGUs Containing Goodwill and Other Intangible Assets (continued)

Loan financing activities

The recoverable amount of the loan financing activities' CGU has been determined based on value in use calculation. That calculation uses cash flow projections based on most recent financial budgets after taking into account the operation environment and market conditions at that point of time approved by the management covering a five-year period with pre-tax discount rate of 13.08%. The cash flows beyond the five year period are extrapolated using 3% growth rate. The management estimates discount rate that reflects current market assessments of the time value of money and the risk specific to the loan financing activities' CGU. In performing the impairment testing, the directors of the Company have made reference to a valuation performed by an independent professional valuer.

Key assumptions used in the value in use calculation are as follows:

Loan interest rate

The basis used to determine the value assigned to the interest rate is based on past performance of the business and on management's expectations for market development.

Selling and administrative expenses

The basis used to determine the values assigned to the selling and administrative expenses is based on relevant experience of the management and the track record of the business.

Capital resources

Revenue is calculated on the basis of the aggregate amount of capital available for lending out to customers. Capital resources are estimated by management based on the availability of funds externally and internally, based on track records of financial results, borrowings and other relevant economic factors.

Cost of borrowings

The borrowing cost is based on the base interest rate published by external information sources by reference to bank in the PRC.

Discount rate

The discount rate used is pre-tax and reflect specific risks relating to the loan financing activities' CGU.

The directors of the Company are of the view that, based on its assessment, there was no impairment of goodwill allocated to the loan financing activities' CGU as of 31 March 2014.

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause the carrying amount of the loan financing activities' CGU to exceed the recoverable amount of the loan financing activities' CGU.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

22. Inventories

Group

	2014 HK\$'000	2013 HK\$'000
Raw materials	960	4,771
Finished goods	3,642	4,473
	<u>4,602</u>	<u>9,244</u>

23. Loans Receivables

Group

	2014 HK\$'000	2013 HK\$'000
Loans receivables from Money lending operations	134,347	15,632

The Group seeks to maintain strict control over its outstanding loans receivables so as to minimize credit risk. The granting of loans is subject to approval by the management, whilst overdue balances are reviewed regularly for recoverability. Loans receivables are charging on effective interest rate mutually agreed with the contracting parties, ranging from 12% to 36% (2013: 18% to 24%) per annum.

A maturity profile of the loans receivables as at the end of the reporting period, based on the maturity date is as follows:

	2014 HK\$'000	2013 HK\$'000
Within 1 month	69,965	632
3 months or less but over 1 month	20,135	3,501
6 months or less but over 3 months	44,247	7,500
1 year or less but over 6 months	–	3,999
	<u>134,347</u>	<u>15,632</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

23. Loans Receivables (continued)

Group (continued)

The aging analysis of loans receivables that are not considered to be impaired is as follows:

	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	134,169	15,632
Less than 1 month past due	178	–
	134,347	15,632

Loans receivables that were neither past due nor impaired relate to diversified customers for whom there was no recent history of default. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these loans receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable. Loans receivables that was past due relate to a customer that has a good track record. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of the loans receivables which are past due as there were subsequent settlement.

As at 31 March 2014, loans receivables amounted to approximately HK\$6,546,000 are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the Group's customers.

24. Trade and Other Receivables

Group

	2014 HK\$'000	2013 HK\$'000
Trade receivables	2,663	–
Prepayments	689	434
Deposits	14,339	356,999
Other receivables	240	1,208
	17,931	358,641

Trade receivables represent consultancy service income receivables in respect of the Money lending operations in the PRC.

The credit terms granted to customers are varied and are generally the result of negotiations between individual customers and the Group. No interest is charged on overdue trade receivables. The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

24. Trade and Other Receivables (continued)

Group (continued)

The following is an analysis of trade receivables by age, presented based on the respective revenue recognition dates:

	2014 HK\$'000	2013 HK\$'000
0 – 30 days	1,811	–
31 – 60 days	607	–
61 – 90 days	245	–
	<hr/>	
	2,663	–

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognized an allowance for doubtful debts because there were subsequent settlement and there has not been a significant change in credit quality and the balances are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right to offset against any amounts owed by the Group to the counterparties.

	2014 HK\$'000	2013 HK\$'000
Neither past due nor impaired	465	–
Past due but not impaired		
– overdue by 1 – 30 days	2,198	–
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	2,663	–

Included in the balance of deposits of the Group at 31 March 2013 were deposit paid of HK\$200,000,000 in relation to the acquisition of the entire equity interest of Treasure Join Limited (Note 38) and refundable deposit of approximately RMB120,000,000 in relation to the proposed acquisition of the entire equity interest of Success State Development Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

24. Trade and Other Receivables (continued)

Group (continued)

On 19 December 2011, Sino Prosper State Gold HK Limited, a wholly-owned subsidiary of the Company (the “Purchaser”) and Mr. Leung Ngai Man (“Mr. Leung”), being the chairman, an executive director and substantial shareholder of the Company (the “Vendor”) has entered into an acquisition agreement pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has agreed to dispose of: (i) the sale share, being the entire issued share capital of Success State Development Limited (the “Target BVI”), a company incorporated in the BVI, wholly and beneficially owned by Mr. Leung and (ii) the sale loan of the Target BVI, at a total consideration of RMB550 million. The Target BVI through its subsidiary was expected to contribute and own 77% of the registered and paid up capital of 貴州省黔西南州龍宇礦業有限責任公司 (transliterated as Guizhou Qianxi’nan Prefecture Longyu Mining Co., Ltd.) (the “Target PRC”). The business scope of the Target PRC included the gold mines exploration, selection of gold and sale of mineral products (which are permitted by law, rules, and regulations, requirement by State Office of the PRC and cannot engage in those not allowed as said). The Target PRC held mining permit for mining of gold in a mining site located at Xiongwu Village, Xingyi City, Guizhou Province, the PRC. The proposed acquisition constituted a connected transaction under Chapter 14A of the Listing Rules.

On 7 January 2014, the Purchaser and the Vendor entered into a termination deed to terminate the acquisition and the deposit of RMB120,000,000 was fully refunded to the Group during the year.

25. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group, bank balances that earn interest at floating rate based on daily bank deposit rates and short term time deposits that earn interest at the respective short term deposit rates. The bank balances and short term time deposits are deposited with creditworthy banks with no recent history of default.

At the end of the reporting period, the bank balances and cash of the Group denominated in RMB amounted to approximately HK\$87,878,000 (2013: HK\$169,293,000). RMB is not freely convertible into other currencies, however, under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

26. Other Payables and Accruals

	Group		Company	
	2014 HK\$’000	2013 HK\$’000	2014 HK\$’000	2013 HK\$’000
Accrued expenses and other payables	8,738	8,498	2,792	2,032
Deposit received for construction in mining sites	26	759	–	–
Payables for acquisition of property, plant and equipment and exploration of mines	1,400	9,400	–	–
PRC business tax and other levies payable	8,909	8,180	–	–
Receipt in advance	530	–	–	–
	19,603	26,837	2,792	2,032

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. Amount Due to a Non-Controlling Interest of a Subsidiary

The amount due is unsecured, interest-free and repayable on demand.

28. Convertible Bonds

During the year ended 31 March 2014, the Company issued 202,702,703 zero-coupon HK dollar denominated convertible bonds (“T1 CB”) and 324,324,324 zero-coupon HK dollar denominated convertible bonds (“T2 CB”) at principal amounts of HK\$75,000,000 and HK\$120,000,000 respectively to Mr. Leung as part of the consideration in connection with the acquisition of Treasure Join Limited as set out in note 38. The T1 CB have a maturity period of 5 years from the issue date and the T2 CB will be matured on the 5th anniversary of the date of issue of the T1 CB. The T1 CB and T2 CB can be convertible into ordinary share of the Company at HK\$0.01 each (after adjustment for the share subdivision as effected on 25 March 2014) at the conversion price of HK\$0.37 per conversion share at the holder’s option. For T1 CB, conversion may occur at any time between 11 October 2013 and 11 October 2018. For T2 CB, conversion may occur at any time between 22 November 2013 and 11 October 2018.

The T1 and T2 CB contain two components: liability and equity elements. The equity element on initial recognition amounted to a total of HK\$63,350,000 was presented in equity as part of the “convertible bonds equity reserve”. The effective interest rate of the liability component for the convertible bonds on initial recognition was 12.40% per annum for T1 CB and T2 CB.

During the year ended 31 March 2014, convertible bonds with aggregate principal amount of HK\$11,470,000 were converted into ordinary shares of HK\$0.10 each of the Company at the conversion price of HK\$0.37 per share. Accordingly, a total 31,000,000 ordinary shares at HK\$0.10 each were issued.

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

Group and Company

	HK\$'000
Balance at 1 April 2012 and 31 March 2013	–
Issued during the year	83,840
Effective interest expense charged (<i>Note 8</i>)	4,135
Arising from conversion of convertible bonds	(5,086)
Balance at 31 March 2014	82,889

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. Promissory Notes

During the year ended 31 March 2014, the Group issued promissory notes with principal amount of HK\$150,000,000 (“T1 P-Note”) and HK\$50,000,000 (“T2 P-Note”) respectively as part of the consideration to the acquisition of Treasure Join Limited as set out in note 38. Under the terms of the promissory notes, the promissory notes with aggregate principal amount of HK\$200,000,000 are unsecured, interest bearing at 1.5% per annum and has a maturity period of 5 years from the date of issue but can be repaid in whole or in part before maturity at the discretion of the Company at its principal amount and accrued interest up to the redemption date. The promissory notes were fair valued at initial recognition with an effective interest rate of 12.38% per annum for T1 P-Note and 12.40% per annum for T2 P-Note respectively.

On 29 January 2014, Mr. Leung has executed a deed of waiver (“Deed of Waiver”) in favor of the Group, pursuant to which Mr. Leung irrevocably and unconditionally waived, released and discharged the Group from the obligation to pay the (i) T3 price and T4 price (Note 38); and (ii) the obligation to pay the entirety of interest accrued and accruing on the T1 P-Note and the T2 P-Note, conditional upon a sum of HK\$170,000,000 (being a portion of the aggregate principal amounts owing by the Group to Mr. Leung under the T1 P-Note and the T2 P-Note in connection with the acquisition of Treasure Join Limited as set out in note 38) being paid to Mr. Leung on or before 28 February 2014. As the Deed of Waiver involves the waiving of the payment obligations of the Group in respect of the T3 price, the T4 price and the obligation to pay the entirety of interest accrued and accruing on the T1 P-Note and the T2 P-Note, it constitutes financial assistance provided by Mr. Leung and it therefore constitutes a connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the financial assistance provided by Mr. Leung was on terms better to the Company and no security over any assets of the Group was granted in respect of such financial assistance, the execution of the Deed of Waiver was exempted from the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4) of the Listing Rules.

During the year ended 31 March 2014, the Company early redeemed part of the promissory notes with principal amount of HK\$170,000,000 and incurred loss on early redemption of promissory notes of approximately HK\$60,827,000 and has been recognized in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

30. Provision for Restoration Costs

Group

	HK\$'000
Balance at 1 April 2012	390
Effect of foreign currency exchange differences	3
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Balance at 31 March 2013	393
Effect of foreign currency exchange differences	7
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Balance at 31 March 2014	400

In accordance with relevant PRC rules and regulations, the Group is obliged to accrue the cost for land reclamation and mine closures for the Group’s existing mines. The provision for restoration cost has been determined by the directors based on their best estimates by reference to relevant PRC rules and regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. Deferred Taxation

The following are the major deferred tax liabilities recognized and movements thereon during the year:

Group

	Mining rights HK\$'000	Other intangible assets HK\$'000	Convertible bonds HK\$'000	Withholding tax HK\$'000	Total HK\$'000
Balance at 1 April 2012	36,723	–	–	–	36,723
Credit to profit or loss	(1,766)	–	–	–	(1,766)
Effect of foreign currency exchange differences	237	–	–	–	237
Balance at 31 March 2013	35,194	–	–	–	35,194
Acquisition of subsidiaries (Note 38)	–	156	–	589	745
Recognized directly in equity	–	–	18,342	–	18,342
Charge/(credit) to profit or loss	(1,060)	(4)	(682)	800	(946)
Credit directly to equity	–	–	(1,097)	–	(1,097)
Effect of foreign currency exchange differences	642	(1)	–	(1)	640
Balance at 31 March 2014	34,776	151	16,563	1,388	52,878

Under the Enterprise Income Tax Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. The applicable rate is 5% or 10% for the Group. The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008. At 31 March 2014, deferred tax has been recognized for the withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's PRC subsidiaries with earnings.

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$54,772,000 (2013: HK\$44,165,000) arising from subsidiaries operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary and is due to expire within one to five years and estimated unused tax losses of approximately HK\$6,792,000 (2013: HK\$3,898,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognized in respect of the tax losses due to the unpredictability of future profit streams.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. Deferred Taxation (continued)

Company

	Convertible bonds HK\$'000
Balance at 1 April 2012 and 31 March 2013	–
Recognized directly in equity	18,342
Credit to profit or loss	(682)
Credit directly to equity	(1,097)
Balance at 31 March 2014	16,563

32. Share Capital

	Number of shares	Share capital HK\$'000
Authorized:		
At 1 April 2012 and 31 March 2013, ordinary shares of HK\$0.10 each	2,000,000,000	200,000
Increased during the year (<i>Note (i)</i>)	2,000,000,000	200,000
Share subdivision (<i>Note (ii)</i>)	36,000,000,000	–
At 31 March 2014, ordinary shares of HK\$0.01 each	40,000,000,000	400,000
 Issued and fully paid:		
At 1 April 2012 and 31 March 2013, ordinary shares of HK\$0.10 each	775,787,497	77,579
Exercise of share options (<i>Note (iv)</i>)	37,800,000	3,780
Conversion of convertible bonds (<i>Note (v)</i>)	31,000,000	3,100
Capital reduction (<i>Note (iii)</i>)	–	(76,013)
At 31 March 2014, ordinary shares of HK\$0.01 each	844,587,497	8,446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. Share Capital (continued)

Notes:

- (i) Pursuant to an ordinary resolution passed by the shareholders of the Company at the extraordinary general meeting held on 11 October 2013, the authorized share capital of the Company was approved to be increased with effect from 11 October 2013 from HK\$200,000,000 (divided into 2,000,000,000 shares of HK\$0.10 each) to HK\$400,000,000 (divided into 4,000,000,000 shares of HK\$0.10 each) by the creation of an additional 2,000,000,000 ordinary shares of HK\$0.10 each in the share capital of the Company.
- (ii) Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 11 December 2013, a share subdivision was approved and became effective on 25 March 2014 in which every of the authorized but unissued ordinary shares with par value of HK\$0.10 each in the share capital of the Company was subdivided into 10 unissued ordinary shares with par value of HK\$0.01 per share (the "Share Subdivision"). Immediately after the Share Subdivision, the authorized share capital of the Company comprised 40,000,000,000 ordinary shares of HK\$0.01 each.
- (iii) Pursuant to a special resolution passed by the shareholders of the Company at the extraordinary general meeting held on 11 December 2013 and became effective on 25 March 2014, the par value of each of the issued existing shares was reduced from HK0.10 to HK\$0.01 per share by canceling paid-up capital of HK\$0.09 per share by way of a reduction of capital, so as to form ordinary shares with par value of HK\$0.01 each (the "Capital Reduction"). The credit arising from the capital reduction of approximately HK\$76,013,000 was applied towards canceling the accumulated losses of the Company.
- (iv) During the year ended 31 March 2014 and prior to the Share Subdivision and Capital Reduction set out in notes (ii) and (iii) above, subscription rights attaching to options to subscribe for 30,800,000 and 7,000,000 shares of the Company were exercised at the subscription price of HK\$0.200 per share and HK\$0.192 per share respectively (Note 33), resulting in the issuance of 37,800,000 ordinary shares of HK\$0.10 each for a total cash consideration of approximately HK\$7,504,000.
- (v) During the year ended 31 March 2014 and prior to the Share Subdivision and Capital Reduction set out in notes (ii) and (iii) above, 31,000,000 ordinary shares of HK\$0.10 each were issued pursuant to the exercise of the conversion rights attaching to the Company's convertible bonds issued in connection with the acquisition of Treasure Join Limited as set out in note 38 at a conversion price of HK\$0.37 per share.

33. Share-Based Payment Transactions

The Company's share option scheme (the "2002 Scheme") was adopted pursuant to a resolution passed on 25 April 2002 for the primary purpose of providing incentives to eligible participants. During the year ended 31 March 2013, the 2002 Scheme was terminated and a new share option scheme (the "2012 Scheme") was adopted by the Company on 20 April 2012. Similar to the 2002 Scheme, the primary purpose of the 2012 Scheme is to provide incentives to eligible participants.

33. Share-Based Payment Transactions (continued)

2002 Scheme

Under the 2002 Scheme, the directors of the Company may at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for shares:

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest, any of such subsidiaries or any Invested Entity;
- (ii) any non-executive directors or proposed non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier or potential supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer or potential customer of the Group or any Invested Entity;
- (v) any person or entity that provides or will provide research, development or other technological support to the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of their contribution to the development and growth of the Group.

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33. Share-Based Payment Transactions (continued)

2002 Scheme (continued)

The total number of shares in respect of which options may be granted under the 2002 Scheme and any other share option scheme of the Company is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with an aggregate value in excess of HK\$5 million must be approved in advance by the Company's shareholders. Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the date of grant of the share option. The exercise price is determined by the directors of the Company, and shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

2012 Scheme

Under the 2012 Scheme, the directors of the Company may at their discretion in accordance with the provisions of the 2012 Scheme and the Listing Rules, to make an offer for the grant of share options to any of the following classes of participants:

- (i) any employee or proposed employee (whether full time or part time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any Invested Entity;
- (ii) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity;
- (iii) any supplier of goods or services to any member of the Group or any Invested Entity;
- (iv) any customer of any member of the Group or any Invested Entity;
- (v) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

33. Share-Based Payment Transactions (continued)

2012 Scheme (continued)

- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group.

The eligibility of any of the above classes of participants to the grant of any options shall be determined by the directors from time to time on the basis of the directors' opinion as to their contribution to the development and growth of the Group.

The total number of shares which may be allotted and issued upon exercise of all options to be granted under the 2012 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders, independent non-executive directors or any of their respective associates in excess of 0.1% of the Company's shares in issue and with an aggregate value in excess of HK\$5 million must be approved by the Company's shareholders. Options granted must be taken up within 21 days from the date of the offer of grant of the share option. Options may be exercised at any time not later than 10 years from the offer date of that share option. The subscription price is at the discretion by the directors of the Company, provided that it shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for trade on one or more board lots of the shares on the offer date; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option with a remittance in favor of the Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

The 2012 Scheme does not provide for any minimum period for holding of options or any performance target before exercise of options granted. The 2012 Scheme shall be valid and effective for ten years after its adoption date.

All equity-settled share-based payments will be settled in equity. The Group has no legal and constructive obligation to repurchase or settle the options.

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For the year ended 31 March 2014

33. Share-Based Payment Transactions (continued)

The following tables disclose movements of the Company's share options granted under the 2002 Scheme during the years ended 31 March 2013 and 2014:

Year ended 31 March 2014

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31/3/2014
			Outstanding at 1/4/2013	Granted during the year	Exercised during the year	Lapsed/ canceled during the year	
1 November 2004	1 November 2004 to 31 October 2014	4.750	220,000	-	-	-	220,000
29 November 2004	29 November 2004 to 28 November 2014	4.600	300,000	-	-	-	300,000
3 January 2005	3 January 2005 to 2 January 2015	4.100	800,000	-	-	-	800,000
12 January 2005	12 January 2005 to 11 January 2015	4.100	500,000	-	-	-	500,000
23 March 2005	23 March 2005 to 22 March 2015	3.400	400,000	-	-	-	400,000
8 May 2006	8 May 2006 to 7 May 2016	14.600	2,640,000	-	-	(340,000)	2,300,000
1 September 2006	1 September 2006 to 31 August 2016	7.100	3,600,000	-	-	-	3,600,000
4 September 2006	4 September 2006 to 3 September 2016	7.100	600,000	-	-	-	600,000
1 June 2007	1 June 2007 to 31 May 2017	4.550	1,400,000	-	-	-	1,400,000
14 May 2008	14 May 2008 to 13 May 2018	1.360	1,200,000	-	-	-	1,200,000
4 May 2010	4 May 2010 to 3 May 2020	3.000	4,700,000	-	-	(700,000)	4,000,000
27 January 2012	27 January 2012 to 26 January 2015	0.812	12,000,000	-	-	-	12,000,000
			28,360,000	-	-	(1,040,000)	27,320,000
Exercisable at the end of the year							27,320,000
Weighted average exercise price			HK\$3.855	-	-	HK\$6.792	HK\$3.743

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For the year ended 31 March 2014

33. Share-Based Payment Transactions (continued)

Year ended 31 March 2013

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				
			Outstanding at 1/4/2012	Granted during the year	Exercised during the year	Canceled during the year	Outstanding at 31/3/2013
1 November 2004	1 November 2004 to 31 October 2014	4.750	220,000	-	-	-	220,000
29 November 2004	29 November 2004 to 28 November 2014	4.600	300,000	-	-	-	300,000
3 January 2005	3 January 2005 to 2 January 2015	4.100	800,000	-	-	-	800,000
12 January 2005	12 January 2005 to 11 January 2015	4.100	500,000	-	-	-	500,000
23 March 2005	23 March 2005 to 22 March 2015	3.400	400,000	-	-	-	400,000
8 May 2006	8 May 2006 to 7 May 2016	14.600	2,640,000	-	-	-	2,640,000
1 September 2006	1 September 2006 to 31 August 2016	7.100	3,600,000	-	-	-	3,600,000
4 September 2006	4 September 2006 to 3 September 2016	7.100	600,000	-	-	-	600,000
1 June 2007	1 June 2007 to 31 May 2017	4.550	1,400,000	-	-	-	1,400,000
14 May 2008	14 May 2008 to 13 May 2018	1.360	1,200,000	-	-	-	1,200,000
4 May 2010	4 May 2010 to 3 May 2020	3.000	4,700,000	-	-	-	4,700,000
27 January 2012	27 January 2012 to 26 January 2015	0.812	12,000,000	-	-	-	12,000,000
			28,360,000	-	-	-	28,360,000
Exercisable at the end of the year							28,360,000
Weighted average exercise price			HK\$3.855	-	-	-	HK\$3.855

No share option was granted under the 2002 Scheme during the years ended 31 March 2013 and 2014.

No share option granted under the 2002 Scheme was exercised during the years ended 31 March 2013 and 2014.

Under the 2002 Scheme, the options outstanding at 31 March 2014 had weighted average exercise price of HK\$3.743 (2013: HK\$3.855) and a weighted average remaining contractual life of 2.2 years (2013: 3.3 years).

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For the year ended 31 March 2014

33. Share-Based Payment Transactions (continued)

The following tables disclose movements of the Company's share options granted under the 2012 Scheme during the years ended 31 March 2013 and 2014:

Year ended 31 March 2014

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31/3/2014
			Outstanding at 1/4/2013	Granted during the year	Exercised during the year	Canceled during the year	
26 April 2012	26 April 2012 to 25 April 2015	0.450	15,400,000	-	-	(7,700,000)	7,700,000
24 September 2012	24 September 2012 to 23 September 2015	0.335	47,900,000	-	-	-	47,900,000
24 May 2013	24 May 2013 to 23 May 2023	0.192	-	14,000,000	(7,000,000)	-	7,000,000
8 July 2013	8 July 2013 to 7 July 2023	0.200	-	46,200,000	(30,800,000)	(7,700,000)	7,700,000
			63,300,000	60,200,000	(37,800,000)	(15,400,000)	70,300,000
Exercisable at the end of the year							70,300,000
Weighted average exercise price			HK\$0.363	HK\$0.198	HK\$0.199	HK\$0.325	HK\$0.319

Year ended 31 March 2013

Date of grant	Exercisable period	Exercise price HK\$	Number of share options				Outstanding at 31/3/2013
			Outstanding at 1/4/2012	Granted during the year	Exercised during the year	Canceled during the year	
26 April 2012	26 April 2012 to 25 April 2015	0.450	-	15,400,000	-	-	15,400,000
24 September 2012	24 September 2012 to 23 September 2015	0.335	-	47,900,000	-	-	47,900,000
			-	63,300,000	-	-	63,300,000
Exercisable at the end of the year							63,300,000
Weighted average exercise price			-	HK\$0.363	-	-	HK\$0.363

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For the year ended 31 March 2014

33. Share-Based Payment Transactions (continued)

60,200,000 share options were granted under the 2012 Scheme during the year ended 31 March 2014 (2013: 63,300,000). The weighted average fair value of options granted under the 2012 Scheme during the year was HK\$0.152 (2013: HK\$0.188).

37,800,000 share options granted under the 2012 Scheme was exercised during the year ended 31 March 2014 and the weighted average share price at the date of exercise for share options exercised during the year ended 31 March 2014 was HK\$0.266 (2013: No share options were exercised).

Under the 2012 Scheme, the options outstanding at 31 March 2014 had weighted average exercise price of HK\$0.319 (2013: HK\$0.363) and a weighted average remaining contractual life of 3.1 years (2013: 2.4 years).

Options granted are fully vested at the date of grant except for 4,700,000 (adjusted to reflect the effect of share consolidation on 27 February 2012) options granted under the 2002 Scheme on 4 May 2010 for which 25% are exercisable 9 months from the date of acceptance of offer; 25% are exercisable 15 months from the date of acceptance of offer; 25% are exercisable 21 months from the date of acceptance of offer and 25% are exercisable 27 months from the date of acceptance of offer.

The total consideration received during the year from grant of share options amounted to HK\$8 (2013: HK\$9).

All share options have been accounted for under HKFRS 2. The fair values of share options granted to directors, employees and suppliers of service determined at the dates of grant are expensed over the vesting periods, with a corresponding adjustment to the Group's share options reserve.

The fair value of equity-settled share option granted to employees and directors during the year was estimated as at the date of grant, using the Black-Scholes Option Pricing 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 years ended 31 March 2014 and 2013:

	2014(a)	2013(a)	2013(b)
Option scheme type	2012 Scheme	2012 Scheme	2012 Scheme
Grant date share price	HK\$0.181	HK\$0.410	HK\$0.335
Exercise price	HK\$0.200	HK\$0.450	HK\$0.335
Expected volatility	85.480%	92.170%	82.236%
Expected exercise date	8 July 2013 to 7 July 2023	26 April 2012 to 25 April 2015	24 September 2012 to 23 September 2015
Risk-free interest rate	2.234%	0.340%	0.268%
Expected dividend yield	Nil	Nil	Nil

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For the year ended 31 March 2014

33. Share-Based Payment Transactions (continued)

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

The Company measures the fair values of share options granted to suppliers of service by reference to the fair values of services received. The fair values of the share options granted to suppliers of service amounted to approximately HK\$7,979,000 (2013: HK\$2,710,000) has been included in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014, the corresponding amount of which has been credited to share options reserve (Note 34).

34. Reserves

Company

	Share premium HK\$'000	Warrants reserve HK\$'000	Convertible bonds equity reserve HK\$'000	Share options reserve HK\$'000	Shareholder's contribution HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2012	1,619,430	-	-	69,950	12,640	1,020	(340,848)	1,362,192
Loss for the year	-	-	-	-	-	-	(54,492)	(54,492)
Total comprehensive expense for the year	-	-	-	-	-	-	(54,492)	(54,492)
Recognition of equity-settled share-based payments	-	-	-	12,071	-	-	-	12,071
Issue of unlisted warrants (Note 35)	-	1,520	-	-	-	-	-	1,520
Transaction cost attributable to issue of unlisted warrants	-	(100)	-	-	-	-	-	(100)
Balance at 31 March 2013	1,619,430	1,420	-	82,021	12,640	1,020	(395,340)	1,321,191
Loss for the year	-	-	-	-	-	-	(87,788)	(87,788)
Total comprehensive expense for the year	-	-	-	-	-	-	(87,788)	(87,788)
Recognition of equity-settled share- based payments	-	-	-	9,142	-	-	-	9,142
Issue of ordinary shares under share option scheme	9,458	-	-	(5,734)	-	-	-	3,724
Release of reserve upon share options lapsed/canceled	-	-	-	(8,415)	-	-	8,415	-
Recognition of the equity component of convertible bonds (Note 28)	-	-	63,350	-	-	-	-	63,350
Deferred tax relating to convertible bonds	-	-	(17,245)	-	-	-	-	(17,245)
Conversion of convertible bonds	6,041	-	(4,055)	-	-	-	-	1,986
Capital reduction (Note 32 (iii))	-	-	-	-	-	-	76,013	76,013
Balance at 31 March 2014	1,634,929	1,420	42,050	77,014	12,640	1,020	(398,700)	1,370,373

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. Warrants

On 11 April 2012, an aggregate of 152,000,000 unlisted warrants were successfully placed by the Company to not less than six placees who are third parties independent of and not connected to the Company and its connected persons, at the placing price of HK\$0.01 per warrant and the subscription price of HK\$0.72 per warrant share. The subscription period for the warrants is from the date of issue of the warrants to 31 December 2014 (both dates inclusive).

Upon the exercise in full of the subscription rights attached to the warrants, a maximum of 152,000,000 shares will be allotted and issued. The net proceeds from the placing (without taking into account of the exercise of the subscription rights attaching to the warrants) after taking into account the expenses in relation to the placing and issue of unlisted warrants amounted to approximately HK\$1.4 million.

As at 31 March 2014, the Company had 152,000,000 (2013: 152,000,000) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 152,000,000 additional ordinary shares of the Company at HK\$0.01 each (after adjusted for the share subdivision effected on 25 March 2014).

36. Capital Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. 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, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of cash and cash equivalents and equity (comprising issued share capital, reserves and non-controlling interests).

Gearing ratio

The Group's management committee reviews the capital structure on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the reporting period was as follow:

	2014 HK\$'000	2013 HK\$'000
Debts (<i>Note (i)</i>)	100,318	–
Cash and cash equivalents	(93,193)	(186,499)
Net debt	7,125	–
Equity (<i>Note (ii)</i>)	1,993,744	1,988,202
Gearing ratio	0.36%	N/A

Notes:

- (i) Debts include convertible bonds and promissory notes as detailed in notes 28 and 29 respectively.
- (ii) Equity includes all capital, reserves and non-controlling interests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments

37.1 Categories of financial instruments

Group

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables:		
– Loans receivables	134,347	15,632
– Financial assets included in trade and other receivables	17,242	358,207
– Bank balances and cash	93,193	186,499
Financial liabilities		
Financial liabilities at amortized cost:		
– Financial liabilities included in other payables and accruals	10,164	18,657
– Amount due to a non-controlling interest of a subsidiary	9,372	9,205
– Convertible bonds	82,889	–
– Promissory notes	17,429	–

Company

	2014 HK\$'000	2013 HK\$'000
Financial assets		
Loans and receivables:		
– Amounts due from subsidiaries	1,024,376	873,460
– Bank balances	151	29,611
Financial liabilities		
Financial liabilities at amortized cost:		
– Financial liabilities included in other payables and accruals	2,792	2,032
– Amounts due to subsidiaries	347,208	158,823
– Convertible bonds	82,889	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments (continued)

37.2 Financial risk management objectives and policies

The Group's major financial instruments include loans receivables, trade and other receivables, bank balances and cash, other payables and accruals, amount due to a non-controlling interest of a subsidiary, convertible bonds and promissory notes. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

37.2.1 Market risk

Foreign currency risk management

Transactional currency exposures arise from revenue or cost of sales by operating units in currencies other than the unit's functional currency. Substantially all the Group's revenue and cost of sales are denominated in the functional currency of the operating units making the revenue, and substantially all the cost of sales are denominated in the operating unit's functional currency. Accordingly, the directors consider that the Group is not exposed to significant foreign currency risk. 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.

At the end of the reporting period, the carrying amounts of the Group's major monetary assets denominated in currencies other than the functional currencies of the relevant group entities are as follows:

	2014 HK\$'000	2013 HK\$'000
Assets		
RMB	69,940	172,903
HK\$	117	1,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments (continued)

37.2 Financial risk management objectives and policies (continued)

37.2.1 Market risk (continued)

Foreign currency risk management (continued)

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against HK\$ and HK\$ against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A positive number below indicates a decrease in loss where RMB strengthens against HK\$ and HK\$ strengthens against RMB. For a 5% weakening of RMB against HK\$ and HK\$ weakening against RMB, there would be an equal and opposite impact on the loss.

	2014 HK\$'000	2013 HK\$'000
RMB	3,497	8,645
HK\$	6	65

In management's opinion, the sensitivity analysis is unrepresentative of the inherent exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

The Group's and the Company's exposure to the risk of changes in market interest rates relates primarily to the Group's and the Company's interest-bearing financial assets. Interest-bearing financial assets are mainly deposits with banks and loans receivables. Interests on deposits with banks and loans receivables are principally based on deposits rates offered by banks in Hong Kong and the PRC and fixed rates, respectively.

All of the Group's and the Company's loans receivables are based on fixed interest rates and short in duration with original maturities in range of 2 to 12 months. The Group prices these loans receivables strategically to reflect market fluctuations and achieve a reasonable interest-rate spread. The fixed rate instruments of the Group and the Company are insensitive to any change in market interest rates.

37. Financial Instruments (continued)

37.2 Financial risk management objectives and policies (continued)

37.2.1 *Market risk (continued)*

Interest rate risk management (continued)

As the Group and the Company have no significant variable-rate interest-bearing financial assets, except for short-term bank deposits, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing financial assets resulted from the changes in interest rates because the interest rates of bank deposits are relatively low and not expected to change significantly.

The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Other price risk

As the Group and the Company have no significant investments in financial assets at FVTPL or AFS financial assets, the Group is not exposed to significant other price risk.

37.2.2 *Credit risk management*

At 31 March 2014, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated and company statements of financial position.

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limited, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk are significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group and the Company do not have any other significant concentration of credit risk.

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For the year ended 31 March 2014

37. Financial Instruments (continued)

37.2 Financial risk management objectives and policies (continued)

37.2.3 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

Group

	On demand or less than 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2014				
Non-derivative financial liabilities				
Other payables and accruals	10,164	–	10,164	10,164
Amount due to a non-controlling interest of a subsidiary	9,372	–	9,372	9,372
Convertible bonds	–	183,530	183,530	82,889
Promissory notes	–	30,000	30,000	17,429
	19,536	213,530	233,066	119,854
At 31 March 2013				
Non-derivative financial liabilities				
Other payables and accruals	18,657	–	18,657	18,657
Amount due to a non-controlling interest of a subsidiary	9,205	–	9,205	9,205
	27,862	–	27,862	27,862

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments (continued)

37.2 Financial risk management objectives and policies (continued)

37.2.3 Liquidity risk management (continued)

Company

	On demand or less than 1 year HK\$'000	1-5 years HK\$'000	Total contractual undiscounted cash flows HK\$'000	Total carrying amounts HK\$'000
At 31 March 2014				
Non-derivative financial liabilities				
Other payables and accruals	2,792	–	2,792	2,792
Amounts due to subsidiaries	347,208	–	347,208	347,208
Convertible bonds	–	183,530	183,530	82,889
	350,000	183,530	533,530	432,889
At 31 March 2013				
Non-derivative financial liabilities				
Other payables and accruals	2,032	–	2,032	2,032
Amounts due to subsidiaries	158,823	–	158,823	158,823
	160,855	–	160,855	160,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments (continued)

37.3 Fair value measurements

37.3.1 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate to their fair values.

Group and Company

	2014		2013	
	Carrying amount HK\$'000	Fair value HK\$'000	Carrying amount HK\$'000	Fair value HK\$'000
Convertible bonds (Note (i))	82,889	81,000	–	–
Promissory notes (Note (ii))	17,429	19,950	–	–
	100,318	100,950	–	–

Notes:

- (i) The fair value of the liability component of convertible bonds has been calculated by using effective interest rate of 11.29% per annum with reference to the Hong Kong sovereign curve and credit risk margin.
- (ii) At 31 March 2014, the fair value of promissory notes is has been using a 11.30% discount rate based on Hong Kong sovereign curve and credit risk margin.

Fair value hierarchy as at 31 March 2014

Group and Company

Liabilities for which fair values are disclosed:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Convertible bonds	–	–	81,000	81,000
Promissory notes	–	–	19,950	19,950
	–	–	100,950	100,950

The fair value of the financial liability included in the Level 3 category above has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. Financial Instruments (continued)

37.3 Fair value measurements (continued)

37.3.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Reconciliation of Level 3 fair value measurements

The movement during the year in the balance of Level 3 fair value measurement is as follows:

Group and Company

31 March 2014

	HK\$'000
Contingent consideration for a business combination at fair value	
At 1 April 2013	–
Recognized during the year	191,220
Credited to profit or loss upon waiver	(191,220)
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At 31 March 2014	–

The financial liability measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of Treasure Join Limited (Note 38).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. Acquisition of Subsidiaries and Business Combination

On 27 September 2012, Favour South Limited (“Purchaser”), a wholly-owned subsidiary of the Company, entered into an acquisition agreement (as supplemented by three supplemental agreements dated 19 November 2012, 19 December 2012 and 23 September 2013 respectively) (“Agreements”) with Mr. Leung, for the acquisition of the entire issued share capital in Treasure Join Limited and the related sale debts (“Acquisition”).

Pursuant to the Agreements, the consideration for the Acquisition shall be a maximum of HK\$850,000,000, subject to adjustments, and the consideration shall be satisfied by a combination of a cash deposit paid of HK\$200,000,000, promissory notes with an aggregate principal amount of HK\$200,000,000 and convertible bonds with an aggregate principal amount of HK\$450,000,000 and in the following manner:

- (i) as to HK\$425,000,000 by the payment of the T1 price (comprising the T1 CB with principal amount of HK\$75,000,000, the T1 P-Note with principal amount of HK\$150,000,000, and cash payment of HK\$200,000,000 by applying the refundable deposit paid by the Purchaser) upon completion;
- (ii) as to HK\$170,000,000 by the payment of the T2 price (comprising the T2 CB with principal amount of HK\$120,000,000 and the T2 P-Note with principal amount of HK\$50,000,000) subject to and upon the satisfaction of the T2 Payment Condition (as defined below);
- (iii) as to HK\$170,000,000 by the payment of the T3 price (comprising the T3 CB with principal amount of HK\$170,000,000) subject to and upon the satisfaction of the T3 Payment Conditions (as defined below); and
- (iv) as to HK\$85,000,000 by the payment of the T4 price (comprising the T4 CB with principal amount of HK\$85,000,000) subject to and upon the satisfaction of the T4 Payment Condition (as defined below).

The Acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. The Acquisition also constituted a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The Agreement was approved by independent shareholders at the extraordinary general meeting of the Company held on 11 October 2013 and the completion took place on 11 October 2013.

In the opinion of the directors of the Company, the acquisition provided the opportunity for the Group to gain access to the financial market in the PRC and to broaden the income base of the Group.

Payment Conditions

Pursuant to the Agreements, the payment conditions precedent to each of the T2 Payment Condition, T3 Payment Conditions and T4 Payment Condition are as follows:

38. Acquisition of Subsidiaries and Business Combination (continued)

Payment Conditions (continued)

T2 Payment Condition:

- (i) the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) turnover of 吉林市瑞信小額貸款有限公司 (“Target PRC No.1”) and 吉林豐瑞投資管理諮詢有限公司 (indirect wholly-owned subsidiaries of Treasure Join Limited, collectively, the “PRC Subsidiaries”) as shown in the turnover certificate for the period from 1 April 2013 to 30 September 2013 (“T2 Period”) being not less than RMB7.5 million (or, where the registered capital in Target PRC No.1 in the sum of RMB100 million will have been paid up by more than three months during the T2 Period, RMB12 million), or
- (ii) the aggregate of the following being not less than RMB15 million (or, where the registered capital in Target PRC No.1 in the sum of RMB100 million will have been paid up by more than three months during the T2 Period, RMB27 million):
 - (a) the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) turnover of the PRC Subsidiaries arising from the business of providing micro-financing and investment and management consultation services in the PRC (the “Target Business”) carried on by Treasure Join Limited and its subsidiaries (exclusive of any value added tax or business tax) as shown in the turnover certificate for the T2 Period, and
 - (b) the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) turnover of the PRC Subsidiaries arising from the Target Business (exclusive of any value added tax or business tax) as shown in the turnover certificate for the period from 1 October 2013 to 31 March 2014 (“T4 Period”).

T3 Payment Conditions:

- (i) all permits (including without limitation those issued by the relevant commerce department, finance department and industry and commerce administration authority of the PRC government) for increasing the registered capital of Target PRC No.1 to no less than RMB200 million being obtained by Target PRC No.1 and its holding company; and
- (ii) a legal opinion being received by the Purchaser from a licensed firm of PRC legal advisers whose experience and qualification are acceptable to the Purchaser, in such form and substance to the reasonable satisfaction of the Purchaser, confirming the matters stated in the above condition (i) of the T3 Payment Conditions.

In respect of the T3 Payment Conditions, it is the obligation of Mr. Leung (instead of the Group) to obtain the permits and the legal opinion as stated in paragraph (i) and (ii) above regardless of whether completion has taken place or will take place before or after the obtaining of such permits and legal opinion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. Acquisition of Subsidiaries and Business Combination (continued)

Payment Conditions (continued)

T4 Payment Condition:

- (i) the reviewed (or, as the case may be, audited) consolidated (or, as the case may be, combined) turnover of the PRC Subsidiaries arising from the Target Business (exclusive of any value added tax or business tax) as shown in the turnover certificate for the T4 Period being not less than RMB7.5 million (or, where the registered capital in Target PRC No.1 in the sum of RMB100 million will have been paid up by more than three months during the T2 Period, RMB12 million), or
- (ii) condition (ii) as set out in the paragraph headed “T2 Payment Condition” above.

Pursuant to the supplemental agreement dated 23 September 2013, the following was added as additional condition precedent to each of the T2 Payment Condition, T3 Payment Conditions and T4 Payment Condition respectively: “the listing committee of the Stock Exchange having granted or having agreed to grant the listing of, and permission to deal in, the conversion shares which may be issued upon the exercise of the conversion rights attaching to the T2 CB, T3 CB and T4 CB respectively”.

Upon completion of the Acquisition and the fulfilment of the T2 Payment Condition, the T1 Price and the T2 Price have already been satisfied by the Purchaser to Mr. Leung in accordance with the Agreements.

Consideration transferred:

	HK\$'000
Cash deposit paid	200,000
Fair value of convertible bonds	147,190
Fair value of promissory notes	121,853
Contingent consideration	191,220
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	660,263

Acquisition-related costs amounting to approximately HK\$5,527,000 had been excluded from the cost of acquisition and had been recognized as part of the general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. Acquisition of Subsidiaries and Business Combination (continued)

Assets acquired and liabilities recognized at the date of acquisition

	HK\$'000
Non-current assets	
Property, plant and equipment (<i>Note 16</i>)	206
Other intangible assets (<i>Note 18</i>)	625
Current assets	
Loans receivables	59,532
Trade and other receivables	1,693
Bank balances and cash	17,663
Current liabilities	
Other payables and accruals	(354)
Amount due to a shareholder	(63,537)
Tax payables	(352)
Non-current liabilities	
Deferred tax liabilities	(745)
	<hr/>
	14,731
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The fair value of receivables acquired, which principally comprised loans receivables, trade and other receivables approximated the gross contractual amounts. There were no contractual cash flows not expected to be collected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. Acquisition of Subsidiaries and Business Combination (continued)

Goodwill arising on acquisition

	HK\$'000
Fair value of consideration transferred	660,263
Less: fair value of identifiable net assets acquired	(14,731)
Less: sale debts	(63,537)
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Goodwill arising on acquisition (<i>Note 20</i>)	581,995
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None of the goodwill on this acquisition was expected to be deductible for tax purposes.

Goodwill arising from acquisition of Treasure Join Limited was attributable to the anticipated profitability and future development of Treasure Join Limited and its subsidiaries in the financial market in the PRC and the anticipated future operating synergy from the combinations.

Net cash outflow arising on acquisition of subsidiaries

	HK\$'000
Consideration paid in cash	200,000
Less: bank balances and cash acquired	(17,663)
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	182,337
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Impact of acquisition of the results of the Group

Treasure Join Limited and its subsidiaries contributed revenue of approximately HK\$21,254,000 and net profit of approximately HK\$15,371,000 to the Group for the period from the date of acquisition to 31 March 2014. If the acquisition had occurred on 1 April 2013, Group revenue would have been approximately HK\$65,807,000 and loss for the year would have been approximately HK\$75,384,000. This pro forma information was for illustrative purposes only and was not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition occurred on 1 April 2013, nor was it intended to be a projection of future results.

38. Acquisition of Subsidiaries and Business Combination (continued)

Contingent consideration and waiver of consideration

According to the terms of the Agreements, the consideration would be adjusted by the extent to fulfilment of the T3 Payment Conditions and T4 Payment Condition as set forth in the Agreements and contingent consideration would arise:

- (i) Upon fulfilment of T3 Payment Conditions, a sum of HK\$170,000,000 by issuance of zero coupon T3 CB with a principal amount of HK\$170,000,000.
- (ii) Upon fulfilment of T4 Payment Condition, a sum of HK\$85,000,000 by issuance of zero coupon T4 CB with a principal amount of HK\$85,000,000.

The consideration adjustment in relation to the above is accounted for as contingent consideration whose fair values on initial recognition were determined by the directors by reference to an independent professional valuation. The directors assessed the fair value of the contingent consideration at the date of acquisition was approximately HK\$191,220,000 and was recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

On 29 January 2014, Mr. Leung has executed the Deed of Waiver in favor of the Group, pursuant to which Mr. Leung irrevocably and unconditionally waived, released and discharged the Group from the obligation to pay the (i) T3 price and T4 price; and (ii) the obligation to pay the entirety of interest accrued and accruing on the T1 P-Note and the T2 P-Note, conditional upon a sum of HK\$170,000,000 (being a portion of the aggregate principal amounts owing by the Group to Mr. Leung under the T1 P-Note and the T2 P-Note) being paid to Mr. Leung on or before 28 February 2014 (the "Partial Early Repayment") (Note 29).

The Partial Early Repayment was subsequently paid to Mr. Leung by the Group within the prescribed time-limit. As a result, a gain on waiver of contingent consideration for acquisition of subsidiaries of approximately HK\$191,220,000 and a loss on early redemption of promissory notes of approximately HK\$60,827,000 respectively were recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

39. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,105	2,758
In the second to fifth years inclusive	352	497
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	1,457	3,255

Operating leases relate to office premises and equipment with lease terms of between 1 to 2 years (2013: 2 years).

40. Capital Commitments

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant commitments at the end of the reporting period which were not provided for in the consolidated financial statements:

	2014 HK\$'000	2013 HK\$'000
Contracted but not provided for:		
– Exploration and evaluation expenditure	948	714
– Construction expenditure	–	6,536
– Purchase of property, plant and equipment	–	168
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	948	7,418

Save as disclosed elsewhere in these consolidated financial statements, the Company had no significant capital commitments at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

41. Related Party Transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

Compensation of key management personnel

	2014 HK\$'000	2013 HK\$'000
Short-term employee benefits	19,720	23,040
Post-employment benefits	57	57
Equity-settled share-based payments	–	3,559
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	19,777	26,656

The above related party transactions do not constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Results					
Revenue	41,824	47,692	50,287	54,483	53,830
Loss before tax	(59,486)	(48,185)	(51,155)	(78,628)	(83,225)
Income tax credit/(expense)	355	198	(566)	1,038	(816)
Loss for the year	(59,131)	(47,987)	(51,721)	(77,590)	(84,041)
Attributable to:					
Owners of the Company	(58,882)	(44,040)	(46,799)	(70,687)	(66,314)
Non-controlling interests	(249)	(3,947)	(4,922)	(6,903)	(17,727)
	(59,131)	(47,987)	(51,721)	(77,590)	(84,041)
	At 31 March				
	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Total asset	1,249,396	1,724,737	2,114,187	2,060,810	2,178,453
Total liabilities	(178,563)	(64,393)	(70,901)	(72,608)	(184,709)
	1,070,833	1,660,344	2,043,286	1,988,202	1,993,744
Equity attributable to owners of the Company	714,485	1,531,033	1,914,282	1,865,258	1,886,241
Non-controlling interests	356,348	129,311	129,004	122,944	107,503
Total equity	1,070,833	1,660,344	2,043,286	1,988,202	1,993,744