# GREAT WORLD
COMPANY HOLDINGS LTD
世大控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 8003

# ANNUAL REPORT
2014

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the directors (the "Directors") of Great World Company Holdings Ltd (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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# Corporate Information

## BOARD OF DIRECTORS

**Executive Directors**
Ms. Ng Mui King, Joky
Mr. Tong Wang Shun
Ms. Zeng Jieping

**Independent non-executive Directors**
Ms. Hui Sin Man, Alice
(resigned on 30 September 2013)
Mr. Chung Koon Yan
Mr. Chan Ying Cheong
Mr. Lau Ching Wai, Peter
(appointed on 30 September 2013)

## COMPANY SECRETARY

Ms. Kwong May Wah, Eva

## AUTHORISED REPRESENTATIVES

Ms. Ng Mui King, Joky
(Mr. Li Tak Lai as her alternate)
Mr. Tong Wang Shun

## COMPLIANCE OFFICER

Mr. Tong Wang Shun

## AUDIT COMMITTEE

Mr. Chung Koon Yan *(Chairman)*
Ms. Hui Sin Man, Alice
(resigned on 30 September 2013)
Mr. Chan Ying Cheong
Mr. Lau Ching Wai, Peter
(appointed on 30 September 2013)

## REMUNERATION COMMITTEE

Mr. Chan Ying Cheong *(Chairman,*
appointed on 30 September 2013)
Ms. Hui Sin Man, Alice *(Chairman)*
(resigned on 30 September 2013)
Ms. Ng Mui King, Joky
(Mr. Tong Wang Shun as her alternate)
Mr. Lau Ching Wai, Peter
(appointed on 30 September 2013)

## NOMINATION COMMITTEE

Ms. Ng Mui King, Joky *(Chairman)*
Mr. Chung Koon Yan
Mr. Chan Ying Cheong

## REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands, British West Indies

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 6705, 67/F.,
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

## PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Hong Kong Registrars Limited
17M/F, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

## AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

## LEGAL ADVISERS

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

**As to Hong Kong Law:**
Reed Smith Richards Butler
20th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

## WEBSITE

http://www.gwchl.com

# Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Great World Company Holdings Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group"), I am pleased to present the annual results of the Group for the year ended 31 March 2014.

## FINANCIAL PERFORMANCE

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$1,559,000, representing an increase of approximately 61.9% as compared to the turnover of approximately HK$963,000 for last year. Loss for the year was approximately HK$15,243,000 (2013: HK$7,065,000). The Board did not recommend the payment of any dividend for the year (2013: Nil).

## BUSINESS REVIEW

The Group is principally engaged in (i) iron mine business and (ii) property business, both are operated in the People's Republic of China (the "PRC").

### Iron Mine Business

The Group's iron mine business, which comprises the exploration, mining and processing of iron ore, is operated by 鳳山縣黔興礦業有限責任公司 ("Feng Shan"), an indirect wholly-owned subsidiary of the Company.

Feng Shan holds a mining right in respect of an iron mine and owns a processing factory located at Guangxi Province, the PRC. The iron mine consists of numerous small iron ore mountains and open mining method is employed on exploitation of iron ore.

Revenue from the iron mine business is below expectation due to the decline in iron ore price. Once the market situation improved, full effort will be put to develop the iron mine and increase the production of the processing factory.

### Property Business

The Group owns a property which comprises a residential and commercial development site with a site area of approximately 3,111.96 square meters ("sq.m.") located at Leshan City, Sichuan Province, the PRC. The property has a gross floor area of approximately 27,213.33 sq.m. (inclusive of a basement floor) and comprises 4 portions with different functions, namely residential, commercial, basement car park and facilities.

The property selling and leasing programme has not been launched due to the continuing tightening of monetary policies and other measures imposed by the PRC government which restrict the growth of the PRC property market. The Board expects to commence the property selling and leasing programme when the property market appears to revive.

# Chairman's Statement

## PROSPECT

Even the property market in the PRC showed signs of recovery from the tightened control, 2013 was still a difficult year for many businesses with PRC based projects.

With improvement on global financial environment and the continuous growing per capita wealth of Chinese citizen, the Board expects an increase in iron ore consumption and a steady growth on demand in real estate market which will strengthen the Group's financial performance for the benefit of the Company and shareholders.

In addition to the existing projects, the Group is also committed to seeking other business opportunities. The Group will acquire high quality investment projects with good potential in order to enhance its investment return.

## APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our staff members for their contribution in this year, and extend my appreciation to the shareholders and investors for their support.

**Ng Mui King, Joky**
*Chairman*

Hong Kong, 27 June 2014

# Biographical Details of Directors

## EXECUTIVE DIRECTORS

**Ms. NG Mui King, Joky**, aged 52, has been an executive director of the Company since 2 October 2007. She is the chairman of the Board, the chairman of the nomination committee and a member of the remuneration committee of the Company. Ms. Ng is responsible for the overall strategic direction of the Group. She has over 21 years of experience in telecommunication, import and export trading, accounting, finance and corporate management.

**Mr. TONG Wang Shun**, aged 72, has been an executive director of the Company since 4 December 2009. Mr. Tong has over 31 years of experience in shipping, property investment and corporate management.

**Ms. ZENG Jieping**, aged 37, has been an executive director of the Company since 10 May 2010. Ms. Zeng holds a bachelor's degree of arts from Jinan University of the People's Republic of China and a master's degree of management studies from the University of Waikato, Hamilton of New Zealand. She has over 7 years of experience in marketing, finance and corporate management.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. CHUNG Koon Yan**, aged 50, has been an independent non-executive director of the Company since 9 May 2008 and is the chairman of the audit committee and a member of the nomination committee of the Company. Mr. Chung holds a Master's degree in Professional Accounting from the Hong Kong Polytechnic University. He is a practicing member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and an associate member of The Institute of Chartered Accountants in England and Wales. Mr. Chung is a director of Chiu, Choy & Chung CPA Ltd. He has over 21 years of experience in accounting, auditing and taxation. Currently, Mr. Chung is an independent non-executive director of Asian Citrus Holdings Limited (stock code: 73), a company whose shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and AIM market of the London Stock Exchange. Mr. Chung had been an independent non–executive director of Shenzhen High-Tech Holdings Limited (now known as "Landsea Green Properties Co., Ltd.") (stock code: 106), up to 31 July 2013 and an independent non-executive director of Well Way Group Limited (stock code: 8063), up to 16 April 2014, both companies whose shares are listed on the Main Board of the Stock Exchange and the Growth Enterprise Market of the Stock Exchange respectively. Save as aforesaid, Mr. Chung did not hold any directorship in other listed public companies in the past three years.

**Mr. CHAN Ying Cheong**, aged 52, has been an independent non-executive director of the Company since 30 September 2010 and is the chairman the remuneration committee, a member of the audit committee and the nomination committee of the Company. Mr. Chan has over 26 years of experience in banking industry.

**Mr. LAU Ching Wai**, Peter, aged 37, was appointed as an independent non-executive director of the Company on 30 September 2013 when Ms. Hui Sin Man, Alice ("Ms. Hui") resigned on the same date. He was then appointed as a member of the audit committee and the remuneration committee of the Company to replace Ms. Hui. Mr. Lau has over 13 years' experience in handing personal relationship, corporate management and developing franchised business.

# Management Discussion and Analysis

## RESULTS OF OPERATIONS

## BUSINESS REVIEW

### Iron mine business

For the year ended 31 March 2014, a turnover of approximately HK$1,559,000 was generated from the processing of iron ores. The construction of the processing factory was completed and the iron mine commenced trial commercial production in August 2011. Revenue from the iron mine business is below expectation due to the decline in iron ore price. Once the market situation improved, full effort will be put to develop the iron mine and increase the production of the processing factory. There was no material change in mineral resources and/or reserves of the iron mine for the year.

### Property business

The Group owns a property which comprises a residential and commercial development site with a site area of approximately 3,111.96 square meters ("sq. m.") located at Leshan City, Sichuan Province, the PRC. The property has a gross floor area of approximately 27,213.33 sq. m. (inclusive of a basement floor) and comprises 4 portions with different functions, namely residential, commercial, basement car park and facilities.

Revenues are expected to be derived from (i) leasing of the commercial portion of the property; (ii) leasing of certain residential portion of the property and/or basement car park area; and (iii) selling part of the residential portion of the property. The selling and leasing programme has not been launched due to the continuing tightening of monetary policies and other measures imposed by the PRC government which restrict the growth of the PRC property market. The Board expects to commence the property selling and leasing programme when the property market appears to revive.

## FINANCIAL REVIEW

### Liquidity, financial resources and capital structure

As at 31 March 2014, cash and bank deposits of the Group amounted to approximately HK$581,000, representing a decrease of 87.8% comparing with the cash and bank deposits of approximately HK$4,754,000 as at 31 March 2013. The Group's net current assets, which comprised properties held for sale, trade and other receivables, cash and bank deposits, trade and other payables, amounts due to directors and related companies, amounted to approximately HK$26,461,000 as at 31 March 2014 (31 March 2013: HK$29,135,000).

The Group's gearing ratio, which was defined as the ratio of net debt to equity, was 343.0% as at 31 March 2014 (31 March 2013: 144.6%).

The increase in gearing ratio as at 31 March 2014 as compared to that of 31 March 2013 is mainly attributable to the increase in amount due to a shareholder and convertible note and the decrease in equity.

# Management Discussion and Analysis

### Treasury policies

The Group adopted a conservative treasury policy with almost all bank deposits being kept in Hong Kong dollars, or in the local currencies of the operating subsidiaries to minimise exposure to foreign exchange risk. Since most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi, the Group did not experience any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. As at 31 March 2014, the Group had no foreign exchange contracts, interest or currency swaps or other financial derivatives for hedging purpose.

### Capital commitments

As at 31 March 2014, the Group had outstanding commitments in respect of capital expenditure for the construction of a property in Leshan City of approximately HK$42,000 (31 March 2013: HK$699,000).

### Contingent liabilities

As at 31 March 2014, the Group did not have any material contingent liabilities (31 March 2013: Nil).

### Employees and remuneration policy

As at 31 March 2014, the Group had approximately 17 employees (31 March 2013: 17 employees). The Group reviewed employees' remuneration from time to time and salary adjustment was normally made on an annual basis. Special adjustment based on length of service and good performance could be made at any time when warranted. In addition to salaries, the Group provided employees' benefits such as medical insurance and provident fund. Share options and bonuses were also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The board of directors (the "Board") of Great World Company Holdings Ltd (the "Company") has been committed to maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group") in order to enhance the transparency in disclosure of material information. The Board considers such commitment is essential for internal management, financial management and protection of shareholders' interest and believes that maintaining a high standard of corporate governance benefits all shareholders, investors and the business of the Company as a whole. The Company has applied the principles in and complied with the requirements of the Corporate Governance Code ("CG Code") as set out in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") throughout the year ended 31 March 2014.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding the Director's securities transaction in securities of the Company. Having made specific enquiry of all Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the adopted code of conduct regarding Directors' securities transaction throughout the year ended 31 March 2014.

## BOARD OF DIRECTORS

The Board is responsible for reviewing, evaluating and finalising the Company's strategies and policies, annual budgets, business plans and performance, and has full access to adequate, reliable and timely information on the Group so as to enable them to make a timely decision. The Board also has the collective responsibility for leadership and control of, and for promoting the success of, the Group by directing and supervising the Group's affairs.

One of the roles of the Board is to protect and enhance shareholders' interests. The Board acts with integrity and due care for the best interests of the Company and its shareholders. Leading the Group in a responsible and effective manner, the Board adopts terms of reference which detail its functions and responsibilities, including, but not limited to, ensuring competent management, approving objectives, strategies and business plans and monitoring integrity in the Company's conduct of affairs. The management is obliged to supply the Board with adequate information in a timely manner to enable the members to make informed decisions and to discharge their duties and responsibilities. Each Director has separate and independent access to the Group's senior management to acquire more information and to make further enquiries if necessary.

The Board is also responsible for performing the corporate governance duties of the Company. The duties of the Board on corporate governance functions include developing and reviewing the Group's policies and practices on corporate governance, reviewing and monitoring the training and continuous professional development of the Directors and senior management and reviewing the Group's compliance with the CG Code and disclosure in this Corporate Governance Report.

The Board currently comprises three executive Directors, namely Ms. Ng Mui King, Joky (chairman of the Board), Mr. Tong Wang Shun and Ms. Zeng Jieping; and three independent non-executive Directors, namely Mr. Chung Koon Yan, Mr. Chan Ying Cheong and Mr. Lau Ching Wai, Peter.

Each Director has different professional and industrial experience, which enable them to make valuable and diversified advice and guidance to the Group's activities and development. Details of the background and qualifications of the Directors are set out on page 5 of this annual report. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

Candidates to be nominated as directors of the Company are experienced, high calibre individuals. Under the Articles of Association of the Company, any Director appointed by the Board shall hold office until the first annual general meeting after his/her appointment and shall then be subject to re-election by the shareholders. Apart from this, every Director is subject to retirement by rotation at least once every three years.

During the year ended 31 March 2014, the Board held a total of ten board meetings, inclusive of the quarterly regular meetings according to the CG Code. The attendance of each Director is set out on page 11.

## CHAIRMAN

Ms. Ng Mui King, Joky was appointed as the Chairman of the Board in 2007. The primary role of the Chairman is to provide leadership for the Board and to ensure that the Board works effectively in the discharge of its responsibilities. The Chief Executive Officer is responsible for the day-to-day management of the Group's business. The Company is currently seeking right candidates for Chief Executive Officer so as to achieve a balance composition.

## BOARD COMMITTEES

The Board has established three committees in accordance with the CG Code, namely the Audit Committee, the Remuneration Committee and the Nomination Committee. These committees are provided with sufficient resources to discharge their duties and are able to seek independent professional advice when appropriate and upon request. Details of these committees, including their compositions, major responsibilities and functions, and work performed during the year ended 31 March 2014 are set out below:

### Audit Committee

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chung Koon Yan (chairman of the audit committee), Mr. Chan Ying Cheong and Mr. Lau Ching Wai, Peter (appointed on 30 September 2013 when Ms. Hui Sin Man, Alice resigned). The Audit Committee meets with the Group's senior management regularly to review the effectiveness of the internal control systems and the quarterly, interim and annual reports of the Group.

The primary responsibilities of the Audit Committee are:

(i) making recommendation to the Board on the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor and any resignation and dismissal of that auditor;

(ii) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standard;

(iii) liaising with the Board, senior management and the auditors to monitor the integrity of financial statements, the quarterly, interim and annual reports in particular on accounting policies and practices and compliance with accounting standards, the Listing Rules and other legal requirements in relation to financial reporting;

(iv) reviewing the financial control, internal control and risk management system to ensure the management of the Company discharges its duty under an effective internal control system; and

(v) reviewing the report and management letter submitted by external auditor; and considering any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and management's response.

# Corporate Governance Report

For the year ended 31 March 2014, the audit committee reviewed the financial results, the accounting policies and practices adopted, the report issued by an independent professional firm on reviewing the financial system and internal control procedures of the Group and five audit committee meetings were held. The attendance of each committee member is set out on page 11.

**Remuneration Committee**

The Remuneration Committee currently comprises one executive Director, namely Ms. Ng Mui King, Joky and two independent non-executive Directors, namely Chan Ying Cheong (chairman of the remuneration committee) and Mr. Lau Ching Wai, Peter (appointed on 30 September 2013 when Ms. Hui Sin Man, Alice resigned). It reviews and determines the policy for the remuneration of directors and senior management of the Group.

The primary responsibilities of the Remuneration Committee are:

(i) conducting regular review of the remuneration policy of Group's directors and senior management;

(ii) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;

(iii) making recommendation to the Board on remuneration packages of the Directors;

(iv) determining remuneration packages of senior management proposed by the Directors that will attract, motivate and retain the competent staff;

(v) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(vi) reviewing and approving compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment or any compensation arrangements relating to dismissal or removal of director for misconduct; and

(vii) recommending the Board of the structure of long-term incentive plans for executive Directors and certain senior management.

During the year ended 31 March 2014, two remuneration committee meetings were held to review the remuneration package of the Directors and the senior management of the Company. The attendance of each committee member is set out on page 11.

**Nomination Committee**

The Nomination Committee comprises one executive Director, namely Ms. Ng Mui King, Joky (chairman of the nomination committee) and two independent non-executive Directors, namely Mr. Chung Koon Yan and Mr. Chan Ying Cheong.

The primary responsibilities of the Nomination Committee are:

(a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) identifying and nominating for approval of the Board suitably qualified candidates as additional Directors or to fill Board vacancies as they arise;

(c) making recommendations to the Board with respect to the re-election by shareholders of any Director under the relevant provisions in the Company's Articles of Association;

(d) assessing the independence of the candidates in the case of appointment and re-appointment of independent non-executive Directors having regard to relevant guidelines or requirements of the GEM Listing Rules in place from time to time; and

(e) assessing the independence of independent non-executive Directors on an annual basis having regard to relevant guidelines or requirements of the GEM Listing Rules in place from time to time.

Two meetings were held by the Nomination Committee during the year ended 31 March 2014 to review the composition of the Board. The attendance of each committee member is set out below.

## DIRECTORS' ATTENDANCE AT GENERAL MEETINGS AND BOARD AND COMMITTEE MEETINGS

The following table shows the attendance of Directors at general meetings and meetings of the Board and Board Committees during the year ended 31 March 2014:

| | General Meetings | Board Meetings | Meetings of Audit Committee | Meeting of Remuneration Committee | Meeting of Nomination Committee |
|---|---|---|---|---|---|
| *Executive Directors:* | | | | | |
| Ms. Ng Mui King, Joky | 1/1 | 10/10 | – | 2/2 | 2/2 |
| Mr. Tong Wang Shun | 1/1 | 10/10 | – | – | – |
| Ms. Zeng Jieping | 1/1 | 10/10 | – | – | – |
| *Independent Non-executive Directors:* | | | | | |
| Ms. Hui Sin Man, Alice | 1/1 | 7/7 | 3/3 | 1/1 | – |
| Mr. Chung Koon Yan | 1/1 | 10/10 | 5/5 | – | 2/2 |
| Mr. Chan Ying Cheong | 1/1 | 10/10 | 5/5 | 2/2 | 2/2 |
| Mr. Lau Ching Wai, Peter | – | 3/3 | 2/2 | 1/1 | – |

*Note:* Mr. Lau Ching Wai, Peter was appointed as an independent non-executive Director, a member of the audit committee and remuneration committee of the Company on 30 September 2013 to replace Ms. Hui Sin Man, Alice who resigned on the same day.

# Corporate Governance Report

## DELEGATION BY THE BOARD

The Board is responsible for determining the overall strategy and corporate development and ensuring the business operations are properly monitored. The Board reserves the right to decide all policy matters of the Group and material transactions. The Board delegates the day-to-day operations to senior staff that are responsible for different aspects of the operations of the Group.

### Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance coverage in respect of legal action against the Directors in compliance with the CG Code. The insurance coverage is reviewed on an annual basis.

### Training and Support for Directors

Each newly appointed Director shall receive induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company. The Company will also arrange and provide support for suitable training, placing an appropriate emphasis on the roles, functions and duties of its Directors. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. A form has been provided to the Directors to assist them to record training information for reporting to the Company as confirmation of training undertaken. The training information indicate that the Directors have received training and/or materials on corporate governance, inside information and other relevant topics.

## ACCOUNTABILITY AND AUDIT

The Board is responsible to ensure the preparation of the financial statements of the Company and the Group is in accordance with the relevant statutory requirements and applicable accounting standards and to ensure the published financial statements should be issued in a timely manner and can provide a true and fair view of the business and financial information of the Group. In preparing the financial statements, the Board has adopted 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 and the disclosure requirements of the Hong Kong Companies Ordinances that are relevant to its operations.

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

The responsibilities of the external auditors on financial reporting are set out in the Independent Auditors' Report on the Group's consolidated financial statements for the year ended 31 March 2014.

The Board has conducted a review of the effectiveness of the Group's internal control system for the purpose of compliance with the provision of the CG Code with an aim to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Group's business objectives.

## AUDITORS' REMUNERATION

Remuneration paid and payable to the auditors of the Company in respect of their services for the year ended 31 March 2014 are as follows:

| Services rendered | HK$'000 |
|---|---|
| Audit services | 330 |

No non-audit and other related services were provided by the auditors to the Company for the year ended 31 March 2014.

## INTERNAL CONTROL AND RISK MANAGEMENT

Internal control is fundamental to the Group's daily operations. Internal control is useful to Directors, senior management and other key personnel that are accountable for control in the Group as well as acting as a tool in providing Directors and senior management with information of sufficient quality to make business decisions and meet their regulatory obligations.

In this connection, Internal Control Policy and Procedures have been formulated and implemented within the Group with the primary objective of providing general guidance and recommendations on a basic framework of internal control and risk management. The key objectives of the internal control include:

– Safeguarding assets
– Ensuring completeness, accuracy and validity of financial records and reports
– Promoting adherence to policies, procedures, regulations and laws
– Promoting effectiveness and efficiency of operations

The Internal Control Policy and Procedures cover, amongst others, the following material activities – finance, operational and compliance controls:

### Finance

Effective financial control is essential in identifying and managing liabilities to ensure that the Group is not unnecessarily exposed to avoidable financial risks as well as safeguarding of assets from inappropriate use or loss, including the prevention and detention of fraud and errors. A set of measures has been formulated and implemented to tighten the control on cash flow. All payments should be properly checked and approved. Proper accounting and financial records shall be maintained in supporting financial budgets, periodic management accounts and reports.

### Operational

With regard to the Group's businesses, different sets of principles and procedures have been set up for different management teams to follow. Through the implementation of those principles and procedures, the operation process became more accountable, transparent and efficient.

### Compliance

The Company has fully complied with the requirements of the GEM Listing Rules. Financial reports, announcements and circulars have been prepared and published in accordance with the requirements of the GEM Listing Rules.

The Company has engaged BMS Risk Advisory Services Limited ("BMS") to undertake the role of reviewing and assessing the Group's internal control and risk management systems to evaluate their effectiveness and efficiency on the internal control. BMS has prepared a report to the Board on the findings of the internal control and risk management systems implemented by the Company and helped to identify any significant areas of concern and made recommendations to the Board accordingly.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to convene an extraordinary general meeting and to put forward proposals at Shareholders' meeting

Any one or more Shareholder(s) holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board by mail at Suite 6705, 67/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting on a date not more than 28 days after the date on which the notice convening the meeting is given, the requisitionist(s) him/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the company secretary of the Company by mail at Suite 6705, 67/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the relevant executive officer of the Company.

## INVESTOR RELATIONS

### Communication with Shareholders

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public at large, the Company maintains a website (www.gwchl.com) on which comprehensive information about the Company's major businesses, financial information and announcements, annual, quarterly and interim reports and shareholders circulars are being made available.

The Board is endeavour to maintain an on-going dialogue with shareholders. The chairman of the Board and members of the Board Committees will attend the annual general meeting to answer questions.

# Report of the Directors

The directors of Great World Company Holdings Ltd (the “Company”) submit their report together with the audited financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2014.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are engaged in (i) property investment and (ii) operation of iron mines in the People’s Republic of China (“PRC”).

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2014 are set out in the Consolidated Statement of Profit or Loss on page 24.

The Directors do not recommend the payment of a final dividend.

## RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the Consolidated Statement of Changes in Equity on page 28.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

## INVESTMENT PROPERTY

Details of the movements in investment property of the Group during the year are set out in note 16 to the financial statements.

## FIVE-YEAR FINANCIAL SUMMARY

Results, assets and liabilities of the Group for each of the last five financial years are summarised on page 91.

## SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 28 to the financial statements.

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not redeem any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of its shares during the year.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company’s memorandum and articles of association and there is no restriction against such rights under the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float of not less than 25% of the Company's total issued shares as required under the GEM Listing Rules.

## EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up on the basis of their merit, qualifications and competence and has been reviewed by the remuneration committee.

The emoluments of the directors of the Company are determined by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out below and in note 34 to the financial statements.

## SHARE OPTIONS

### Adoption of new share option scheme

The Company has adopted a new share option scheme at the annual general meeting of the Company held on 3 August 2012 (the "2012 Share Option Scheme"), which is valid and effective for a period of 10 years commencing on 3 August 2012, upon the termination of the share option scheme adopted at the annual general meeting of the Company held on 2 August 2002 (the "2002 Share Option Scheme").

The 2012 Share Option Scheme enables the Company to grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contributions or potential contributions to the Group. The Board may, at its discretion, invite (i) any director or any employee of the Company, any of its subsidiaries or any invested entity; (ii) any holder of legal or beneficial title of any securities issued by any member of the Group or any invested entity; (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group or any invested entity; and (v) any supplier of goods or services, customer or distributor of the Group or any invested entity, to take up options to subscribe for the shares in the Company for a consideration of HK$10 per each lot of share options granted.

The option period shall not exceed 10 years from the date of grant of option. There is no minimum period for which an option must be held before it can be exercised. HK$10 is payable on acceptance of an option within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2012 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the Directors, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time.

As at 31 March 2014, no option had been granted under the 2012 Share Option Scheme.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has an expired service contract with the Company and/or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts or arrangements subsisting which a Director was materially interested and which was significant in relation to the business of the Group at any time during the year ended 31 March 2014.

## INTERESTS OF DIRECTORS

As at 31 March 2014, the interests and short positions of the Directors or chief executive of the Company in the shares, the underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

### Long position in shares and underlying shares of the Company

| | Number of ordinary shares of HK$0.1 each and the underlying shares | | | |
|---|---|---|---|---|
| Name of Directors | Personal interest | Corporate interest | Total number of shares | Approximate percentage of the issued share capital of the Company |
| Ms. Ng Mui King, Joky | – | 337,920,000 *(Note)* | 337,920,000 | 29.97% |

*Note: These shares are held by Gold City Assets Holdings Ltd. which is owned as to 51% by Ms. Ng Mui King, Joky and 49% by Fine Day Asset Holdings Inc.. Ms. Yang Cheng is the 100% beneficial owner of Fine Day Asset Holdings Inc.. Ms. Ng Mui King, Joky is also a director of Gold City Assets Holdings Ltd..*

Save as disclosed above, as at 31 March 2014, none of the Directors and chief executives of the Company had any interests and short positions in the shares, the underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO), required to be entered in the register maintained by the Company pursuant to section 352 of the SFO or which were notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

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

## INTEREST OF SUBSTANTIAL SHAREHOLDERS AND OTHER SHAREHOLDERS

As at 31 March 2014, save as disclosed below, so far is known to the Directors and chief executives of the Company, no person (other than a Director or a chief executive of the Company) has an interest or short position in the shares and underlying shares of the Company which will fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any member of the Group.

### (a) Long positions in shares of the Company

| Name of shareholder | Capacity | Nature of interest | Total number of shares | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| Gold City Assets Holdings Ltd. *(Note 1)* | Beneficial owner | Corporate | 337,920,000 | 29.97% |
| Fine Day Asset Holdings Inc. *(Note 1)* | Interest of a controlled corporation | Corporate | 337,920,000 | 29.97% |
| Mr. Tong Wang Chow *(Note 2)* | Beneficial owner | Personal | 72,904,000 | 6.47% |
| | Interest of spouse | Family | 5,000,000 | 0.44% |
| Mr. Huang Shih Tsai *(Note 3)* | Beneficial owner | Personal | 324,200,000 | 28.75% |

*Notes:*

1. *Pursuant to the SFO, Fine Day Asset Holdings Inc. is deemed interested in this shareholding interest through Gold City Assets Holdings Ltd., which is a company owned as to 51% by Ms. Ng Mui King, Joky and 49% by Fine Day Asset Holdings Inc.. Ms. Ng Mui King, Joky is an executive Director and also a director of Gold City Assets Holdings Ltd.. Ms. Yang Cheng is the 100% beneficial owner of Fine Day Asset Holdings Inc..*

2. *Mr. Tong Wang Chow is the elder brother of Mr. Tong Wang Shun, an executive Director.*

3. *Mr. Huang Shih Tsai ("Mr. Huang") has a total interest in 324,200,000 shares, of which (i) 155,000,000 shares were allotted to Mr. Huang on 15 August 2011 as partial consideration for the acquisition of 100% equity interest in a company wholly-owned by Mr. Huang; and (ii) 169,200,000 shares relate to Mr. Huang's derivative interests in the convertible note, details of which are disclosed in "Convertible Note" below.*

(b) Convertible Note

| Name of noteholder | Date of issue | Conversion period | Conversion price per share *HK$* | Outstanding as at 31 March 2014 | Number of underlying shares | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|---|
| Mr. Huang Shih Tsai | 15 August 2011 | 15 August 2011– 15 August 2016 | 0.20 | 169,200,000 | 169,200,000 | 15% |

## COMPETING INTEREST

During the year up to the date of this report, none of the Directors or their respective associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Company or, any other conflicts of interest with the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, 100% of the Group's turnover was attributable to one customer.

The Group did not have major suppliers as defined under the Listing Rules.

At no time during the year did a Director, or a shareholder of the Company (which to the knowledge of the Director owns more than 5% of the Company's share capital) have an interest in any of the Group's major customer.

# Report of the Directors

## AUDITORS

The consolidated financial statements of the Group for the years ended 31 March 2013 and 2014 were audited by HLB Hodgson Impey Cheng Limited.

The consolidated financial statements of the Group for the year ended 31 March 2012 were audited by HLB Hodgson Impey Cheng, which was reorganised as HLB Hodgson Impey Cheng Limited. HLB Hodgson Impey Cheng was appointed as the Company's auditors on 18 January 2012 to fill the casual vacancy arising from the resignation of Grant Thornton Jingdu Tianhua on 17 January 2012.

The consolidated financial statements of the Group for the year ended 31 March 2011 were audited by Grant Thornton Jingdu Tianhua, who were appointed as the Company's auditors on 20 May 2011 to fill the casual vacancy arising from the resignation of Lo & Lo CPA Limited on the same date.

Save as disclosed above, there have been no other changes of auditors for the preceding three years.

The term of office of HLB Hodgson Impey Cheng Limited will expire upon the forthcoming annual general meeting. 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 forthcoming annual general meeting.

On behalf of the Board

**Ng Mui King, Joky**
*Chairman*

Hong Kong, 27 June 2014

# Independent Auditors' Report

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

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

To the shareholders of
**Great World Company Holdings Ltd**
*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Great World Company Holdings Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 90, which comprise the consolidated and the company statements of financial position as at 31 March 2014, the consolidated statement of profit or loss, 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 the 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' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices 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.

# Independent Auditors' Report

## 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 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*

**Yu Chi Fat**
Practising Certificate Number: P05467

Hong Kong, 27 June 2014

# Consolidated Statement of Profit or Loss

For the year ended 31 March 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Turnover | 5(a) | **1,559** | 963 |
| Cost of sales | | **(849)** | (549) |
| Gross profit | | **710** | 414 |
| Other revenue | 5(b) | **4** | 26 |
| Fair value change on investment property | 16 | **(5,152)** | 6,734 |
| Loss on written off of property, plant and equipment | | **–** | (394) |
| Selling and distribution costs | | **(57)** | (725) |
| Administrative and other operating expenses | | **(8,973)** | (11,235) |
| Finance costs | 7 | **(2,623)** | (2,416) |
| Loss before tax | | **(16,091)** | (7,596) |
| Income tax credit/(expense) | 9 | **848** | (1,907) |
| Loss for the year from continuing operations | 8 | **(15,243)** | (9,503) |
| **Discontinued operation** | 10 | | |
| Profit for the year from discontinued operation | | **–** | 2,438 |
| **Loss for the year** | | **(15,243)** | (7,065) |
| **(Loss)/profit for the year attributable to owners of the Company** | | | |
| from continuing operations | | **(15,243)** | (9,503) |
| from discontinued operation | | **–** | 2,002 |
| | | **(15,243)** | (7,501) |
| **Profit for the year attributable to non-controlling interests** | | | |
| from continuing operations | | **–** | – |
| from discontinued operation | | **–** | 436 |
| | | **–** | 436 |
| | | **(15,243)** | (7,065) |
| **(Loss)/earnings per share** | 13 | | |
| From continuing and discontinued operations | | | |
| Basic and diluted | | **(1.35) HK cents** | (0.66) HK cents |
| From continuing operations | | | |
| Basic and diluted | | **(1.35) HK cents** | (0.84) HK cents |
| From discontinued operation | | | |
| Basic and diluted | | **N/A** | 0.18 HK cents |

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

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

| | **2014** **HK$'000** | 2013 HK$'000 |
|---|---|---|
| Loss for the year | **(15,243)** | (7,065) |
| Other comprehensive income for the year: | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences arising on translation of foreign operations | **9** | 1,101 |
| Items reclassified to profit or loss: | | |
| Exchange reserve relating to foreign operations disposed of during the year | **–** | (5,097) |
| Other comprehensive income for the year, net of tax | **9** | (3,996) |
| Total comprehensive loss for the year | **(15,234)** | (11,061) |
| Total comprehensive (loss)/income attributable to: | | |
| Owners of the Company | **(15,234)** | (11,395) |
| Non-controlling interests | **–** | 334 |
| | **(15,234)** | (11,061) |

# Consolidated Statement of Financial Position

As at 31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **4,555** | 5,027 |
| Investment property | 16 | **68,628** | 73,286 |
| Goodwill | 17 | **–** | – |
| Other intangible asset | 18 | **–** | – |
| Deferred tax assets | 27 | **1,547** | 2,416 |
| | | **74,730** | 80,729 |
| **Current assets** | | | |
| Properties held for sale | 21 | **95,154** | 93,556 |
| Trade and other receivables | 22 | **1,932** | 1,886 |
| Cash and bank deposits | 23 | **581** | 4,754 |
| | | **97,667** | 100,196 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | **(13,371)** | (18,905) |
| Amounts due to directors | 25 | **(3,314)** | (2,729) |
| Amounts due to related companies | 25 | **(54,521)** | (49,427) |
| | | **(71,206)** | (71,061) |
| **Net current assets** | | **26,461** | 29,135 |
| **Non-current liabilities** | | | |
| Amount due to a shareholder | 25 | **(33,874)** | (28,174) |
| Convertible note | 26 | **(26,408)** | (23,788) |
| Deferred tax liabilities | 27 | **(23,505)** | (25,264) |
| | | **(83,787)** | (77,226) |
| **Net assets** | | **17,404** | 32,638 |
| **Capital and reserves** | | | |
| Share capital | 28 | **112,763** | 112,763 |
| Reserves | 29(a) | **(95,359)** | (80,125) |
| **Equity** | | **17,404** | 32,638 |

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

**NG Mui King, Joky**
*Director*

**ZENG Jieping**
*Director*

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

# Statement of Financial Position

As at 31 March 2014

| | Notes | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | *15* | **275** | 375 |
| Investments in subsidiaries | *19* | **20** | 20 |
| Amounts due from subsidiaries | *20* | **52,953** | 52,567 |
| Amount due from a shareholder | *25* | **632** | 632 |
| | | **53,880** | 53,594 |
| **Current assets** | | | |
| Trade and other receivables | *22* | **330** | 321 |
| Amount due from a subsidiary | *20* | **19,331** | 25,031 |
| Cash and bank deposits | *23* | **266** | 734 |
| | | **19,927** | 26,086 |
| **Current liabilities** | | | |
| Trade and other payables | *24* | **(1,904)** | (2,125) |
| Amounts due to directors | *25* | **(3,314)** | (2,729) |
| Amounts due to subsidiaries | *20* | **(68)** | (68) |
| | | **(5,286)** | (4,922) |
| **Net current assets** | | **14,641** | 21,164 |
| **Non-current liabilities** | | | |
| Convertible note | *26* | **(26,408)** | (23,788) |
| Deferred tax liabilities | *27* | **(1,224)** | (1,659) |
| | | **(27,632)** | (25,447) |
| **Net assets** | | **40,889** | 49,311 |
| **Capital and reserves** | | | |
| Share capital | *28* | **112,763** | 112,763 |
| Reserves | *29(b)* | **(71,874)** | (63,452) |
| **Equity** | | **40,889** | 49,311 |

The financial statements were approved and authorised for issue by the board of directors on 27 June 2014 and signed on its behalf by:

**NG Mui King, Joky**
*Director*

**ZENG Jieping**
*Director*

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

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Convertible note equity reserve HK$'000 | Share options reserve HK$'000 | PRC statutory reserves HK$'000 | Translation reserve HK$'000 | Other reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 April 2012 | 112,763 | 125,624 | 6,430 | 385 | 3,808 | 6,801 | 314 | (212,092) | 44,033 | (2,149) | 41,884 |
| Total comprehensive (loss)/income for the year | – | – | – | – | – | (3,894) | – | (7,501) | (11,395) | 334 | (11,061) |
| Share options lapsed | – | – | – | (385) | – | – | – | 385 | – | – | – |
| Release on non-controlling interests on disposal of subsidiaries | – | – | – | – | – | – | – | – | – | 1,815 | 1,815 |
| Transfer of PRC statutory reserves on disposal of subsidiaries | – | – | – | – | (3,808) | – | – | 3,808 | – | – | – |
| At 31 March 2013 and 1 April 2013 | **112,763** | **125,624** | **6,430** | **–** | **–** | **2,907** | **314** | **(215,400)** | **32,638** | **–** | **32,638** |
| Total comprehensive income/(loss) for the year | **–** | **–** | **–** | **–** | **–** | **9** | **–** | **(15,243)** | **(15,234)** | **–** | **(15,234)** |
| **At 31 March 2014** | **112,763** | **125,624** | **6,430** | **–** | **–** | **2,916** | **314** | **(230,643)** | **17,404** | **–** | **17,404** |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax from continuing operations | | **(16,091)** | (7,596) |
| Profit before tax from discontinued operation | | **–** | 2,438 |
| Adjustments for: | | | |
| Interest income | *5(b)* | **(4)** | (20) |
| Finance costs | *7* | **2,623** | 2,416 |
| Depreciation and amortisation | *15* | **588** | 586 |
| Loss on written off of property, plant and equipment | *15* | **–** | 394 |
| Write-down of obsolete inventories | | **–** | 505 |
| Gain on disposal of subsidiaries | *30* | **–** | (694) |
| Fair value change on investment property | *16* | **5,152** | (6,734) |
| Operating cash flows before movements in working capital | | **(7,732)** | (8,705) |
| Payments for construction cost of investment property | | **(594)** | (1,306) |
| Payments for construction cost of properties held for sale | | **(1,810)** | (3,977) |
| Increase in inventories | | **–** | (476) |
| Increase in trade and other receivables | | **(50)** | (21) |
| (Decrease)/increase in trade and other payables | | **(5,368)** | 7,699 |
| Increase in amounts due to directors | | **585** | 125 |
| Increase in amounts due to related companies | | **5,218** | 1,748 |
| **Net cash used in operating activities** | | **(9,751)** | (4,913) |
| **Cash flows from investing activities** | | | |
| Interest received on bank deposits | | **4** | 20 |
| Purchases of property, plant and equipment | | **(122)** | (1,047) |
| Disposal of subsidiaries, net of cash disposed of | *30* | **–** | (1,609) |
| **Net cash used in investing activities** | | **(118)** | (2,636) |
| **Cash flows from financing activity** | | | |
| Interest paid | | **(3)** | (57) |
| Increase in amount due to a shareholder | | **5,700** | 8,300 |
| **Net cash generated from financing activity** | | **5,697** | 8,243 |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

| | Notes | 2014<br>HK$'000 | 2013<br>HK$'000 |
|---|---|---|---|
| **Net (decrease)/increase in cash and cash equivalents** | | **(4,172)** | 694 |
| **Cash and cash equivalents at beginning of the year** | | **4,754** | 5,934 |
| **Effect of foreign exchange rate changes** | | **(1)** | (1,874) |
| **Cash and cash equivalents at end of the year** | | **581** | 4,754 |
| **Analysis of cash and cash equivalents** | | | |
| Cash and bank deposits | 23 | **581** | 4,754 |

As at 31 March 2014, the Group had cash and bank deposits denominated in Renminbi of approximately HK$280,000 (2013: HK$4,421,000). The remittance of these funds out of the People's Republic of China (the "PRC") is subject to the exchange control restrictions imposed by the PRC government.

# Notes to the Financial Statements

For the year ended 31 March 2014

## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" on page 2 of this annual report.

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

The principal activity of the Company is investment holding, and the principal activities of its subsidiaries are set out in note 39.

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the 'new and revised HKFRSs') issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2013. A summary of the new and revised HKFRSs adopted by the Group is set out below.

| | |
|---|---|
| HKAS 1 (Amendments) | Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income |
| HKAS 19 (Revised) | Employee Benefits |
| HKAS 27 (Revised) | Separate Financial Statements |
| HKAS 28 (Revised) | Investments in Associates and Joint Ventures |
| HKAS 36 (Amendments) | Recoverable Amount Disclosures for Non-Financial Assets |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2009-2011 Cycle Issued in June 2012 |
| HKFRS 1 (Amendments) | Government Loans |
| HKFRS 7 (Amendments) | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| HKFRS 10 | Consolidated Financial Statements |
| HKFRS 11 | Joint Arrangements |
| HKFRS 12 | Disclosure of Interests in Other Entities |
| HKFRS 13 | Fair Value Measurements |
| HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments) | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance |
| HK(IFRIC) – Int 20 | Stripping Costs in the Production Phase of a Surface Mine |

The Group has early adopted HKAS 36 (Amendments) *Recoverable Amount Disclosures for Non-Financial Assets*, which is effective for annual period beginning on or after 1 January 2014.

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

The adoption of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years.

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

**HKFRS 13 Fair Value Measurement**

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across HKFRSs. The Standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. The application of this new standard has no material financial impact on the Group.

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

The Group has applied the amendments to HKAS 1. The amendments introduce new terminology for the statement of profit or loss and other comprehensive income. The amendments to HKAS 1 retain the option to present statement of 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 consolidated profit or loss, other comprehensive income and total comprehensive income.

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

| | |
|---|---|
| HKAS 19 (Amendments) | Defined Benefit Plans: Employee Contributions[2] |
| HKAS 32 (Amendments) | Offsetting Financial Assets and Financial Liabilities[1] |
| HKAS 39 (Amendments) | Novation of Derivatives and Continuation of Hedge Accounting[1] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2010-2012 Cycle[3] |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2011-2013 Cycle[2] |
| HKFRS 7 and HKFRS 9 (Amendments) | Mandatory Effective Date of HKFRS 9 and Transition Disclosure[5] |
| HKFRS 9 | Financial Instruments[5] |
| HKFRS 9, HKFRS 7 and HKAS 39 (Amendments) | Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39[5] |
| HKFRS 10, HKFRS 12 and HKAS 27 (Revised 2011) | Investment Entities[1] |
| HKFRS 11 (Amendments) | Accounting for Acquisitions of Interests in Joint Operations[4] |
| HKFRS 14 | Regulatory Deferral Accounts[4] |
| HKFRS 16 and HKAS 38 (Amendments) | Clarification of Acquisitions Methods of Depreciation and Amortisation[4] |
| HK(IFRIC) – Int 21 | Levies[1] |

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

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

3 Effective for annual period beginning on or after 1 July 2014, with limited exception

4 Effective for annual period beginning on or after 1 January 2016, with earlier application permitted

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (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 recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specially, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investment and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entity may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- 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 directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

### (b) Basis of preparation

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

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

Certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time for the year ended 31 March 2014.

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

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

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

Level 2: inputs are inputs other 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where 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.

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 related 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;
- right 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 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 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.

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

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from acquisition is allocated to each of the relevant 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 whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated statement of profit of loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

### (e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation 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.

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

***Mining rights***

Mining rights are carried at cost less accumulated amortization and any impairment losses. Amortisation is using the straight-line method to write off the cost over the term of mining exploitation permit.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Revenue recognition

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

Sales of goods is recognised when goods are delivered and title has passed.

Processing income is recognised when mine processing services are rendered and completed.

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the purchasers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Interest income from a financial asset is recognised 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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### (g) Leases

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***

Operating lease payments are recognised 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 recognised 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 recognised as a liability. The aggregate benefit of incentives is recognised 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised in the respectively functional currency on the rates of exchange prevailing on 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 on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interests 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 recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

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

### (i) 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 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 capitalisation.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(j) Retirement benefit costs**

Payment to defined contribution retirement benefit scheme and state-sponsored pension schemes operated by the Mainland China (the "PRC") government and the Hong Kong Mandatory Provident Fund Scheme are recognised as expense when employees have rendered service entitling them to the contribution.

**(k) 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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Deferred tax***

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period which the liability is settled or the asset is realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(k) Taxation** (continued)

***Current and deferred tax for the year***

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

**(l) Property, plant and equipment**

Property, plant and equipment (other than construction in progress) are stated at cost less accumulated depreciation and any impairment loss, except that when an item of property, plant and equipment is classified as held for sale, it is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

| | |
|---|---|
| Buildings | Over the unexpired lease terms of land on which the building is erected |
| Leasehold improvements | 10% to 25% per annum or shorter of the lease |
| Furniture and equipment | 5% to 25% per annum |
| Motor vehicles | 10% to 25% per annum |

Construction in progress includes property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less recognised impairment loss. 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 intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (m) Investment property

Investment property is initially measured at cost, including any directly attributable expenditure, except for the properties transferred from property, plant and equipment, which are measured at fair value at date of transfer. Subsequent to initial recognition, investment property is measured at its fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property is included in profit or loss in the period in which it arises.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

### (n) Properties held for sale

Properties held for sale are completed properties and are classified as current assets. They are stated at the lower of cost and net realisable value.

The cost of properties held for sale is determined by apportionment of the total development costs which comprise all costs of purchase, costs of conversion and costs incurred in bringing the inventories to their present location attributable to unsold units.

Net realisable value is estimated by the management, based on prevailing market conditions, which represents the estimated selling price less estimated costs to be incurred in selling the property.

### (o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost which is calculated using the first-in-first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sales.

### (p) Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Impairment of tangible and intangible assets other than goodwill (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 recognised immediately in profit or loss.

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

Transaction costs directly attributable to the acquisition of financial assets or financial labilities at fair value through profit or loss are recognised immediately in profit or loss.

### (q) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

### (r) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position 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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset 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 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 asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, and cash and bank deposits) are carried at amortised cost using the effective interest method, less any identified impairment losses.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (r) Financial instruments (continued)

***Financial assets*** (continued)

*Impairment loss of financial assets*

Financial assets are assessed for indicators of impairment at the end of the reporting period.

Financial assets are considered to be impaired where 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 financial assets have been affected.

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

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or

- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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 and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(r) Financial instruments** (continued)

***Financial liabilities and equity***

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

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

*Effective interest method*

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

Interest expense is recognised on an effective interest basis.

*Other financial liabilities*

Other financial liabilities including trade and other payables, amounts due to directors, amounts due to related companies and convertible note are subsequently measured at amortised cost, using the effective interest method.

*Convertible note*

Convertible note issued by the Group that contains both financial liability and equity components is classified separately into respective liability and equity components on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and 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 owned equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible note equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible note equity reserve until the embedded option is exercised (in which case the balance stated in convertible note equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible note equity reserve will be released to accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

**3. SIGNIFICANT ACCOUNTING POLICIES** (continued)

**(r) Financial instruments** (continued)

***Financial liabilities and equity*** (continued)

*Convertible note* (continued)

Transaction costs that relate the issue of the convertible note 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 charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible note using the effective interest method.

***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

**(s) Provisions**

Provisions are recognised 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.

Provisions are measured at 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. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

*Contingent liabilities acquired in a business combination*

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At the end of the subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with HKAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with HKAS 18.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (t) Employee benefits

***Bonuses***

The Group recognises a liability for bonuses when there is a contractual obligation and the amount can be estimated reliably.

***Retirement benefit obligations***

Payments to Mandatory Provident Fund Scheme (the "MPF Scheme"), government-managed retirement benefits schemes and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution scheme, the assets of which are held in separate trustee-administered funds.

Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, with the employers' contributions subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to 1 June 2012). The Group's contributions to the scheme are expensed as incurred and vested in accordance with the scheme's vesting scales. Where employees leave the scheme prior to the full vesting of the employer's contributions, the amount of forfeited contributions is used to reduce the contributions payable by the Group.

The employees employed by the Group's subsidiaries in the People's Republic of China (the "PRC") are members of state-managed retirement benefit schemes operated by the government of the PRC. The subsidiaries are required to contribute a specific percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the government of the PRC is to make the specified contributions under the schemes.

***Share-based payment expenses***

For share options granted to employees, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity under the heading of "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 estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

### (v) Segment reporting

Operating segments information are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's executive officer who that makes strategic decisions.

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgements, 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 recognised 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.

### (a) Critical accounting judgements

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

#### *(i) Income tax*

Determining income tax provision requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

### (b) 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.

#### *(i) Estimated impairment 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 management 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.

#### *(ii) Estimated impairment of intangible asset*

Determining whether intangible asset is impaired requires an estimation of the value in use of the cash-generating units to which intangible asset has been allocated. The value in use calculation requires the management 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.

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

### (b) Key sources of estimation uncertainty (continued)

#### *(iii) Estimation of fair value of investment property*

Investment property is carried in the consolidated statement of financial position at 31 March 2014 at its fair value of approximately of HK$68,628,000 (2013: HK$73,286,000). The fair value was based on a valuation on the property conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions and subject to uncertainty and might materially differ from the actual results. In making the judgement on whether such valuations and assumptions by the valuers are reasonable, the management considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of reporting period, with reference to current market sales prices. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the investment property and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

#### *(iv) Provision for inventories*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision if considered necessary. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions.

#### *(v) Useful lives and impairment of property, plant and equipment*

In determining the useful lives of property, plant and equipment, the management has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is made based on last experience on similar assets that are used in a similar way. Depreciation charge is revised if the estimated useful lives of items of property, plant and equipment are different from the previous estimation. Useful lives are reviewed, at each financial year end date, based on changes in circumstances.

## 5. REVENUE

### (a) Turnover

Turnover represents the net amount received and receivable from goods sold to customers, after allowances for returns, discounts and value-added tax where applicable, and processing income for the year.

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Sales of goods | **–** | 71 |
| Mine processing income | **1,559** | 892 |
| | **1,559** | 963 |

## 5. REVENUE (continued)

### (b) Other revenue

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Bank interest income | **4** | 20 |
| Other revenue | **–** | 6 |
| | **4** | 26 |

## 6. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior management for the purpose of resource allocation and performance assessment, the Group has presented the following two reportable segments.

The Group's continuing operations and reportable segments under HKFRS 8 are as follows:

| | |
|---|---|
| Iron mine business | Exploration, mining and processing of iron ore |
| Property business | Property investment and development, operating and managing residential and commercial properties |

## 6. SEGMENT INFORMATION (continued)

These segments are managed separately as they belong to different industries and require different operating systems and strategies. There were no sales or other transactions between those reportable segments. Information regarding the Group's reportable segments is presented below:

### (a) Segment revenue, profit or loss, assets, liabilities and other selected financial information

**2014**

| | **Iron mine business HK$'000** | **Property business HK$'000** | **Total HK$'000** |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from external customers | **1,559** | **–** | **1,559** |
| Interest income | **–** | **4** | **4** |
| Depreciation | **(457)** | **(7)** | **(464)** |
| Fair value change on investment property | **–** | **(5,152)** | **(5,152)** |
| Total loss of reportable segments | **(211)** | **(6,582)** | **(6,793)** |
| Income tax credit/(expense) | **(1,020)** | **1,435** | **415** |
| Total assets of reportable segments | **5,633** | **164,312** | **169,945** |
| Additions to non-current assets | **92** | **599** | **691** |
| Total liabilities of reportable segments | **(4,916)** | **(61,005)** | **(65,921)** |

2013

| | Iron mine business HK$'000 | Property business HK$'000 | Total HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue from external customers | 963 | – | 963 |
| Interest income | 1 | 19 | 20 |
| Depreciation | (456) | (6) | (462) |
| Loss on written off of property, plant and equipment | (138) | – | (138) |
| Write down of obsolete inventories | (505) | – | (505) |
| Fair value change on investment property | – | 6,734 | 6,734 |
| Total (loss)/profit of reportable segments | (2,488) | 5,541 | 3,053 |
| Income tax expense | – | (2,296) | (2,296) |
| Total assets of reportable segments | 7,164 | 172,242 | 179,406 |
| Additions to non-current assets | (279) | (1,306) | (1,585) |
| Total liabilities of reportable segments | (5,354) | (84,390) | (89,744) |

## 6. SEGMENT INFORMATION (continued)

### (b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Continuing operations** | | |
| Revenue | | |
| Total revenue for reportable segments | 1,559 | 963 |
| Consolidated turnover | 1,559 | 963 |
| Profit or loss | | |
| Total profit/(loss) for reportable segments | (6,793) | 3,053 |
| Unallocated corporate income | – | – |
| Unallocated corporate expenses | (9,298) | (10,649) |
| Consolidated loss before tax | (16,091) | (7,596) |
| Assets | | |
| Total assets for reportable segments | 169,945 | 179,406 |
| Unallocated corporate assets | 2,452 | 1,519 |
| Consolidated total assets | 172,397 | 180,925 |
| Liabilities | | |
| Total liabilities for reportable segments | (65,921) | (89,744) |
| Unallocated corporate liabilities | (89,072) | (58,543) |
| Consolidated total liabilities | (154,993) | (148,287) |

## 6. SEGMENT INFORMATION (continued)

### (c) Geographical Information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, investment property, intangible asset and goodwill ("specified non-current assets"). The geographical location of customer is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on (i) the physical location of the assets, in the case of property, plant and equipment and investment property; and (ii) the location of the operation to which they are allocated, in the case of intangible asset and goodwill.

| | Revenue from external customers | | Specified non-current assets | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | | | |
| PRC | **1,559** | 963 | **72,908** | 77,938 |
| Hong Kong | **–** | – | **275** | 375 |
| | **1,559** | 963 | **73,183** | 78,313 |

### (d) Information about major customers

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the iron mine business is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **–** | 71 |
| Customer B | **1,559** | 892 |

## 7. FINANCE COSTS

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Effective interest expenses on convertible note | **2,620** | 2,359 |
| Interest expenses on other borrowings wholly repayable within five years | **3** | 57 |
| | **2,623** | 2,416 |

## 8. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations has been arrived at after charging:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Staff costs (including directors' remuneration) | | |
| – salaries and other benefits | **3,545** | 4,330 |
| – contributions to defined contribution retirement benefit schemes | **113** | 157 |
| | **3,658** | 4,487 |
| Other items | | |
| – inventories recognised as an expense | **–** | 51 |
| – write-down of obsolete inventories | **–** | 505 |
| Auditors' remuneration | | |
| – audit services | **330** | 330 |
| – other services | **–** | 370 |
| Depreciation of property, plant and equipment | **588** | 586 |
| Operating lease charges in respect of land and buildings | **1,194** | 1,244 |
| Loss on written off of property, plant and equipment | **–** | 394 |

## 9. INCOME TAX (CREDIT)/EXPENSE

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Current tax: | | |
| Hong Kong Profits Tax | **–** | – |
| PRC Enterprise Income Tax | **–** | – |
| Deferred tax *(note 27)* | **(848)** | 1,907 |
| Income tax (credit)/expense for the year | **(848)** | 1,907 |

## 9. INCOME TAX (CREDIT)/EXPENSE (continued)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for both years ended 31 March 2014 and 2013 from its continuing operations.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Loss before tax from continuing operations | **(16,091)** | (7,596) |
| Notional tax on loss before tax calculated at the tax rates applicable to jurisdictions concerned | **(3,232)** | (994) |
| Tax effect of income not taxable for tax purpose | **–** | (1) |
| Tax effect of expenses not deductible for tax purpose | **–** | 1,975 |
| Tax effect of tax losses not recognised | **1,168** | 16 |
| Effect on deferred tax assets from origination and reversal of temporary difference | **1,216** | 911 |
| Income tax (credit)/expense for the year | **(848)** | 1,907 |

## 10. DISCONTINUED OPERATION

### Telecommunications business

On 15 May 2012, the Company disposed of the entire issued share capital of China Bond Technology Limited ("China Bond") and the amount due to the Company by China Bond at a total consideration of RMB400,000 (equivalent to approximately HK$492,000); China Bond and its subsidiary (the "China Bond Group") then ceased to be subsidiaries of the Company.

## 10. DISCONTINUED OPERATION (continued)

**Telecommunications business** (continued)

The comparative consolidated statement of profit or loss and related notes have been re-presented as if the discontinued operation had been discontinued at the beginning of the comparative period. The revenues and results of the China Bond Group were as follows:

Profit for the year from discontinued operation

| | 2013<br>*HK$'000* |
|---|---|
| Turnover | – |
| Cost of sales | – |
| Gross profit | – |
| Other revenue and other income | 3,477 |
| Administrative and other operating expenses | (1,733) |
| Share of result of associate | – |
| Profit before tax | 1,744 |
| Income tax | – |
| Profit for the year | 1,744 |
| Loss on remeasurement to fair value less costs to sell | – |
| Gain on disposal of telecommunications business (including reclassification of translation reserve of approximately HK$4,988,000 from equity to profit and loss on disposal of the operation) | 694 |
| | 2,438 |

Profit for the year from discontinued operation after crediting/(charging):

| | 2013<br>*HK$'000* |
|---|---|
| Bank interest income | 1 |
| Reversal of impairment loss in respect of trade receivables | 1,462 |
| Impairment loss recognised in respect of trade payables | (23) |
| Impairment loss recognised in respect of other payables | (1,731) |
| Operating lease charges in respect of land and buildings | – |
| Write-off of trade and other payables | 2,038 |

The cash flows from discontinued operation are as follows:

| | 2013<br>*HK$'000* |
|---|---|
| Net cash generated from (used in) operating activities | 939 |
| Net cash generated from investing activity | 760 |
| Net cash generated from financing activities | 537 |

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

### (a) Directors' remuneration

The emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance are as follows:

**2014**

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Ms. Ng Mui King, Joky | 600 | – | 15 | 615 |
| Mr. Tong Wang Shun | 240 | – | – | 240 |
| Ms. Zeng Jieping | 240 | – | 12 | 252 |
| Independent non-executive directors: | | | | |
| Ms. Hui Sin Man, Alice[2] | 60 | – | – | 60 |
| Mr. Chung Koon Yan | 120 | – | – | 120 |
| Mr. Chan Ying Cheong | 120 | – | – | 120 |
| Mr. Lau Ching Wai, Peter[3] | 60 | – | – | 60 |
| | 1,440 | – | 27 | 1,467 |

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (continued)

### (a) Directors' remuneration (continued)

2013

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Retirement benefit scheme contributions HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Ms. Ng Mui King, Joky | 600 | – | 14 | 614 |
| Mr. Tong Wang Shun | 382 | – | – | 382 |
| Ms. Zeng Jieping | 240 | – | 12 | 252 |
| Non-executive director: | | | | |
| Mr. Pong Shing Ngai[1] | 96 | – | 2 | 98 |
| Independent non-executive directors: | | | | |
| Ms. Hui Sin Man, Alice | 120 | – | 2 | 122 |
| Mr. Chung Koon Yan | 120 | – | 2 | 122 |
| Mr. Chan Ying Cheong | 120 | – | 2 | 122 |
| | 1,678 | – | 34 | 1,712 |

*Notes:*

1 Mr. Pong Shing Ngai was re-designated as an independent non-executive director on 10 April 2012 and passed away on 16 January 2013.

2 Ms. Hui Sin Man resigned as an independent non-executive director on 30 September 2013.

3 Mr. Lau Ching Wai, Peter was appointed as an independent non-executive director on 30 September 2013.

During the years ended 31 March 2014 and 2013, no emoluments or incentive payments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any emoluments during the year.

## 11. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS (continued)

**(b)** Of the 5 individuals with the highest emoluments in the Group, 3 (2013: 3) are the directors of the Company whose emoluments are set out above. The emoluments of the remaining 2 (2013: 2) non-director highest paid individual is as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **624** | 790 |
| Retirement benefit scheme contributions | **14** | 14 |
| | **638** | 804 |

The number of non-director, highest paid individuals whose remuneration within the following band is as follows:

| | **Number of individual** | |
|---|---|---|
| | **2014** | 2013 |
| Within HK$1,000,000 | **2** | 2 |

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2013: Nil).

At the end of the reporting period, there was no forfeited contribution, which arose upon employees leaving the retirement benefits scheme and which are available to reduce the contribution payable in the future years.

## 12. DIVIDEND

No dividend has been paid nor proposed for the year (2013: Nil).

## 13. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares.

**From continuing and discontinued operations**

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

| | **2014** <br> ***HK$'000*** | 2013 <br> *HK$'000* |
|---|---|---|
| Loss attributable to owners of the Company for the purpose of basic and diluted loss per share | **(15,243)** | (7,501) |

The denominators used are the same as those detailed below for both basic and diluted loss per share from continuing operations.

**From continuing operations**

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

| | **2014** <br> ***HK$'000*** | 2013 <br> *HK$'000* |
|---|---|---|
| Loss figures are calculated as follows: | | |
| Loss for the year attributable to owners of the Company | **(15,243)** | (7,501) |
| *Less:* Profit for the year from the discontinued operation | **–** | 2,002 |
| Loss from continuing operations for the purpose of calculating basic and diluted loss per share | **(15,243)** | (9,503) |

| | **2014** <br> ***'000*** | 2013 <br> *'000* |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **1,127,628** | 1,127,628 |

The computation of diluted loss per share from continuing operations did not assume the conversion of outstanding convertible note and the exercise of outstanding share options of the Company as the conversion/exercise price was higher than the average market price of shares for both years or since their conversion/exercise would result in a decrease in loss per share and thus anti-dilutive for the year ended 31 March 2014 and 31 March 2013.

## 13. (LOSS)/EARNINGS PER SHARE (continued)

**From discontinued operation**

Basic and diluted earnings per share from the discontinued operation is HK$0.18 cents per share for the year ended 31 March 2013 which is arrived at based on the profit for the year ended 31 March 2013 from the discontinued operation of approximately HK$2,002,000 and the denominators detailed above for both basic and diluted loss per share from continuing operations.

## 14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year includes a loss of approximately HK$8,422,000 (2013: HK$23,477,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amounts to the Company's loss for the year are as follows:

| | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|
| Amount of consolidated loss attributable to equity owners dealt with in the Company's financial statements | **8,422** | 23,477 |
| Company's loss for the year *(note 29(b))* | **8,422** | 23,477 |

## 15. PROPERTY, PLANT AND EQUIPMENT

The Group

| | Buildings HK$'000 | Leasehold improvements HK$'000 | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost:** | | | | | | |
| At 1 April 2012 | 183 | – | 3,481 | 2,115 | 982 | 6,761 |
| Additions | 194 | 671 | 103 | – | 79 | 1,047 |
| Elimination on written off | – | (214) | (42) | (287) | – | (543) |
| Disposal of subsidiaries | – | – | (1) | (1) | – | (2) |
| Exchange adjustments | 4 | – | 42 | 24 | 14 | 84 |
| At 31 March 2013 and 1 April 2013 | 381 | 457 | 3,583 | 1,851 | 1,075 | 7,347 |
| Additions | – | – | 122 | – | – | 122 |
| Elimination on written off | – | – | (292) | (412) | – | (704) |
| Exchange adjustments | (2) | – | (8) | (3) | (2) | (15) |
| At 31 March 2014 | 379 | 457 | 3,405 | 1,436 | 1,073 | 6,750 |
| **Accumulated depreciation:** | | | | | | |
| At 1 April 2012 | 183 | – | 1,044 | 638 | – | 1,865 |
| Depreciation provided for the year | 3 | 114 | 312 | 157 | – | 586 |
| Elimination on written off | – | – | – | (149) | – | (149) |
| Disposal of subsidiaries | – | – | (1) | (1) | – | (2) |
| Exchange adjustments | 3 | – | 12 | 5 | – | 20 |
| At 31 March 2013 and 1 April 2013 | 189 | 114 | 1,367 | 650 | – | 2,320 |
| Depreciation provided for the year | 10 | 114 | 327 | 137 | – | 588 |
| Elimination on written off | – | – | (292) | (412) | – | (704) |
| Exchange adjustments | (1) | – | (7) | (1) | – | (9) |
| At 31 March 2014 | 198 | 228 | 1,395 | 374 | – | 2,195 |
| **Carrying amounts:** | | | | | | |
| **At 31 March 2014** | **181** | **229** | **2,010** | **1,062** | **1,073** | **4,555** |
| At 31 March 2013 | 192 | 343 | 2,216 | 1,201 | 1,075 | 5,027 |

## 15. PROPERTY, PLANT AND EQUIPMENT (continued)

**The Company**

| | Leasehold improvements *HK$'000* | Furniture and equipment *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Cost:** | | | |
| At 1 April 2012 | – | 113 | 113 |
| Additions | 671 | 77 | 748 |
| Elimination on written off | (214) | (42) | (256) |
| At 31 March 2013 and 1 April 2013 | 457 | 148 | 605 |
| Additions | – | 25 | 25 |
| At 31 March 2014 | 457 | 173 | 630 |
| **Accumulated depreciation:** | | | |
| At 1 April 2012 | – | 108 | 108 |
| Depreciation provided for the year | 114 | 8 | 122 |
| At 31 March 2013 and 1 April 2013 | 114 | 116 | 230 |
| Depreciation provided for the year | 115 | 10 | 125 |
| At 31 March 2014 | 229 | 126 | 355 |
| **Carrying amounts:** | | | |
| **At 31 March 2014** | **228** | **47** | **275** |
| At 31 March 2013 | 343 | 32 | 375 |

## 16. INVESTMENT PROPERTY

| | HK$'000 |
|---|---|
| **Fair Value** | |
| 1 April 2012 | 67,830 |
| Adjustments to construction costs | (3,553) |
| Additions | 1,306 |
| Net increase in fair value recognised in the consolidated statement of profit or loss | 6,734 |
| Exchange adjustments | 969 |
| At 31 March 2013 and 1 April 2013 | 73,286 |
| Additions | 594 |
| Net decrease in fair value recognised in the consolidated statement of profit or loss | (5,152) |
| Exchange adjustments | (100) |
| **At 31 March 2014** | **68,628** |

The fair value of the Group's investment property at 31 March 2014 and 2013 have respectively been arrived at on the basis of a valuation carried out on that date by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. The directors of Asset Appraisal Limited are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment property.

The fair value of investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis to the quality of the Group's buildings compared to the recent sales.

Fair value adjustment of investment property is recognised in the line item "fair value change in investment property" on the face of the consolidated statement of profit or loss at the end of the reporting period.

At 31 March 2014 and 2013, no investment property has been pledged to obtain banking facilities for the Group. The minimum lease payments have been paid in full at the inception of the lease.

## 16. INVESTMENT PROPERTY (continued)

The carrying amount of investment property shown above comprise:

| | 2014<br>*HK$'000* | 2013<br>*HK$'000* |
|---|---|---|
| Investment property in the PRC, held under medium-term lease | **68,628** | 73,286 |

The Group has planned to lease out investment property after construction completed. The leases will typically run for an initial period of 1 to 2 years, with an option to renew the lease after that date at which time all terms will be renegotiated. Lease payment will usually be increased every year to reflect market rentals. None of the leases will include contingent rentals.

All properties held under operating leases that would otherwise meet the definition of investment property are classified as investment property.

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

**The Group**

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| **At 31 March 2014** | | | | |
| Investment properties: | | | | |
| – Located outside Hong Kong | **–** | **68,628** | **–** | **68,628** |

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy at the end of the reporting period in which they occur.

The fair value of investment property located in the PRC is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square metre basis using market data which is publicly available.

## 17. GOODWILL

| | 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April | **11,364** | 11,206 |
| Exchange adjustments | **(26)** | 158 |
| At 31 March | **11,338** | 11,364 |
| **Accumulated impairment:** | | |
| At 1 April | **11,364** | 11,206 |
| Exchange adjustments | **(26)** | 158 |
| | **11,338** | 11,364 |
| **Carrying amounts:** | | |
| At 31 March | **–** | – |

## 18. OTHER INTANGIBLE ASSET

### The Group

| | Mining right 2014 HK$'000 | 2013 HK$'000 |
|---|---|---|
| **Cost:** | | |
| At 1 April | **1,266** | 1,248 |
| Exchange adjustments | **(3)** | 18 |
| At 31 March | **1,263** | 1,266 |
| **Accumulated amortisation and impairment:** | | |
| At 1 April | **1,266** | 1,248 |
| Exchange adjustments | **(3)** | 18 |
| At 31 March | **1,263** | 1,266 |
| **Carrying amount:** | | |
| At 31 March | **–** | – |

The cost of mining right represents amounts paid for the purpose of obtaining a PRC mining exploitation permit (the “Permit”), which was granted for a term of 10 years from 25 October 2007 to 25 October 2017. Amortisation is provided for using the straight-line method to write off the cost over the term of the Permit.

## 19. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Unlisted equity shares, at cost | **20** | 20 |

Details of subsidiaries as at 31 March 2014, which materially affected the Group's results or net assets, are set out in note 39.

## 20. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Amounts due from subsidiaries | **76,963** | 82,277 |
| Impairment losses | **(4,679)** | (4,679) |
| | **72,284** | 77,598 |
| Less: Amounts classified as non–current assets | **(52,953)** | (52,567) |
| Amount classified as current assets | **19,331** | 25,031 |
| Amounts due to subsidiaries | **(68)** | (68) |

The amounts due from subsidiaries classified as non-current assets, representing the amounts which the Company has no intention to demand for repayment within 12 months after the reporting date, are unsecured, interest-free and have no fixed terms of repayment.

The amount due from a subsidiary classified as current assets is unsecured, interest-free and recoverable on demand.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

## 21. PROPERTIES HELD FOR SALE

| | HK$'000 |
|---|---|
| At 1 April 2012 | 99,012 |
| Adjustments to construction costs | (10,825) |
| Additions | 3,977 |
| Exchange adjustments | 1,392 |
| At 31 March 2013 and 1 April 2013 | 93,556 |
| Additions | 1,810 |
| Exchange adjustments | (212) |
| **At 31 March 2014** | **95,154** |

At 31 March 2014, the properties held for sale of approximately HK$95,154,000 (2013: HK$93,556,000) were included in the Group's current assets in the consolidated statement of financial position as it is expected that the properties will be realised in the Group's normal operating cycle for property business.

At 31 March 2014, the Group performed impairment assessment on its properties held for sale to assess their recoverable amounts with reference to a valuation made by an independent qualified professional valuer, Asset Appraisal Limited. The valuation was arrived at by using the direct comparison method. As the expected recoverable amounts of the properties held for sale are higher than their carrying amounts at the reporting date, the directors of the Company are of the opinion that no impairment on these properties is considered necessary.

The stock of properties at 31 March 2014 is located in the PRC. The carrying amounts of properties held for sale shown above are as follows:

| | **2014**<br>***HK$'000*** | 2013<br>*HK$'000* |
|---|---|---|
| Properties held for sale in the PRC under medium-term lease | **95,154** | 93,556 |

## 22. TRADE AND OTHER RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade receivables | **–** | – | **–** | – |
| Other receivables | **661** | 868 | **–** | – |
| Prepayments | **555** | 310 | **–** | – |
| Deposits | **716** | 708 | **330** | 321 |
| | **1,932** | 1,886 | **330** | 321 |

In determining the recoverability of a receivable, the Group considers if there is any change in the credit quality of the receivable from the date when credit was initially granted up to the end of the reporting period.

## 23. CASH AND BANK DEPOSITS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Cash at bank | **581** | 4,260 | **266** | 240 |
| Cash on hand | **–** | 494 | **–** | 494 |
| | **581** | 4,754 | **266** | 734 |

## 23. CASH AND BANK DEPOSITS (continued)

Cash and bank deposits are denominated in the following currencies:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| HKD | **301** | 333 | **266** | 242 |
| Renminbi ("RMB") | **280** | 4,421 | **–** | 492 |
| | **581** | 4,754 | **266** | 734 |

Cash at bank earns interest at floating rates based on daily bank deposits rates. Short term time deposits are denominated in HK$ and RMB which made for varying periods between one day to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

RMB is currently not a freely convertible currency in the international market. The conversion of RMB into foreign currencies and remittance of RMB out of Mainland China are subject to the rules and regulations of the foreign exchange control promulgated by the Mainland China government.

## 24. TRADE AND OTHER PAYABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Trade payables | **8,058** | 10,814 | **–** | – |
| Other payables | **4,086** | 6,536 | **1,406** | 1,376 |
| Accruals | **778** | 1,105 | **498** | 749 |
| Deposits received | **449** | 450 | **–** | – |
| | **13,371** | 18,905 | **1,904** | 2,125 |
| An aged analysis of the trade payables is as follows: | | | | |
| Within 3 months | **–** | – | **–** | – |
| Over 3 months but within 1 year | **–** | – | **–** | – |
| Over 1 year | **8,058** | 10,814 | **–** | – |
| | **8,058** | 10,814 | **–** | – |

## 25. AMOUNTS DUE TO DIRECTORS/A SHAREHOLDER/RELATED COMPANIES

The amounts due to directors/related companies are non-trade nature, unsecured, interest-free and have no fixed repayment terms.

The amount due to a shareholder is non-trade nature, unsecured, interest-free and has no fixed repayment terms. The amount which the Company and shareholder have no intention to demand for repayment within 12 months after the reporting date is classified as non-current liability.

## 26. CONVERTIBLE NOTE

On 15 August 2011, the Company issued a zero coupon convertible note with face value of HK$33,840,000 (the "Convertible Note") to Mr. Huang Shih Tsai as part of the consideration for the acquisition of Linkful Wise Group Holdings Limited and its subsidiaries ("Linkful Group"). The Convertible Note is unsecured, non-interest bearing and repayable upon maturity which is the fifth anniversary of the date of issue. The holder of the Convertible Note has the right at any time during the conversion period to convert the whole or part of the outstanding principal amount of the Convertible Note into ordinary shares of the Company at an initial conversion price of HK$0.20 per share.

The Convertible Note is compound financial instrument containing two components, liability and equity elements. The fair value of the liability component was calculated using the discounted cash flows method at a market interest rate for the equivalent non-convertible note. The effective interest rate of the liability component on initial recognition is approximately 11%. The equity component was stated at its fair value using Binomial model which is included in shareholders' equity as convertible note equity reserve.

The movements in the liability component of the Convertible Note are set out below:

| | The Group and The Company | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| At 1 April | **23,788** | 21,429 |
| Effective interest expense | **2,620** | 2,359 |
| **At 31 March** | **26,408** | 23,788 |

## 27. DEFERRED TAXATION

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Deferred tax assets | **1,547** | 2,416 | **–** | – |
| Deferred tax liabilities | **(23,505)** | (25,264) | **(1,224)** | (1,659) |
| | **(21,958)** | (22,848) | **(1,224)** | (1,659) |

### The Group

The following are the major deferred tax assets/(liabilities) recognised by the Group and their movements during the year:

| | Losses available for offsetting against future taxable profits | Fair value on investment property | Convertible notes | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2012 | 2,986 | (21,614) | (2,048) | (20,676) |
| (Charged)/credited to the consolidated statement of profit or loss | (613) | (1,683) | 389 | (1,907) |
| Exchange adjustments | 43 | (308) | – | (265) |
| At 31 March 2013 and 1 April 2013 | 2,416 | (23,605) | (1,659) | (22,848) |
| (Charged)/credited to the consolidated statement of profit or loss | (875) | 1,288 | 435 | 848 |
| Exchange adjustments | 6 | 36 | – | 42 |
| **At 31 March 2014** | **1,547** | **(22,281)** | **(1,224)** | **(21,958)** |

## 27. DEFERRED TAXATION (continued)

In accordance with the accounting policy, the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$18,689,000 (2013: HK$18,426,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

**The Company**
**Deferred tax liabilities**

| | **Convertible note** *HK$'000* |
|---|---|
| At 1 April 2012 | (2,048) |
| Credited to the consolidated statement of profit or loss | 389 |
| At 31 March 2013 and 1 April 2013 | (1,659) |
| Credited to the consolidated statement of profit or loss | 435 |
| **At 31 March 2014** | **(1,224)** |

No deferred tax asset has been recognised in respect of unused tax losses available for offset against future taxable profits due to unpredictability of future profit streams.

## 28. SHARE CAPITAL

| | **Number of shares** | | **Amount** | |
|---|---|---|---|---|
| | **2014** ***'000*** | 2013 *'000* | **2014** ***HK$'000*** | 2013 *HK$'000* |
| Ordinary shares of HK$0.1 each | | | | |
| Authorised: | | | | |
| — At 31 March | **2,000,000** | 2,000,000 | **200,000** | 200,000 |
| Issued and fully paid: | | | | |
| — At 31 March | **1,127,628** | 1,127,628 | **112,763** | 112,763 |

There was no change in authorised share capital and issued and fully paid ordinary shares during both years ended 31 March 2014 and 2013.

## 29. RESERVES

### (a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior reporting years are presented in the consolidated statement of changes in equity on page 28 of this annual report.

### (b) The Company

| | Share premium HK$'000 | Convertible note equity reserve HK$'000 | Share options reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 31 March 2012 and 1 April 2012 | 166,195 | 6,430 | 385 | (212,985) | (39,975) |
| Total comprehensive loss for the year | – | – | – | (23,477) | (23,477) |
| Share options lapsed | – | – | (385) | 385 | – |
| At 31 March 2013 and 1 April 2013 | 166,195 | 6,430 | – | (236,077) | (63,452) |
| Total comprehensive loss for the year | – | – | – | (8,422) | (8,422) |
| **At 31 March 2014** | **166,195** | **6,430** | **–** | **(244,499)** | **(71,874)** |

### (c) Nature and purpose of the reserves:

***(i) Share premium***

The share premium account of the Company is distributable to the owners of the Company under the Companies Law of the Cayman Islands subject to the provisions of the Company's memorandum and articles of association and provided that the Company will be in a position to payoff its debts as they fall due in the ordinary course of business immediately following the date on which the dividend is proposed to be distributed.

***(ii) Convertible note equity reserve***

The convertible note equity reserve represents the value of the equity component of unexercised convertible note issued by the Company with related deferred tax recognised.

***(iii) Share options reserve***

The share options reserve represents the fair value of the number of unexercised share options granted by the Company recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(t).

***(iv) PRC statutory reserves***

The PRC statutory reserves represent transfers made to the general reserve fund and the enterprise development fund set up by certain subsidiaries in the PRC, pursuant to the relevant regulations. According to the regulations, the general reserve fund may be used for making up losses, if any, and increasing capital while the enterprise development fund may be used for increasing capital.

***(v) Translation reserve***

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(h).

***(vi) Other reserve***

Other reserve mainly represents difference between the consideration paid/received and the equity interest acquired in subsidiaries that do not result in a change of control.

## 29. RESERVES (continued)

### (d) Distributability of reserves

In the opinion of the directors of the Company, the Company had no balance of distributable reserves available for distribution to the owners as at 31 March 2014 (2013: Nil).

## 30. DISPOSAL OF SUBSIDIARIES

As disclosed in note 10, on 15 May 2012, the Group disposed of China Bond Group.

An analysis of assets and liabilities over which control was lost:

| | *HK$'000* |
|---|---|
| Investment in an associate | 15,948 |
| Cash and cash equivalents | 2,101 |
| Loss on remeasurement to fair value less costs to sell | (6,853) |
| Trade and other payables | (8,932) |
| Net assets of China Bond Group disposed of | 2,264 |
| Gain on disposal of China Bond Group: | |
| Consideration received | 492 |
| Net assets disposed of China Bond Group | (2,264) |
| Non-controlling interests | (1,706) |
| Cumulative exchange differences in respect of the net assets of China Bond Group reclassified from equity to profit or loss | 4,988 |
| Direct expenses in relation to the disposal | (816) |
| Gain on disposal | 694 |

The gain on disposal is included in the profit for the year from discontinued operation.

| | *HK$'000* |
|---|---|
| Net cash outflow on disposal of a subsidiary | |
| Consideration received in cash and cash equivalents | 492 |
| Less: Cash and cash equivalents disposed of | (2,101) |
| | (1,609) |

## 31. OPERATING LEASES

The Group and the Company, as lessee, lease certain premises under operating lease arrangements. Leases for premises are negotiated for terms ranging from 1 to 2 years.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| As a lessee | | | | |
| Premises | | | | |
| – within 1 year | **1,165** | 1,148 | **1,165** | 1,148 |
| – in the second to fifth year inclusive | **1,165** | – | **1,165** | – |
| | **2,330** | 1,148 | **2,330** | 1,148 |

## 32. CAPITAL COMMITMENTS

The Group and the Company had the following capital commitment at the end of reporting period:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure contracted for but not provided for in the consolidated financial statements in respect of: | | |
| – investment property | **10** | 173 |
| – properties held for sale | **32** | 526 |
| | **42** | 699 |

*Note:* At 31 March 2013, an amount of approximately HK$14,117,000 are all capital expenditure contracted for investment property and properties held for sale.

## 33. CONTINGENT LIABILITIES

The Group and the Company did not have significant contingent liabilities at the end of reporting period (2013: Nil).

## 34. SHARE OPTION SCHEME

### 2002 Share Option Scheme

The Company's 2002 Share Option Scheme was adopted on 2 August 2002 to replace the "1999 Share Option Scheme" previously adopted on 18 November 1999.

The purpose of the 2002 Share Option Scheme is to enable the Company to grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contributions or potential contributions to the Group. The Board may, at its discretion, invite (i) any director or any employee of the Company or any member of the Group, or any individual seconded to work for the Company or any member of the Group; (ii) any holder of any securities issued by the Company or any member of the Group; and (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent, supplier, customer or distributor of the Company or any member of the Group or any person or entity that provides research, development or other technological support, advisory, consultancy or professional services to the Company or any member of the Group, to take up options to subscribe for the shares in the Company for a consideration of HK$10 per each lot of share options granted. The 2002 Share Option Scheme will remain valid for a period of 10 years commencing on 2 August 2002. The option period shall not exceed 10 years from the date of grant of option. There is no minimum period for which an option must be held before it can be exercised. HK$10 is payable on acceptance of an option within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2002 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2002 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelvemonth period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the directors of the Company, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Share Option Scheme and any other schemes involving the issue or grant of options must not exceed 30% of the Company's shares in issue from time to time.

The 2002 Share Option Scheme was terminated and a new share option scheme, the 2012 Share Option Scheme, was adopted on 3 August 2012.

No share options were granted under the 2002 Share Option Scheme during the year ended 31 March 2013.

**34. SHARE OPTION SCHEME** (continued)

Details of the Company's share options outstanding during the year ended 31 March 2013 are as follows:

| Grantee | Date of grant | Exercise price *HK$* | Number of share options outstanding at beginning of the year | Granted during the year | Exercised during the year | Lapsed during the year | Adjusted during the year | Number of share options outstanding at end of the year |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| Ms. Ng Mui King, Joky | 29/2/2008 | 0.23925 | 450,667 | – | – | (450,667) | – | – |
| Ms. Hui Sin Man, Alice | 29/2/2008 | 0.23925 | 450,667 | – | – | (450,667) | – | – |
| Sub-total | | | 901,334 | – | – | (901,334) | – | – |
| **Employee** | 29/2/2008 | 0.23925 | 4,506,667 | – | – | (4,506,667) | – | – |
| **Total** | | | 5,408,001 | – | – | (5,408,001) | – | – |
| Weighted average exercise price | | | 0.23925 | – | – | 0.23925 | – | – |

## 34. SHARE OPTION SCHEME (continued)

**Adoption of new share option scheme**

In order to enable the continuity of share option available to be granted by the Company, an ordinary resolution had been proposed to and passed by the shareholders at the annual general meeting of the Company held on 3 August 2012 to adopt a new share option scheme (the "2012 Share Option Scheme") upon the termination of the 2002 Share Option Scheme.

The purpose of the 2012 Share Option Scheme is to enable the Company to grant options to selected persons to subscribe for shares in the Company as incentives or rewards for their contributions or potential contributions to the Group. The Board may, at its discretion, invite (i) any director or any employee of the Company, any of its subsidiaries or any invested entity; (ii) any holder of legal or beneficial title of any securities issued by any member of the Group or any invested entity; (iii) any business or joint venture partner, contractor, subcontractor, agent, sub-agent of the Group or any invested entity; (iv) any person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group or any invested entity; and (v) any supplier of goods or services, customer or distributor of the Group or any invested entity, to take up options to subscribe for the shares in the Company for a consideration of HK$10 per each lot of share options granted.

The 2012 Share Option Scheme is valid for a period of 10 years commencing on 3 August 2012. The option period shall not exceed 10 years from the date of grant of option. There is no minimum period for which an option must be held before it can be exercised. HK$10 is payable on acceptance of an option within 28 days from the date of grant.

The total number of shares in respect of which options may be granted under the 2012 Share Option Scheme must not in aggregate exceed 10% of the shares in issue as at the date of adoption of the 2012 Share Option Scheme or the date of approval by the shareholders in general meeting where the limit is refreshed. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained. Options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates in excess of 0.1% of the total number of shares in issue or with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

Options may be exercised at any time during the specified option period. The exercise price shall be determined by the Directors, and shall be at least the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares. The maximum number of shares which may be issued upon exercise of all options granted and yet to be exercised under the 2012 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Company's shares in issue from time to time.

As at 31 March 2013, no option had been granted under the 2012 Share Option Scheme.

## 35. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in fund under the control of trustees. The Group contributes 5% of relevant payroll costs (limited to HK$1,250, HK$1,000 before 1 June 2012, per month of each individual employee) to the MPF Scheme, which contribution is matched by employees. The total cost charged to consolidated statement of profit or loss of approximately HK$59,000 (2013: HK$76,000) represents contributions payable to the MPF Scheme by the Group in respect of the year. As at 31 March 2014, no contribution of the Group (2013: no contribution of the Group) and the Company due in respect of the reporting period had not been paid over to the MPF Scheme.

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

## 36. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group and the Company had the following material transactions with related parties during the year:

**(a) Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

| | **2014** | 2013 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other benefits | **1,704** | 2,158 |
| Retirement benefit scheme contributions | **41** | 48 |
| | **1,745** | 2,206 |

The remuneration of key management is determined having regard to the performance of individuals and market trends.

**(b)** Included in amounts due to related companies of approximately HK$54,521,000 (2013: approximately HK$49,427,000) represents the balances with the companies in which Mr. Huang Shih Tsai, a substantial shareholder of the Company, has share interests and/or directorships and is able to exercise control over these companies. Other than the aforesaid, details of the outstanding balances with directors and a shareholder at the end of the reporting period are set out in the Group's and the Company's statements of financial position and in note 25.

## 37. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the cash and cash equivalents and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net debt divided by equity as shown in the consolidated statement of financial position.

The capital structure of the Group consists of long-term borrowings (comprising convertible note and amount due to a shareholder) and equity (comprising share capital and reserves).

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider 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 follows:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Long-term borrowings | | | | |
| Amount due to a shareholder | **33,874** | 28,174 | **–** | – |
| Liability component of convertible note *(note 26)* | **26,408** | 23,788 | **26,408** | 23,788 |
| Less: Cash and cash equivalents | **(581)** | (4,754) | **(266)** | (734) |
| Net debt | **59,701** | 47,208 | **26,142** | 23,054 |
| Equity | **17,404** | 32,638 | **40,889** | 49,311 |
| Gearing ratio | **343%** | 145% | **64%** | 47% |

The increase in gearing ratio as at 31 March 2014 as compared to that of 31 March 2013 is mainly attributable to increase in net debt and decrease in equity.

## 38. FINANCIAL RISK MANAGEMENT

The disclosure for financial instruments are set out below excluding those included in assets and liabilities classified as held for sale.

### (a) Categories of financial instruments

| | The Group | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Loans and receivables at amortised cost | | |
| Trade and other receivables | **1,377** | 1,576 |
| Cash and bank deposits | **581** | 4,754 |
| | **1,958** | 6,330 |
| Financial liabilities at amortised cost | | |
| Trade and other payables | **(13,371)** | (18,905) |
| Amounts due to directors | **(3,314)** | (2,729) |
| Amount due to a shareholder | **(33,874)** | (28,174) |
| Amounts due to related companies | **(54,521)** | (49,427) |
| Convertible note | **(26,408)** | (23,788) |
| | **(131,488)** | (123,023) |

| | The Company | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Loans and receivables at amortised cost | | |
| Trade and other receivables | **330** | 321 |
| Amounts due from subsidiaries | **19,331** | 77,598 |
| Amount due from a shareholder | **632** | 632 |
| Cash and bank deposits | **266** | 734 |
| | **20,559** | 79,285 |
| Financial liabilities at amortised cost | | |
| Trade and other payables | **(1,904)** | (2,125) |
| Amounts due to directors | **(3,314)** | (2,729) |
| Amounts due to subsidiaries | **(68)** | (68) |
| Convertible note | **(26,408)** | (23,788) |
| | **(31,694)** | (28,710) |

## 38. FINANCIAL RISK MANAGEMENT (continued)

### (b) Financial risk management and policies

The Group's major financial instruments are disclosed in section (a) of this note. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and 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 and the Company's exposure in respect of financial instruments or the manner in which it manages and measures the risk.

#### *(i) Market risk management*

*Currency risk*

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash and bank deposits that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transaction relates. The currencies giving rise to this risk are primarily HKD, Renminbi ("RMB") and United States Dollar ("USD").

Certain cash and bank deposits are denominated in RMB and USD. The conversion of RMB into other currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the People's Republic of China (the "PRC"). The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HKD against RMB and USD. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amount of the group entities' foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

| | Liabilities | | Assets | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| RMB | **–** | – | **–** | 492 |

*Sensitivity analysis*

The Group is mainly exposed to the effect of fluctuation in HKD against RMB.

## 38. FINANCIAL RISK MANAGEMENT (continued)

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

#### *(i) Market risk management* (continued)

*Sensitivity analysis* (continued)

The following table details the group entities' sensitivity to a 5% increase and decrease in functional currency of the relevant group entities against the relevant foreign currencies. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjust their translation at the reporting date for a 5% change in foreign currency rates. A positive number below indicates a decrease in loss or an increase in profit where functional currency of the relevant group entities weaken 5% against the relevant foreign currency. For a 5% strengthen of functional currency of the relevant group entities against the relevant foreign currency, there would be an equal and opposite impact on the loss or profit, and the balance below would be negative.

| | (Loss)/profit before tax for the year | |
|---|---|---|
| | **2014** | 2013 |
| | ***HK$'000*** | *HK$'000* |
| Impact of RMB | **–** | (24) |

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

*Interest rate risk*

The Group's exposure to the risk of changes in market interest rates arises primarily from bank deposits with a floating interest rate. The Group does not use derivative financial instruments to hedge its interest rate risk.

At the end of the reporting period, the Group has no significant exposure to interest rate risk. The exposures to the interest rate risk are monitored on an ongoing basis.

*Price risk*

The Group does not have investments in equity securities for treasury purpose and therefore is not exposed to equity price risk. The management has a policy to monitor the Group's exposure to price risk by maintaining a portfolio of investments with different risk and return profiles and will consider hedging the risk exposure should the need arise.

## 38. FINANCIAL RISK MANAGEMENT (continued)

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

#### *(ii) Fair values*

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

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

(ii) the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input. For an option-based derivative, the fair value is estimated using Binomial Tree Pricing model.

Except for the liability component of convertible note which is initially recognised at fair value and then recorded at amortised cost as below, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their respective fair values:

| | **2014** | | 2013 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Convertible note | **26,408** | **25,052** | 23,788 | 22,363 |

*Note:*

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

## 38. FINANCIAL RISK MANAGEMENT (continued)

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

#### *(iii) Credit risk management*

At 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables consist of a large number of counterparties which do not give rise to significant concentration risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry and country in which customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

The Group deposited its cash and cash equivalents with approved and reputable banks. Bankruptcy or insolvency of the banks may cause the Group's right with respect to cash and cash equivalents held to be delayed or limited. Management of the Company monitors the credit rating of these banks on an ongoing basis, and considers that the Group's exposure to credit risk at 31 March 2014 and 2013 were minimal.

## 38. FINANCIAL RISK MANAGEMENT (continued)

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

#### *(iv) Liquidity risk management*

In the management of the liquidity risk, the management manages the Group's funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operation needs. Various banking facilities and credit lines will be considered to fund any emergency liquidity requirements. The Group currently relies on funds generated from business operations as well as advances from directors/shareholders/related companies as principal source to maintain its liquidity.

The Group monitors and maintains a level of cash and cash equivalents considered adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group held cash and cash equivalents amounting to approximately HK$581,000 at 31 March 2014 (2013: HK$4,754,000).

The following tables details the Group's contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. Undiscounted cash flows of financial liabilities are based on the earliest date on which the Group can be required to pay. The analysis is prepared on the same basis for both 2014 and 2013.

| | Contractual undiscounted cash outflow | | | | |
|---|---|---|---|---|---|
| | Weighted average effective interest rate | On demand or less than 1 year | More than 1 year | Total undiscounted cash flows | Total carrying amount at 31 March |
| | | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **The Group** | | | | | |
| **2014** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Convertible note | **11%** | **–** | **33,840** | **33,840** | **26,408** |
| Trade and other payables | **–** | **13,371** | **–** | **13,371** | **13,371** |
| Amounts due to directors | **–** | **3,314** | **–** | **3,314** | **3,314** |
| Amount due to a shareholder | **–** | **–** | **33,874** | **33,874** | **33,874** |
| Amounts due to related companies | **–** | **54,521** | **–** | **54,521** | **54,521** |
| **Total** | | **71,206** | **67,714** | **138,920** | **131,488** |
| 2013 | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Convertible note | 11% | – | 33,840 | 33,840 | 23,788 |
| Trade and other payables | – | 18,905 | – | 18,905 | 18,905 |
| Amounts due to directors | – | 2,729 | – | 2,729 | 2,729 |
| Amount due to a shareholder | – | – | 28,174 | 28,174 | 28,174 |
| Amounts due to related companies | – | 49,427 | – | 49,427 | 49,427 |
| **Total** | | 71,061 | 62,014 | 133,075 | 123,023 |

**38. FINANCIAL RISK MANAGEMENT** (continued)

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

***(iv) Liquidity risk management*** (continued)

| | Weighted average effective interest rate | On demand or less than 1 year<br>*HK$'000* | More than 1 year<br>*HK$'000* | Total undiscounted cash flows<br>*HK$'000* | Total carrying amount<br>*HK$'000* |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| **2014** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Convertible note | **11%** | **–** | **33,840** | **33,840** | **26,408** |
| Trade and other payables | **–** | **1,904** | **–** | **1,904** | **1,904** |
| Amounts due to directors | **–** | **3,314** | **–** | **3,314** | **3,314** |
| Amounts due to subsidiaries | **–** | **68** | **–** | **68** | **68** |
| **Total** | | **5,286** | **33,840** | **39,126** | **31,694** |
| 2013 | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Convertible note | 11% | – | 33,840 | 33,840 | 23,788 |
| Trade and other payables | – | 2,125 | – | 2,125 | 2,125 |
| Amounts due to directors | – | 2,729 | – | 2,729 | 2,729 |
| Amounts due to subsidiaries | – | 68 | – | 68 | 68 |
| **Total** | | 4,922 | 33,840 | 38,762 | 28,710 |

## 39. LIST OF SUBSIDIARIES

The Company's subsidiaries at 31 March 2014 were as follows, the class of shares held is ordinary unless otherwise stated:

| Name of subsidiary | Place of incorporation/ operation | Forms of legal entity | Issued and paid up share capital | Proportion of nominal value of issued capital/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Hi-Smart Technology Limited | Hong Kong | Limited liability company | HK$1 | 100% | – | Inactive |
| China Score International Holdings Limited | Hong Kong | Limited liability company | HK$1 | 100% | – | Investment holding |
| 鳳山縣黔興礦業有限責任公司 | The PRC | Foreign investment enterprise | RMB10,000,000 | – | 100% | Exploration, mining and processing of iron ore |
| Kingdom Win Limited | Hong Kong | Limited liability company | HK$10,000 | 100% | – | Inactive |
| Golden Strategy Limited | Hong Kong | Limited liability company | HK$10,000 | 100% | – | Investment holding |
| Telecom Develop Limited | Hong Kong | Limited liability company | HK$1 | 100% | – | Inactive |
| Great World Investments Limited | Hong Kong | Limited liability company | HK$1 | 100% | – | Inactive |
| Linkful Wise Group Holdings Limited | British Virgin Islands* | Limited liability company | US$50,000 | 100% | – | Investment holding |

## 39. LIST OF SUBSIDIARIES (continued)

| Name of subsidiary | Place of incorporation/ operation | Forms of legal entity | Issued and paid up share capital | Proportion of nominal value of issued capital/ registered capital held by the Company Directly | Indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Great China International Enterprises Group Limited | Hong Kong | Limited liability company | HK$30,000,000 | – | 100% | Investment holding |
| 樂山大中華國際實業有限公司 | The PRC | Foreign investment enterprise | RMB25,000,000 | – | 100% | Property investment and development, operating and managing residential and commercial properties |

* *No specific principal place of operation*

The PRC subsidiaries adopted 31 December as financial year end date for local statutory reporting purposes. For the preparation of these consolidated financial statements, accounts of those PRC subsidiaries for each of the 12 months ended 31 March 2014 and 2013 have been used after making adjustments, as appropriate, for compliance with accounting principles generally accepted in Hong Kong.

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

## 40. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2014 and 2013. the Group did not have material non-cash transaction.

## 41. EVENT AFTER THE REPORTING PERIOD

The Group does not have material events after the end of the reporting period.

# Five-Year Financial Summary

The summarised consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Group, are set out below:

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2010<br>*HK$'000* | 2011<br>*HK$'000* | 2012<br>*HK$'000* | 2013<br>*HK$'000* | **2014**<br>***HK$'000*** |
| Turnover | 34,876 | 301 | 5,273 | 963 | **1,559** |
| Loss before tax | (6,458) | (14,954) | (26,725) | (7,596) | **(16,091)** |
| Income tax credit/(charge) | 308 | 447 | 598 | (1,907) | **848** |
| Loss for the year from continuing operations | (6,150) | (14,507) | (26,127) | (9,503) | **(15,243)** |
| Profit/(loss) for the year from discontinued operation | – | (19,066) | (8,153) | 2,438 | **–** |
| Loss for the year | (6,150) | (33,573) | (34,280) | (7,065) | **(15,243)** |
| Attributable to: | | | | | |
| Owners of the Company | (6,892) | (28,553) | (33,672) | (7,501) | **(15,243)** |
| Non-controlling interests | 742 | (5,020) | (608) | 436 | **–** |
| | (6,150) | (33,573) | (34,280) | (7,065) | **(15,243)** |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | 2010<br>*HK$'000* | 2011<br>*HK$'000* | 2012<br>*HK$'000* | 2013<br>*HK$'000* | **2014**<br>***HK$'000*** |
| Total assets | 66,497 | 62,581 | 191,647 | 180,925 | **172,397** |
| Total liabilities | (34,632) | (15,855) | (149,763) | (148,287) | **(154,993)** |
| Net assets | 31,865 | 46,726 | 41,884 | 32,638 | **17,404** |
| Non-controlling interests | 2,065 | (2,662) | (2,149) | – | **–** |

# Major Properties

As at 31 March 2014

### Investment property

| Location | Intended use | Category of lease term | Gross floor area *(sq. m.)* | Group's interest *(%)* |
|---|---|---|---|---|
| Commercial units on Level 1 to 3 and 41 carparking spaces on Basement, Venice Building, No. 130 Renmin South Road, Zhongxincheng District, Leshan City, Sichuan Province, the PRC. | Commercial use | Medium | 6,725.24 | 100 |

### Properties held for sale

| Property | Intended use | Category of lease term | Gross floor area *(sq. m.)* | Group's interest *(%)* |
|---|---|---|---|---|
| Residential units on Level 5 to 21, Venice Building, No. 130 Renmin South Road, Zhongxincheng District, Leshan City, Sichuan Province, the PRC. | Residential use | Medium | 20,488.09 | 100 |