JUDA INTERNATIONAL HOLDINGS LIMITED
鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock code:1329

Annual Report
2012/2013

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Lim Chi *(Chairman)*
Mr. Chen Fan *(Chief Executive)*
Mr. Lee Lit Mo Johnny
Mr. Huang Dongsheng (appointed on 19 June 2013)

Independent Non-Executive Directors

Mr. Yan Wai Kiu
Mr. Wong Kin Tak
Mr. Choi Kin Cheong

AUDIT COMMITTEE

Mr. Wong Kin Tak *(Chairman)*
Mr. Yan Wai Kiu
Mr. Choi Kin Cheong

REMUNERATION COMMITTEE

Mr. Yan Wai Kiu *(Chairman)*
Mr. Lee Lit Mo Johnny
Mr. Wong Kin Tak
Mr. Choi Kin Cheong

NOMINATION COMMITTEE

Mr. Choi Kin Cheong *(Chairman)*
Mr. Lee Lit Mo Johnny
Mr. Yan Wai Kiu
Mr. Wong Kin Tak

COMPANY SECRETARY

Mr. Tong Hing Wah, *HKICPA*

AUTHORISED REPRESENTATIVES

Mr. Lee Lit Mo Johnny
Mr. Tong Hing Wah, *HKICPA*

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Quam Capital Limited

LEGAL ADVISER

Sit, Fung, Kwong & Shum, Solicitors

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 01C
10th Floor
Kin Wing Commercial Building
24–30 Kin Wing Street
Tuen Mun
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1329

CORPORATE WEBSITE

www.judaintl.com

Chairman's Statement

Dear Shareholders,

I have pleasure to present to you the Annual Report of Juda International Holdings Limited (the "Company", together with its subsidiaries are collectively referred to as the "Group") for the year ended 31 March 2013.

PERFORMANCE

The Group's total revenue achieved HK$252.4 million for the year ended 31 March 2013, representing a decrease from last year's HK$294.4 million, mainly due to the slowdown of its production and sales in the second half of the year ended 31 March 2013 in order to avoid the possible gross loss caused by the drastic rise in purchase cost of its major raw materials for production. Profit for the year ended 31 March 2013 declined to HK$10.1 million, compared to last year's HK$20.2 million, as the Group incurred higher administrative expenses and taxation during the year.

OUTLOOK

The Group aims at becoming a leading intermediate chemicals manufacturer in the PRC. Having considered the market potential and evaluated the Group's market position and competitive strengths, the Group intends to achieve its business objectives and further growth through expanding its production capacity to increase market penetration and broadening its market coverage and customer base. The Group is also exploring other business opportunities to diversify its product portfolio and strengthen its position in the industry.

APPRECIATION

I would like to take this opportunity to thank my fellow Directors for their invaluable advice and guidance, and to each and every member of staff of the Group for their hard work and unwavering commitment to the Group.

Choi Lim Chi
Chairman

Hong Kong, 14 June 2013

Management Discussion and Analysis

BUSINESS REVIEW

Revenue from sales of phthalic anhydride ("PA"), fumaric acid and other by-products of PA decreased from HK$258.6 million and HK$35.8 million for the year ended 31 March 2012 to HK$229.5 million and HK$22.9 million for the year ended 31 March 2013 respectively. Revenue from sales of PA decreased since the Group slowed down its production and sales of PA in the second half of the year ended 31 March 2013, particularly from December 2012 to February 2013, in order to avoid the possible gross loss caused by the drastic rise in purchase cost of its major raw materials for production of PA, namely ortho-xylene "OX", while the market price of PA could not catch up the increased price of OX. Sales of fumaric acid, as the major by-products at the production of PA, and other by-products also declined accordingly.

FINANCIAL REVIEW

Turnover of the Group dropped from HK$294.4 million for the year ended 31 March 2012 to HK$252.4 million for the year ended 31 March 2013, mainly attributable to the decrease in production and sales volume of PA, fumaric acid and other by-products of PA. Gross profit margin grew from 13.1% for the year ended 31 March 2012 to 16.0% for the year ended 31 March 2013 as the Group had been selling its products prior to the drastic rise in purchase cost of OX during the year ended 31 March 2013 at margin higher than the average for the year ended 31 March 2012. Profit for the year decreased from HK$20.2 million for the year ended 31 March 2012 to HK$10.1 million for the year ended 31 March 2013 due to the increases in administrative expenses and taxation. Administrative expenses rose from HK$9.3 million for the year ended 31 March 2012 to HK$18.3 million for the year ended 31 March 2013 while the amount of listing expenses included as part of administrative expenses increased from HK$3.3 million for the year ended 31 March 2012 to HK$4.9 million for the year ended 31 March 2013 and other administrative expenses, comprising mainly staff costs, also increased upon listing of the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 April 2012. Taxation, representing the enterprise income tax in the PRC, increased from HK$4.3 million for the year ended 31 March 2012 to HK$7.4 million for the year ended 31 March 2013 due to the increase in the Group's effective enterprise income tax rate when the enterprise income tax rate applied to Nice World Chemical Industry (Xiamen) Co., Ltd., an indirect wholly-owned subsidiary of the Company in the PRC and the only operating vehicle of the Group, was 12% during the period from 1 April 2011 to 31 December 2011 under 50% tax relief, and then increased to 25% since 1 January 2012 when it ceased to enjoy 50% tax relief in accordance with the relevant laws and regulations and applicable to all domestic-invested and foreign-invested enterprises in the PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion. As at 31 March 2013, the Group's cash and cash equivalents amounted to HK$37.5 million, including HK$26.2 million and HK$11.3 million denominated in Renminbi ("RMB") and HK$ respectively and representing a decrease of HK$7.3 million as compared to HK$44.8 million as at 31 March 2012. The decrease in cash and cash equivalents was primarily due to the repayment of a portion of bank borrowings during the year ended 31 March 2013. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 March 2013, the Group's interest-bearing bank borrowings were HK$55.6 million (2012: HK$61.4 million), all of which were denominated in RMB, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment and due within one year. The range of effective interest rate on bank borrowings for the year ended 31 March 2013 was 6.60%–8.53% per annum (2012: 6.67%–8.53 per annum).

As at 31 March 2013, the Group's gearing ratio was 0.22, improved from 0.29 as at 31 March 2012. This was based on the division of the total debts, comprising bank borrowings, by total assets. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 March 2013 was reasonable.

Management Discussion and Analysis

CONTINGENT LIABILITIES

As at 31 March 2013, the Group did not have any contingent liabilities (2012: Nil).

CAPITAL COMMITMENTS

As at 31 March 2013, the Group had capital commitment for the acquisition of property, plant and equipment totaling HK$12.8 million (2012: Nil).

CAPITAL STRUCTURE

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. There was no change in the Group' s capital management policies and objectives during the year ended 31 March 2013.

The Group regards total equity as capital. The Group's capital as at 31 March 2013 amounted to HK$186.4 million (2012: HK$139.0 million).

INTEREST RATE RISK EXPOSURE

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. A sensitivity analysis on interest rate risk is set out in Note 5(b) to the Consolidated Financial Statements on page 54 of this Annual Report.

FOREIGN EXCHANGE RISK EXPOSURE

The main operations of the Group were in the PRC and most of the transactions were denominated in RMB. Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

REMUNERATION POLICIES

As at 31 March 2013, the Group had 97 employees (2012: 109 employees). The Group reviews remuneration and benefits of its employees regularly according to the relevant market practice and individual performance of the employees. The Group contributes the social insurance in the PRC and the mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations. Total staff costs (including directors' remuneration) incurred by the Group for the year ended 31 March 2013 were HK$10.3 million (2012: HK$6.7 million).

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 2 April 2012. The net proceeds received from the initial public offering (the "Proceeds"), after deducting underwriting commissions and other estimated expenses payable for the offering, were approximately HK$28.7 million (i.e net price per share of approximately HK$0.574 from initial public offering) and have been used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 March 2012 (the "Prospectus"). As at 31 March 2013, HK$18.6 million, out of the Proceeds, was used in prepayments on the acquisition of property, plant and equipment in connection with the expansion and upgrading of the Group's production capacity. The unused balance of the Proceeds was deposited at the Group's bank accounts. In the event that the Directors decide to use the Proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good governance practices and procedures. During the year ended 31 March 2013, the Company has complied with the requirements under the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules or the continuing obligations requirements of a listed issuer pursuant to the Listing Rules, except for the deviation from Code Provision A.1.8 of the CG Code as described below.

Pursuant to Code Provision A.1.8 of the CG Code, a listed issuer should arrange appropriate insurance cover in respect of legal actions against its directors. The Company had initiated to procure insurance cover immediately following the listing of its shares on the Main Board of Stock Exchange. As it took time to solicit suitable insurer at reasonable commercial terms and conditions, the Company could not be able to arrange for the insurance cover in respect of legal actions against its Directors arising out of the Company's corporate activities till 22 June 2012.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code during the year ended 31 March 2013.

Board of Directors

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 March 2013, a total of five (5) board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Directors'/Committee Members' Attendance at Meetings" below.

The Board is responsible to the shareholders for providing effective leadership, and ensuring transparency and accountability of the Group's operations. It sets the Company's values and aims at enhancing shareholders' value. It formulates the Group's overall strategy and policies and sets corporate and management targets, key operational initiatives as well as policies on risk management pursuant to the Group's strategic objectives.

The Board delegates the day-to-day management, administration and operations of the Group's business to the management of the relevant segments and divisions. The management is responsible for the implementation and adoption of the Company's strategies and policies. The delegated functions and tasks are periodically reviewed by the Board.

Mr. Choi Lim Chi and Mr. Lee Lit Mo Johnny, both executive Directors, are brothers-in-law. To the best knowledge of the Company, save as disclosed herein, there are no other financial, business and family relationships among members of the Board.

Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for directors.

During the year, all Directors attended a formal training programme arranged by the Company to understand the new Part XIVA under the Securities and Futures Ordinance which has come into effect from 1 January 2013.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*
Directors'/Committee Members' Attendance at Meetings

	Meeting Attended/Held During the Year Ended 31 March 2013				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Choi Lim Chi *(Chairman)*	4/5				1/1
Chen Fan *(Chief Executive)*	5/5				1/1
Lee Lit Mo Johnny	5/5		1/1	1/1	1/1
Independent Non-executive Directors					
Yan Wai Kiu	5/5	2/2	1/1	1/1	1/1
Wong Kin Tak	5/5	2/2	1/1	1/1	1/1
Choi Kin Cheong	5/5	2/2	1/1	1/1	1/1

Chairman and Chief Executive
Mr. Choi Lim Chi is the Chairman of the Board and Mr. Chen Fan is the Chief Executive of the Company.

The Chairman of the Board is responsible for the overall strategic development of the Group's operation. The Chief Executive, on the other hand, is principally responsible for marketing and overall management of the Group.

Non-executive Directors
Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 14 March 2012 for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of directors under the Articles of Association of the Company.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Board Committees

(a) Audit Committee ("AC")

The AC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of three members with all independent non-executive Directors, namely, Mr. Wong Kin Tak (as chairman), Mr. Yan Wai Kiu, and Mr. Choi Kin Cheong. Mr. Wong Kin Tak is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants with appropriate professional qualification as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the AC are mainly to make recommendation to the Board on the appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee financial reporting system and internal control procedures of the Company. The terms of reference the AC are available and accessible at the websites of the Company (www.judaintl.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 March 2013, the AC held two (2) meetings. Details of the committee members' attendance at the AC meetings are set out under "Directors'/Committee Members' Attendance at Meetings" above.

The summary of the work of the AC for the year ended 31 March 2013 is as below:

— reviewed the announcement of annual results and annual report of the Group for the financial year ended 31 March 2012 before submission to the Board for adoption and publication;

— reviewed the announcement of interim results and interim report of the Group for the six months ended 30 September 2013 before submission to the Board for adoption and publication;

— met with the auditors to discuss the accounting and audit issues of the Group and reviewed their findings, recommendations and representations;

— reviewed the Group's internal control system;

— reviewed the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes;

— reviewed the compliance with the non-competition undertaking by Lian Wang Limited ("Lian Wang"), Mr. Choi Lim Chi and his spouse, Ms. Wong Sai ("Mrs. Choi"), the controlling shareholders of the Company under the deed of non-competition. Please refer to the Directors' Report as set out in pages 15 to 20 of this Annual Report for details on the compliance and enforcement of the undertaking.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Board Committees *(Continued)*

(b) Remuneration Committee ("RC")

The RC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of four members with three independent non-executive Directors, namely, Mr. Yan Wai Kiu (as chairman), Mr. Wong Kin Tak and Mr. Choi Kin Cheong, and one executive Director, namely, Mr. Lee Lit Mo Johnny.

The primary duties of the RC are mainly to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the Board's corporate goals and objectives; and ensure none of the Directors or any of their associate determine their own remuneration. The terms of reference the RC are available and accessible at the websites of the Company (www.judaintl.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 March 2013, the RC held one (1) meeting. Details of the committee members' attendance at the RC meetings are set out under "Directors'/Committee Members' Attendance at Meetings" above.

The summary of the work of the RC for the year ended 31 March 2013 is as below:

— reviewed the existing policy and structure of the remuneration of the executive Directors;

— reviewed the existing remuneration package of the independent non-executive Directors;

— reviewed the existing policy and structure of the remuneration of management of the Group;

— made recommendations to the Board on the remuneration packages of the executive Directors and management of the Group; and

— assessed performance of the executive Directors.

(c) Nomination Committee ("NC")

The NC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of four members with three independent non-executive Directors, namely, Mr. Choi Kin Cheong (as chairman), Mr. Yan Wai Kiu and Mr. Wong Kin Tak, and one executive Director, namely, Mr. Lee Lit Mo Johnny.

The primary duties of the NC are to review the structure, size and composition of the Board and make recommendations to the Board regarding candidates to fill vacancies on the Board. The terms of reference the NC are available and accessible at the websites of the Company (www.judaintl.com) and the Stock Exchange (www.hkexnews.hk).

For the year ended 31 March 2013, the NC held one (1) meeting. Details of the committee members' attendance are set out under "Directors'/Committee Members' Attendance at Meetings" above.

There was no nomination of new Director during the year ended 31 March 2013.

The summary of the work of the NC for the year ended 31 March 2013 is as below:

— made recommendations to the Board on the re-election of Directors at the forthcoming annual general meeting of the Company;

— assessed the independence of independent non-executive Directors; and

— reviewed the structure, size and composition of the Board.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Corporate Governance Function

The Board is responsible for performing the corporate governance duties and has adopted the CG Code as its corporate governance code of practices since the Listing Date.

The Board has, among other things, reviewed the training and continuous professional development of Directors, the Company's compliance with the respective code provisions of the CG Code for the year ended 31 March 2013 and disclosure in this Corporate Governance Report.

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 March 2013, Mr. Wong Kin Tak and Mr. Choi Kin Cheong have participated in continuous professional development programs required by their respective professional bodies. In addition, the Company has provided relevant training on the Listing Rules and the new Part XIVA under the Securities and Futures Ordinance relating to the obligation to disclose inside information, which took effect on 1 January 2013, to all Directors.

Accountability and Audit

(a) Accountability

The Board is accountable to the shareholders while the management is accountable to the Board. The Board endeavors to ensure that the announcements of annual and interim results and the annual and interim reports of the Group present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.judaintl.com).

(b) Internal Controls

Currently, the Group has not established an internal audit function. The Board has reviewed the need for setting up an internal audit function within the Group, and is of the opinion that in view of the scale and nature of the operations of the Group, it is more cost effective to appoint external independent professionals to carry out internal audit services for the Group.

During the year, the Group engaged an independent certified public accounting firm (the "Internal Auditors") to conduct a review of the internal control system of Nice World Chemical Industry (Xiamen) Co., Ltd., one of the Company's subsidiaries and the only operating vehicle of the Group, and prepare a report on the results of the review (the "IC Report"). The Board and the AC had reviewed the IC Report and are satisfied that the Group's system of internal controls is sound and adequate.

The Board will continue, with the assistance of the AC and the Internal Auditors, to review and improve the Group's internal controls system, taking into account the prevailing regulatory requirements, the Group's business development and the interests of shareholders.

(c) Auditors' Remuneration

The financial statements for the year ended 31 March 2013 were audited by HLB Hodgson Impey Cheng Limited of which the term of office will expire upon the forthcoming annual general meeting. The AC has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Accountability and Audit *(Continued)*

(c) Auditors' Remuneration *(Continued)*

The fees charged by HLB Hodgson Impey Cheng Limited for the year in respect of annual audit services amounted to approximately HK$1,650,000. There was no remuneration paid or payable to HLB Hodgson Impey Cheng Limited in respect of non-audit services for the year.

Directors' responsibility for financial reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2013 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards.

Going Concern

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's and the Group's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements on a going concern basis.

Company Secretary

According to Rule 3.29 of the Listing Rules, Mr. Tong Hing Wah as the Company Secretary of the Company appointed after 1 January 2005 is required to take no less than 15 hours of relevant professional training for the financial year of the Company commencing on or after 1 January 2012. Mr. Tong has confirmed that he took no less than 15 hours of relevant professional training for the year ended 31 March 2013.

Shareholders' Rights

The Company recognizes the importance, and takes high priority, on communication with its shareholders. Certain key information on shareholders' rights is provided below:

1. Procedures to convene an extraordinary general meeting

According to the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholders") shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. The procedures to convene an EGM are as follows:

— Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Room 01C, 10/F, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong, for the attention of the Company Secretary;

— the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene the EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned; and

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Shareholders' Rights *(Continued)*

1. Procedures to convene an extraordinary general meeting *(Continued)*

— the Requisition will be verified with the Company's branch share registrar and upon their confirmation that the Requisition is proper and in order, the Board will convene the EGM by serving sufficient notice in accordance with the requirements under the Articles of Association of the Company to all the registered shareholders of the Company. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for the EGM.

If, within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/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.

2. Procedures to put forward proposals at a general meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, pursuant to the Articles of Association of the Company, shareholders who wish to move a resolution may request the Company to convene an EGM by submitting a requisition following the procedures set out above.

3. Procedures to propose a person for election as a Director at a general meeting

Shareholders shall have right to propose a person other than the existing Director for election as a Director at a general meeting of the Company. Detailed procedures for such right have been posted on the websites of the Company (www.judaintl.com) and the Stock Exchange (www.hkexnews.hk).

4. Procedures to send enquiries to the Board

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Room 01C, 10/F, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong by post or by email to enquiry@judaintl.com for the attention of the Company Secretary.

Investors Relations

The Company has posted its Memorandum and Articles of Association on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.judaintl.com). During the year ended 31 March 2013, there is no significant change in its constitutional documents.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Mr. Choi Lim Chi

Mr. CHOI Lim Chi (蔡念慈先生), alias Mr. CAI Min Jie (蔡民杰先生), aged 49, is the chairman of the Group. He was appointed as an executive Director on 14 March 2012. Mr. Choi is also a director of Great Top and NWCI. Mr. Choi is principally responsible for the overall strategic development of the Group's operation. Mr. Choi has over 20 years of business management experience. Mr. Choi has been the general manager of Deeprofit Limited (深滙有限公司) from 1987 to 1991, the general manager of 廈門德輝房地產有限公司 (Xiamen Dehui Real Estate Co., Ltd.) from 1991 to 1995.

While Mr. Choi was conducting real estate business in Xiamen in around 1995, as the Xiamen Municipal Government invited and attracted foreign investors to invest and develop a series of industrial projects to be carried out in the Haicang Xinyang Industrial District in Xiamen, Mr. Choi was interested to invest in the chemical industrial projects so as to diversify his family's real estate business and he therefore started to venture into the chemical industry. Mr. Choi, using the capital funded by his family, established Nice World Chemical Industry (Xiamen) Co., Ltd. ("NWCI") in 1995 and has been the director of NWCI since then as well as the general manager of NWCI from September 1996 to December 1999.

Mr. Choi was a member of 中國人民政治協商會議吉林省長春市委員會 (the Committee of the Chinese People's Political Consultative Conference in Changchun City of Jilin Province) and is currently a member of 中國人民政治協商會議海南省委員會 (the Committee of the Chinese People's Political Consultative Conference in Hainan Province). In December 2006, Mr. Choi was appointed as the honorary chairman of 長春市僑聯第九屆委員會 (the Committee of the Ninth Session of Returned Overseas Chinese Association of Changchun City). In April 2007, Mr. Choi was appointed as the member of 中國僑聯青年委員會第二屆委員會 (the Second committee of the Youth Committee of the All-China Federation of Returned Overseas Chinese), and in November 2008, Mr. Choi was appointed as the vice president of 長春市政協港澳友好促進會 (China People's Political Consultative Conference Hong Kong and Macau Friendship Association of Changchun City). In January 2011, Mr. Choi obtained the master's degree in Business Administration from Tsinghua University in the PRC. Mr. Choi is the brother-in-law of Mr. Lee Lit Mo Johnny.

Mr. Chen Fan

Mr. CHEN Fan (陳凡先生), aged 58, is the chief executive of the Group and was appointed as an executive Director on 14 March 2012. He is also the chairman (董事長) and the legal representative (法人代表) of NWCI. Mr. Chen is principally responsible for marketing and overall management of the Group. From 1974 to 1998, Mr. Chen worked for 中國地圖出版社 (SinoMaps Press) as head of internal audit department, deputy head of accounting department and various positions in other departments. Mr. Chen was accredited as an accountant by 中華人民共和國國務院機關事務管理局 (The Authority of Civil Service Matters of the State Council of the PRC) in August 1997 pursuant to 中央國家機關會計證管理實施細則 (the Implementation Regulations on Management of Certificate of Accountants for the Central Authorities of the State) during his term of employment with SinoMaps Press. Such regulations were promulgated by the Authority of Civil Service Matters of the State Council on 18 March 1997 which provides that the accounting qualifications of accounting officers working in certain government agencies and organisations supervised by the government authorities, including SinoMaps Press, are required to be certified by the Authority of Civil Service Matters of the State Council. Mr. Chen joined NWCI in October 2004 as a general manager, and was appointed as the chairman (董事長) in April 2010. Mr. Chen graduated from 北京廣播電視大學 (Beijing Open University) with a college diploma majoring in Auditing in July 1989.

Mr. Lee Lit Mo Johnny

Mr. LEE Lit Mo Johnny (李烈武先生), aged 41, was appointed as a Director on 9 August 2010 and designated as executive Director on 2 September 2011. Mr. Lee joined the Group in July 2010 when he was appointed as directors of Great Top and NWCI and is principally responsible for administration and corporate development of the Group. Mr. Lee has more than ten years of experience in financial industry. In September 1996, Mr. Lee worked in Seapower Asset Management Co. Ltd. as an investment analyst and, later from August 1998 he worked as an assistant fund manager at SIIC Asset Management Co. Ltd until April 2001. From April 2001 to March 2006, he worked in Core Pacific-Yamaichi Capital Limited responsible for corporate finance transactions and handling initial public offering projects and resigned as senior manager in March 2006. From March 2006 to August 2008, Mr. Lee joined CCB International Asset Management Limited as the associate director of direct investment division. Mr. Lee graduated from McGill University in Montreal, Canada with a bachelor's degree in Commerce majoring in Finance and Management Information Systems in June 1995. He is the brother-in-law of Mr. Choi Lim Chi.

Biographical Details of Directors

Mr. Huang Dongsheng

Mr. Huang Dongsheng (黃東生), aged 58, was appointed as an executive Director on 19 June 2013. Mr. Huang has extensive experience in investment business. Mr. Huang commenced his investment in corporate projects and import and export trading in 1985. From 1991 to 1995, he had established various Chinese-foreign equity joint ventures with local enterprises in the PRC and was appointed as chairman of board or general manager. He is currently the chairman of a private group of companies in Hong Kong with various PRC subsidiaries which specialize in investment and development in the heavy metal industry, asset management, provision of financial solutions, investment banking services, and risk investment and management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yan Wai Kiu

Mr. YAN Wai Kiu (甄韋喬先生), formerly known as Mr. Yan Kin Wai (甄堅惠先生) aged 42, was appointed as an independent non-executive Director on 14 March 2012. Mr. Yan is the founder, chairman and managing director of Li Hing Holdings Limited, the holding company of a group of companies, including Li Hing Environmental Services Company Limited, Hong Kong Recycling Company Limited and Li Hing Pest and Rodent Control Services Limited, which provide a wide range of environmental and cleaning services in Hong Kong. Mr. Yan also actively participates in charitable and social services in Hong Kong. In 2000, he established and became the founding chairman of United Hearts Youth Foundation Limited, a charitable organisation exempt from tax under the Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong), the primary objective of which is to take care of the needs and education for the children in Hong Kong and mountain areas in the PRC. In 2006, Mr. Yan was awarded the World Outstanding Chinese by the World Outstanding Chinese Association and World Chinese Business Investment Foundation Limited. Mr. Yan was also awarded one of the Hong Kong Ten Outstanding Young Persons in 2007 and one of the Ten Outstanding Young Persons of the World in 2008. Mr. Yan is currently a member from Hong Kong of The Chinese People's Political Consultative Conference in Yangjiang City of Guangdong, member of Youth Square Management Advisory Committee, the vice chairman of the Y. Elites Association Limited. He is also the founder and vice chairman of Hong Kong Youth Exchange Promotion United Association Limited, and the founder and chairman of V Q Foundation Limited.

Mr. Wong Kin Tak

Mr. WONG Kin Tak (黃健德先生), aged 41, has been appointed as an independent non-executive Director on 2 September 2011. Mr. Wong graduated from the Hong Kong Baptist University with a bachelor's degree in Business Administration majoring in Accounting in December 1994. He is a certified public accountant of Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants. He has abundant experience in auditing, accounting and financial management. Mr. Wong worked in Ernst & Young from August 1994 to November 1999, and subsequently held managerial positions in various companies, including the appointments as a financial controller and company secretary of companies listed on the Stock Exchange and overseas. Mr. Wong is currently the director of a business consultancy firm. Mr. Wong is also an independent non-executive director of China Agrotech Holdings Limited (stock code: 1073), whose shares are listed and traded on the Main Board.

Mr. Choi Kin Cheong

Mr. CHOI Kin Cheong (崔建昌先生), aged 38, was appointed as an independent non-executive Director on 14 March 2012. He graduated from the University of London, Centre for Commercial Law Studies of Queen Mary and Westfield College with a Master of Laws in November 2003. He obtained a Bachelor of Laws and Postgraduate Certificate in Laws from The University of Hong Kong in December 1999 and June 2000 respectively. He also obtained a Higher Diploma in Business Studies from the City University of Hong Kong in December 1996. He is currently a partner of a law firm in Hong Kong, Pang & Co. in association with Loeb & Loeb LLP, and is specialised in corporate advisory. Mr. Choi was admitted as a solicitor of the High Court of Hong Kong in December 2002 and as a solicitor of the Supreme Court of England and Wales in April 2008. Mr. Choi was also an independent non-executive director of Modern Education Group Limited (stock code: 1082) until 9 August 2012, whose shares are listed and traded on the Main Board.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2013.

CORPORATE REORGANISATION AND INITIAL PUBLIC OFFERING

The Company was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands ("Companies Law") as an exempted company with limited liability on 9 August 2010. Pursuant to the Reorganisation to rationalise the Group's structure in preparation for the listing of the shares of the Company on the Main Board of the Stock Exchange, the Company became the holding company of the companies comprising the Group on 15 February 2012. Details of the Reorganisation are set out in Note 1 to the Consolidated Financial Statements on pages 29 to 30 of this Annual Report. The Company's shares were listed on the Main Board of the Stock Exchange on 2 April 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 18 to the Consolidated Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2013 are set out in the Consolidated Statement of Comprehensive Income on page 23 of this Annual Report.

The Directors do not recommend the payments of any dividend for the year ended 31 March 2013.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the last five financial years is set out in the Five Year Financial Summary on pages 77 to 78 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the Consolidated Financial Statements on page 65 of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 28(a) to the Consolidated Financial Statements on pages 72 to 73 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 28(b), (c), (d), (e) and (f) to the Consolidated Financial Statements on pages 73 to 74 of this Annual Report and in the Consolidated Statement of Changes in Equity on page 26 of this Annual Report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2013, sales to the Group's largest customer and five largest customers accounted for approximately 27.5% and 62.4%, respectively, of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 89.7% and 97.8%, respectively, of the Group's total purchases for the year.

None of the Directors, their associates or any shareholders who owned more than 5% of the Company's share capital had any interests in the five largest customers or suppliers at any time during the year.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 March 2013 are set out in Note 25 to the Consolidated Financial Statements on page 71 of this Annual Report.

DIRECTORS

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

Executive Directors:
Mr. Choi Lim Chi *(Chairman)*
Mr. Chen Fan *(Chief Executive)*
Mr. Lee Lit Mo Johnny

Independent non-executive Directors:
Mr. Yan Wai Kiu
Mr. Wong Kin Tak
Mr. Choi Kin Cheong

According to article 84(1) of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and still considers them to be independent.

Report of the Directors

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors of the Company are set out on pages 13 to 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company on 14 March 2012 for an initial term of three years with effect from the Listing Date and thereafter be continuous unless and until terminated by not less than three months' notice in writing served by either party on the other or by payment of three month's fixed salary in lieu of such notice. Each of the annual basic salary (excluding the bonus mentioned below) of executive Directors including Mr. Choi Lim Chi, Mr. Chen Fan and Mr. Lee Lit Mo Johnny is HK$600,000. The basic salary of each executive Director after the expiry of the initial term is subject to annual review with such increment (if any) at such rate to be determined by the remuneration committee of the Company and approved by a majority in number of the members of the Board (excluding the Director whose salary is under review) and the relevant executive Director shall abstain from voting and shall not be counted in the quorum in respect of the proposed resolution regarding the increment.

Each of the executive Directors may be entitled to a discretionary bonus determined and approved by the Board provided that the aggregate amount of such bonus payable in each financial year to all the executive Directors shall not exceed 5% of the audited consolidated net profit of the Group (before taxation but after minority interests and the taxation attributable to the minority interests). Subject to the above, the amount of discretionary bonus payable to each of the executive Directors shall be determined by the remuneration committee of the Company from time to time by reference to the then prevailing market conditions, the performance of the Company as well as his individual performance.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company on 14 March 2012 for a period of two years commencing from the Listing Date subject to the provision of retirement and rotation of Directors under the Articles of Association.

Saved as disclosed above, no other Directors have entered into service agreements with the Company which are not determined by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

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

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, so far as is known to the Directors, the interests or short positions of the Directors and the chief executive of the Company and their associates in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares and underlying shares of the Company

Name of Director	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Choi Lim Chi	Interest of a controlled corporation	150,000,000 *(Note)*	75%

Note: Lian Wang is the registered and beneficial owner of these shares. As at 31 March 2013, Lian Wang was owned as to 0.01% and 99.99% by Mr. Choi Lim Chi and Mrs. Choi respectively. Mr. Choi Lim Chi is the spouse of Mrs. Choi. Moreover, Lian Wang or its directors are accustomed to act in accordance with Mr. Choi Lim Chi's directions. By virtue of the SFO, Mr. Choi Lim Chi is deemed to be interested in the same parcel of shares of the Company in which Lian Wang is interested.

Save as disclosed above, as at 31 March 2013, none of the Directors and the chief executive of the Company and their associates had interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTOR'S INTEREST IN COMPETING BUSINESS

During the year and up to the date of this report, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2013, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name	Capacity	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Lian Wang	Beneficial owner	150,000,000 *(Note)*	75%
Mrs. Choi	Interest of a controlled corporation	150,000,000 *(Note)*	75%

Note: As at 31 March 2013, Lian Wang was a company owned as to 0.01% and 99.99% by Choi Lim Chi and Mrs. Choi respectively. By virtue of the SFO, Mrs. Choi is deemed to be interested in the same parcel of shares of the Company in which Lian Wang is interested.

Save as disclosed above, as at 31 March 2013, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

On 9 April 2013, there was a change in the shareholding structure of Lian Wang, the controlling shareholder of the Company, whereby Mr. Choi Lim Chi has acquired all 9,999 shares in Lian Wang from Mrs. Choi for a nominal consideration of HK$1.00 only.

Upon completion of the said change, the entire issued share capital of Lian Wang is wholly-owned by Mr. Choi Lim Chi and Mrs. Choi has ceased to be a legal and beneficial owner of any shares in Lian Wang. Details of such change have been disclosed in the Company's announcement dated 9 April 2013.

DEED OF NON-COMPETITION

Each of the controlling shareholders of the Company, namely, Lian Wang, Mr. Choi Lim Chi and Mrs. Choi, has confirmed to the Company its/his/her compliance with the non-competition undertakings given to the Company under the Deed of Non-competition as defined in the Prospectus.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted by the Company pursuant to a shareholder's resolution passed on 14 March 2012.

The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, Directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of its subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Details of the Share Option Scheme are set out in the Prospectus.

No options have been granted under the Share Option Scheme since the adoption of the Share Option Scheme and up to the date of this report.

Report of the Directors

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Neither the Group nor the Company has any connected transactions and/or continuing connected transactions as defined under Chapter 14A of the Listing Rules during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out the Corporate Governance Report on pages 6 to 12 of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

On 9 April 2013, there was a change in the shareholding structure of Lian Wang, the controlling shareholder of the Company, whereby Mr. Choi Lim Chi has acquired all 9,999 shares in Lian Wang from Mrs. Choi for a nominal consideration of HK$1.00 only.

Upon completion of the said change, the entire issued share capital of Lian Wang is wholly-owned by Mr. Choi Lim Chi and Mrs. Choi has ceased to be a legal and beneficial owner of any shares in Lian Wang. Details of such change have been disclosed in the Company's announcement dated 9 April 2013.

Save as disclosed above, there were no significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited of which the term of office will expire upon the upcoming 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 upcoming annual general meeting.

HLB Hodgson Impey Cheng has been auditors of the Company since financial year ended 31 March 2012. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Accordingly, HLB Hodgson Impey Cheng retired as the auditors of the Company on 27 August 2012 and HLB Hodgson Impey Cheng Limited was appointed as the auditors of the Company on that date. There have been no other changes of auditors since the listing.

On behalf of the Board
Choi Lim Chi
Chairman

Hong Kong, 14 June 2013

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
JUDA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 76, which comprise the consolidated and Company statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

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 Standard on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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 as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 14 June 2013

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Turnover	*7*	**252,437**	294,425
Cost of sales		**(211,964)**	(255,852)
Gross profit		**40,473**	38,573
Other revenue	*8*	**610**	578
Selling expenses		**(769)**	(697)
Administrative expenses		**(18,347)**	(9,308)
Profit from operations	*9*	**21,967**	29,146
Finance costs	*10*	**(4,462)**	(4,567)
Profit before taxation		**17,505**	24,579
Taxation	*12*	**(7,437)**	(4,336)
Profit for the year		**10,068**	20,243
Other comprehensive income for the year, net of tax:			
Exchange difference on translation of foreign operations		**1,303**	4,282
Total comprehensive income for the year, net of tax		**11,371**	24,525
Profit for the year attributable to owners of the Company		**10,068**	20,243
Total comprehensive income attributable to owners of the Company		**11,371**	24,525
Earnings per share attributable to owners of the Company:			
— Basic (HK cents per share)	*15*	**5.03**	10.12
— Diluted (HK cents per share)	*15*	**5.03**	10.12

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

Consolidated Statement of Financial Position

As at 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Prepaid lease payments	*17*	**1,849**	1,892
Prepayments on acquisition of property, plant and equipment		**18,638**	–
Property, plant and equipment	*16*	**77,612**	82,586
		98,099	84,478
Current assets			
Inventories	*21*	**75,996**	33,741
Trade and bills receivables	*19*	**16,757**	40,667
Prepayments, deposits and other receivables	*20*	**25,926**	10,472
Cash and cash equivalents	*22*	**37,472**	44,758
		156,151	129,638
Less: Current liabilities			
Trade payables	*23*	**2,381**	5,257
Receipt in advance		**302**	–
Accruals and other payables	*24*	**3,419**	7,634
Income tax payable		**4,117**	859
Bank borrowings	*25*	**55,615**	61,380
		65,834	75,130
Net current assets		**90,317**	54,508
Total assets less current liabilities		**188,416**	138,986
Capital and reserves			
Share capital	*28*	**2,000**	10
Reserves	*28*	**186,416**	138,976
Total equity		**188,416**	138,986

Approved by the board of directors on 14 June 2013 and signed on its behalf by:

Mr. Choi Lim Chi
Director

Mr. Chen Fan
Director

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

Statement of Financial Position

As at 31 March 2013

	Notes	**2013 HK$'000**	2012 HK$'000
Non-current assets			
Investments in subsidiaries	*18*	**–**	–
Current assets			
Cash and cash equivalents	*22*	**10,814**	–
Prepayments	*20*	**9**	278
Amounts due from subsidiaries	*18*	**19,441**	10
		30,264	288
Less: Current liabilities			
Accruals	*24*	**400**	400
Amounts due to subsidiaries	*26*	**914**	428
		1,314	828
Net current assets/(liabilities)		**28,950**	(540)
Total assets less current liabilities		**28,950**	(540)
Capital and reserves			
Share capital	*28*	**2,000**	10
Reserves	*28*	**26,950**	(550)
Total equity		**28,950**	(540)

Approved by the board of directors on 14 June 2013 and signed on its behalf by:

Mr. Choi Lim Chi
Director

Mr. Chen Fan
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2013

	Share capital HK$'000 *Note 28(a)*	Share premium HK$'000 *Note 28(a)*	Contribution surplus HK$'000 *Note 28(b)*	Exchange reserve HK$'000 *Note 28(c)*	Other reserve HK$'000 *Note 28(d)*	Statutory reserve HK$'000 *Note 28(e)*	Retained earnings HK$'000	Total HK$'000
At 1 April 2011	–	–	–	12,847	10	3,711	27,903	44,471
Profit for the year	–	–	–	–	–	–	20,243	20,243
Other comprehensive income for the year, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	4,282	–	–	–	4,282
Total comprehensive income for the year	–	–	–	4,282	–	–	20,243	24,525
Effect of Group reorganisation	10	–	79,990	–	(10)	–	–	79,990
Dividend recognised as distribution	–	–	–	–	–	–	(10,000)	(10,000)
Current year appropriation	–	–	–	–	–	2,449	(2,449)	–
At 31 March 2012 and 1 April 2012	10	–	79,990	17,129	–	6,160	35,697	138,986
Profit for the year	–	–	–	–	–	–	10,068	10,068
Other comprehensive income for the year, net of tax:								
Exchange differences on translation of foreign operations	–	–	–	1,303	–	–	–	1,303
Total comprehensive income for the year	–	–	–	1,303	–	–	10,068	11,371
Issue of shares under the public offering	500	52,409	–	–	–	–	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–	–	–	–	–
Share issuing expenses	–	(14,850)	–	–	–	–	–	(14,850)
Current year appropriation	–	–	–	–	–	2,251	(2,251)	–
At 31 March 2013	**2,000**	**36,069**	**79,990**	**18,432**	**–**	**8,411**	**43,514**	**188,416**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Profit before taxation	**17,505**	24,579
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	**56**	55
Depreciation of property, plant and equipment	**5,656**	5,548
Interest income	**(532)**	(564)
Finance costs	**4,462**	4,567
Operating cash flow before working capital changes	**27,147**	34,185
Decrease/(increase) in trade and bills receivables	**24,185**	(28,153)
Increase in inventories	**(42,027)**	(13,101)
(Increase)/decrease in prepayments, deposits and other receivables	**(15,421)**	1,122
Decrease in trade payables	**(2,912)**	(1,559)
(Decrease)/increase in accruals and other payables	**(4,264)**	2,800
Increase/(decrease) in receipt in advance	**302**	(9,254)
Increase in amount due to a director	**–**	1
Increase in amount due to a shareholder	**–**	6,294
Cash used in operations	**(12,990)**	(7,665)
PRC tax paid	**(4,227)**	(5,749)
Net cash used in operating activities	**(17,217)**	(13,414)

Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Cash flows from investing activities		
Interest received	**532**	564
Increase in prepayments on acquisition of property, plant and equipment	**(18,638)**	–
Purchase of property, plant and equipment	**(156)**	(735)
Net cash used in investing activities	**(18,262)**	(171)
Cash flows from financing activities		
Dividend paid	**–**	(10,000)
Interest paid	**(4,462)**	(4,567)
Proceeds from issue of shares under the public offering	**52,909**	–
Share issuing expenses	**(14,850)**	–
Proceeds from new bank loans	**55,615**	61,380
Repayment of bank loans	**(61,794)**	(61,380)
Net cash generated from/(used in) financing activities	**27,418**	(14,567)
Net decrease in cash and cash equivalents	**(8,061)**	(28,152)
Cash and cash equivalents at the beginning of the year	**44,758**	70,143
Effect of foreign currency exchange rate changes	**775**	2,767
Cash and cash equivalents at the end of the year	**37,472**	44,758
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**37,472**	44,758

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

1. GENERAL INFORMATION AND REORGANISATION

Juda International Holdings Limited is a limited liability company incorporated in Cayman Islands on 9 August 2010. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY-111, Cayman Islands and its principal place of business in Hong Kong is located at Room 01C, 10th Floor, Kin Wing Commercial Building, 24–30 Kin Wing Street, Tuen Mun, New Territories, Hong Kong.

The companies now comprising the Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Upon the completion of the Reorganisation on 15 February 2012, the Company became the holding company of the companies comprising the Group. The Reorganisation included the following principal steps:

(a) On 1 July 2010, Lian Wang Limited (the "Lian Wang") was incorporated in the British Virgin Islands (the "BVI") with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On the date of its incorporation, 1 share and 9,999 shares were issued and allotted to Mr. Choi Lim Chi ("Mr. Choi") and Ms. Wong Sai ("Mrs. Choi"), the ultimate shareholders of the Company, respectively.

(b) On 9 August 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. On the date of incorporation, one nil-paid subscriber share was transferred to Lian Wang.

(c) On 5 July 2010, Shengfa Limited ("Shengfa") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to the Company for cash at par.

(d) On 5 July 2010, Cheng Wang Limited ("Cheng Wang") was incorporated in the BVI with an authorised capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 27 August 2010, 1 share was issued and allotted to Shengfa for cash at par.

(e) On 3 February 2012, Cheng Wang acquired (i) the entire issued share capital of Great Top Investment Limited ("Great Top") from Mr. Choi and Mrs. Choi; and (ii) all the outstanding indebtedness in the aggregate sum of HK$79,990,000 due or owing from Great Top to Mr. Choi and Mrs. Choi. In consideration for such acquisition:

  (i) Cheng Wang had, at the direction of Mr. Choi and Mrs. Choi, procured the Company to:

    (aa) allot and issue 999,999 new shares, credited as fully paid, to Lian Wang;

    (bb) credit as fully paid at par 1 nil-paid share held by Lian Wang;

  (ii) 1 ordinary share of US$1.00 each in Shengfa, credited as fully paid, was allotted and issued to the Company; and

  (iii) 1 ordinary share of US$1.00 each in Cheng Wang, credited as fully paid, was allotted and issued to Shengfa.

The shares of the Company have been listed on the Stock Exchange since 2 April 2012.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), assuming that the current structure of the Group had been in existence throughout the year ended 31 March 2012.

The principal activity of the Company is investment holding. The principal activities of the Group are the manufacture and sale of chemicals in the People's Republic of China (the "PRC").

In the opinion of the directors, the Company's ultimate holding company is Lian Wang.

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

The HKICPA has issued certain new and revised standards, amendments and interpretations that are mandatory for accounting periods beginning on or after 1 April 2012. The new and revised standards, amendments and interpretations adopted in the current year are referred to as new and revised HKFRSs. A summary of the effect on initial adoption of these new and revised HKFRSs is set out below:

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

The directors anticipate that the application of these new and revised HKFRSs has no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

The Group has not applied in advance the following new and revised HKFRSs that have been issued but are not yet effective.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

HKFRS 9 Financial Instruments *(Continued)*

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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 (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). 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.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time.

The directors anticipate that the application of these five standards will have no impact to the Group's consolidated financial statements.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKFRS 7 and HKAS 32 (Amendments) Offsetting Financial Assets and Financial Liabilities and the related disclosures

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

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

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

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include:

- amendments to HKAS 1 Presentation of Financial Statements;
- amendments to HKAS 16 Property, Plant and Equipment; and
- amendments to HKAS 32 Financial Instruments: Presentation.

HKAS 1 (Amendments)

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

HKAS 16 (Amendments)

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

HKAS 32 (Amendments)

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if the 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 intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Merger accounting for common control combination

The financial statement incorporates the financial statement items of the combining entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. No amount is recognised with respect to goodwill or any excess of acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statement of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when combining entities or business first came under common control, where this is a shorter period, regardless of the date of common control combination.

Intra-group transactions, balances and unrealised gains on transactions between the combining entities or business are eliminated. Unrealised losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or business have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's statement of comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

Business combinations

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

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

Intangible assets (other than goodwill and intangible assets with indefinite lives)

Intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets are amortised over their estimated useful lives on a straight line basis. Intangible assets are tested for impairment either individually or at the cash-generating unit level when there is an indication that an asset may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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 impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairments of assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated statement of comprehensive income in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(a) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other asset, the recoverable amount is determined for the smallest of asset that generates cash inflows independently (i.e. a cash-generating unit).

(b) Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated statement of comprehensive income in the year in which the reversals are recognised.

Related party transactions

A related party is a person or entity that is related to the Group.

(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 of a parent of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related party transactions *(Continued)*

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group 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. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income 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 where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

Building	40 years
Plant and machinery	5–20 years
Furniture, fixtures and equipment	5 years
Motor vehicle	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the consolidated statement of comprehensive income so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rental payable under the operating leases net of any incentives received from the lessor are charged to the consolidated statement of comprehensive income on the straight-line basis over the lease terms.

Financial instruments

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

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

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss"(FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

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

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

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets (AFS financial assets)

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

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

For AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments that are measured at cost less any identified impairment losses at the end of the reporting period.

Loans and receivables

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

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of 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 investment have been affected.

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30–180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

Other financial liabilities (including trade payables, other payables and accruals, amount due to a director, amount due to a shareholder and obligation under finance lease) are subsequently measured at amortised cost using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

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

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and pledged bank 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, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial positions, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises the tax currently payable and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arise from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

(a) sale of chemicals are recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Turnover excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts; and

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

Employee benefits

Retirement benefits costs

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

As stipulated by the rules and regulations of the PRC, the Company's subsidiaries registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirement benefits are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollars. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and their statement of comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

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

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Borrowing costs

Borrowing costs are interests and other costs incurred in connection with the borrowing of funds. All borrowing costs are charged to the consolidated statements of comprehensive income in the period in which they are incurred.

Segment reporting

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

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 business activities.

Segment revenue, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items. Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate portions of expenses and assets mainly comprise corporate administrative and financing expenses and corporate financial assets respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment arrangements

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

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(a) Income taxes

The Group is subject to income taxes in numerous tax authorities. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for an asset at the end of each reporting period. The asset is tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, an estimation of the value in use of the cash-generating units to which the asset is allocated will be required. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES *(Continued)*

(c) Useful lives and residual values of property, plant and equipment

In determining the useful life and residual value of an item of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, 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 based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or the residual values of items of property, plant and equipment are different from the previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables				
— trade and bills receivables	**16,757**	40,667	**–**	–
— financial assets included in prepayments, deposits and other receivables	**480**	465	**–**	–
— amounts due from subsidiaries	**–**	–	**19,441**	10
— cash and cash equivalents	**37,472**	44,758	**10,814**	–
	54,709	85,890	**30,255**	10
Financial liabilities				
At amortised cost				
— trade payables	**2,381**	5,257	**–**	–
— financial liabilities included in accruals and other payables	**2,138**	1,815	**400**	400
— amounts due to subsidiaries	**–**	–	**914**	428
— bank borrowings	**55,615**	61,380	**–**	–
	60,134	68,452	**1,314**	828

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, prepayments, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables and bank borrowings. The details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk, currency risk and commodity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The carrying amounts of trade and bills receivables included in the consolidated statements of financial position represent the Group's maximum exposure to credit risk in relation to the Group's financial assets. No other financial assets carry a significant exposure to credit risk.

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 85% and 100% of total trade receivables was due from the Group's five largest customers as at 31 March 2013 and 2012 respectively.

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 on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

Substantially all of the Group's cash and cash equivalents are mainly deposited in the state controlled PRC banks which the directors assessed the credit risk to be insignificant.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due, and it results from amount and maturity mismatches of assets and liabilities. The Group will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The Group's financial liabilities are analysed into relevant maturity groupings based on the remaining period at the respective end of the reporting periods to the contractual maturity date, using the contractual undiscounted cash flows, as follows:

The Group

	Weighted average effective interest rate %	Carrying amount HK$'000	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
2013						
Trade payables	**–**	**2,381**	**–**	**2,381**	**–**	**2,381**
Accruals and other payables	**–**	**2,138**	**–**	**2,138**	**–**	**2,138**
Bank borrowings	**6.60**	**55,615**	**–**	**55,615**	**–**	**55,615**
		60,134	**–**	**60,134**	**–**	**60,134**
2012						
Trade payables	–	5,257	–	5,257	–	5,257
Accruals and other payables	–	1,815	–	1,815	–	1,815
Bank borrowings	8.53	61,380	–	61,380	–	61,380
		68,452	–	68,452	–	68,452

The Company

	Weighted average effective interest rate %	Carrying amount HK$'000	On demand HK$'000	Less than 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
2013						
Accruals	**–**	**400**	**–**	**400**	**–**	**400**
Amounts due to subsidiaries	**–**	**914**	**914**	**–**	**–**	**914**
		1,314	**914**	**400**	**–**	**1,314**
2012						
Accruals	–	400	–	400	–	400
Amounts due to subsidiaries	–	428	428	–	–	428
		828	428	400	–	828

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in interest rates is mainly attributable to its bank borrowings. Bank borrowings at variable rates expose the Group to cash flow interest rate risk. The Group currently does not have any interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis on interest rate risk

Regarding the cash flow interest rate risk, the sensitivity analysis set out below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period. For variable rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the years ended 31 March 2013 and 2012 would decrease/increase by approximately HK$278,000 and HK$307,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Currency risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The main operations of the Group were in the PRC and most of the transactions were denominated in Renminbi ("RMB"). Foreign exchange risk arises from the foreign currency denominated of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Commodity risk

Given that orthoxylene is a by-product of crude oil, the Group's profitability depends on the prices of crude oil. Prices of crude oil are affected by numerous factors such as exchange rates, inflation or deflation and global and regional supply and demand. The Group does not enter into commodity derivative instruments or futures to hedge any potential price fluctuations of crude oil. Therefore, fluctuations in the prices of crude oil, and hence, prices of orthoxylen, will have a direct effect on the Group's sales and profit. However, the management monitors the commodity risk exposure and will consider hedging significant commodity risk exposure should the need arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Fair value estimation

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

(i) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

(ii) The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs).

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

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

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

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

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

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

(c) Capital risk management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. The Group manages the capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

5. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(Continued)*

(c) Capital risk management *(Continued)*

The Group monitors capital using a gearing ratio, which is total debts divided by total assets. The Group's policy is to keep the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting period are as follows:

	2013	2012
	HK$'000	HK$'000
Total debts#	**55,615**	61,380
Total assets	**254,250**	214,116
Gearing ratio	**0.22**	0.29

Total debts comprise bank borrowings as detailed in Note 25.

6. OPERATING SEGMENT

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers for the purposes of allocating resources to segments and assessing their performance.

The Group currently operates in one business segment in the manufacture and sale of chemicals in the PRC. A single management team reports to the chief operating decision makers who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segments.

Turnover from major products

The Group's turnover from its major products is as follows:

	2013	2012
	HK$'000	HK$'000
Turnover:		
Sale of Phthalic Anhydride ("PA")	**229,503**	258,582
Sale of fumaric acid and other by-products of PA	**22,934**	35,843
	252,437	294,425

Information about geographical areas

As all of the Group's turnover is derived from customers based in the PRC and the Group's identifiable assets and liabilities are mainly located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 *Operating Segments*.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

6. OPERATING SEGMENT *(Continued)*

Information about major customers

The Group's customer base includes 2 and 3 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2013 and 2012, sales from these customers are set out below:

	2013 **HK$'000**	2012 HK$'000
Customer A	**N/A**	30,396
Customer B	**N/A**	40,391
Customer C	**69,406**	95,175
Customer D	**28,765**	N/A

7. TURNOVER

The principal activities of the Group are the manufacture and the sale of chemicals in the PRC. The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	The Group	
	2013 **HK$'000**	2012 HK$'000
Turnover:		
Sale of PA	**229,503**	258,582
Sale of fumaric acid and other by-products of PA	**22,934**	35,843
	252,437	294,425

8. OTHER REVENUE

	The Group	
	2013 **HK$'000**	2012 HK$'000
Other revenue:		
Bank interest income	**532**	564
Sundry income	**78**	14
	610	578

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

9. PROFIT FROM OPERATIONS

The Group's profit for the year from operations is arrived at after charging:

	The Group	
	2013	2012
	HK$'000	HK$'000
Staff costs:		
Employee benefits expense (including directors' remuneration *(Note 11)*):		
Wages and salaries	**9,069**	6,003
Provident fund contributions	**39**	33
Pension scheme contributions	**693**	538
Staff welfare expenses	**504**	135
	10,305	6,709
Other items:		
Depreciation of owned property, plant and equipment *(Note 16)*	**5,656**	5,548
Amortisation of prepaid lease payments for land use right *(Note 17)*	**56**	55
Auditors' remuneration	**1,650**	1,500
Listing expenses	**4,882**	3,305
Cost of inventories sold	**211,353**	255,383
Operating lease rentals in respect of land and building	**635**	615

For the years ended 31 March 2013 and 2012, the cost of catalysts recognised as cost of sales were approximately HK$1,158,000 and HK$1,135,000 respectively.

10. FINANCE COSTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within one year	**4,462**	4,567

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments for the year, disclosed pursuant to the Listing Rules, are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Fees	**540**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,800**	586
Provident fund contributions	**29**	24
Total	**2,369**	610

(b) Independent non-executive directors' emoluments

The fees paid to independent non-executive directors for the year are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Mr. Yan Wai Kiu	**180**	–
Mr. Wong Kin Tak	**180**	–
Mr. Choi Kin Cheong	**180**	–
	540	–

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the independent non-executive directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which an independent non-executive director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS *(Continued)*

(c) Executive directors and non-executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Provident fund contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors:				
Mr. Choi Lim Chi	**–**	**600**	**29**	**629**
Mr. Chen Fan	**–**	**600**	**–**	**600**
Mr. Lee Lit Mo Johnny	**–**	**600**	**–**	**600**
	–	**1,800**	**29**	**1,829**
2012				
Executive directors:				
Mr. Choi Lim Chi	–	396	24	420
Mr. Chen Fan	–	190	–	190
Mr. Lee Lit Mo Johnny	–	–	–	–
	–	586	24	610

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

During the years ended 31 March 2013 and 2012, Mr. Chen Fan, an executive director of the Group, was also the chief executive of the Group.

(d) Five highest paid employees

The five highest paid employees of the Group during the years ended 31 March 2013 and 2012 are analysed as follows:

	The Group 2013 HK$'000	2012 HK$'000
Directors	**1,829**	610
Non-directors	**547**	427
	2,376	1,037

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

11. DIRECTORS' AND KEY MANAGEMENT PERSONNEL EMOLUMENTS *(Continued)*

(d) Five highest paid employees *(Continued)*

Details of the remuneration of the above non-director, highest paid employees during the years ended 31 March 2013 and 2012 are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**526**	399
Pension scheme contributions	**21**	28
	547	427

The pension scheme contributions represented the Group's statutory contributions to a defined contribution pension scheme organised by the PRC government and were determined based on certain percentage of the salaries of the employees.

The number of these non-directors, highest paid employees whose remuneration fell within the following band is as follows:

	The Group	
	2013	2012
Nil to HK$1,000,000	**2**	3

During the years ended 31 March 2013 and 2012, no emoluments were paid by the Group to the non-directors, highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the years ended 31 March 2013 and 2012.

12. TAXATION

	The Group	
	2013	2012
	HK$'000	HK$'000
Current tax for the year — PRC enterprise income tax	**7,437**	4,336

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2012: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

12. TAXATION *(Continued)*

In accordance with the various approval documents issued by the State Tax Bureau and the Local Tax Bureau of PRC, Nice World Chemical Industry (Xiamen) Co., Ltd. ("NWCI"), and indirect wholly-owned subsidiary of the Company, which was established as wholly foreign-owned enterprise in the PRC, was entitled to a full exemption from the state and local corporate income tax of the PRC for their first two profitable years of operations and thereafter a 50% relief from the state corporate income tax of the PRC for the following three years. NWCI is also entitled to a preferential corporate income tax rate of 18%, 20%, 22% and 24% for 2008, 2009, 2010 and 2011 respectively, in accordance with the relevant laws and regulations in the PRC as it was established in the special economic zone in the PRC.

The two-year tax exemption period for NWCI expired on 31 December 2008, and a three-year 50% tax relief commenced on 1 January 2009.

The tax concessions enjoyed by NWCI, including the preferential corporate income tax rate and 50% tax relief allowed, was expired on 31 December 2011.

During the 5th Session of the 10th National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

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12. TAXATION *(Continued)*

A reconciliation of the income tax expense applicable to profit before taxation using the statutory rate for the location in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate are as follows:

Year ended 31 March 2013

	The PRC		**Hong Kong**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit/(loss) before taxation	**29,956**		**(12,451)**		**17,505**	
Tax at the statutory tax rate	**7,489**	**25.0**	**(2,054)**	**(16.5)**	**5,435**	**31.0**
Tax effect of income not taxable for tax purpose	**(509)**	**(1.7)**	**–**	**–**	**(509)**	**(2.9)**
Tax effect of expenses not deductible for tax purpose	**457**	**1.5**	**2,054**	**16.5**	**2,511**	**14.4**
Tax effect for the year	**7,437**	**24.8**	**–**	**–**	**7,437**	**42.5**

Year ended 31 March 2012

	The PRC		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	28,825		(4,246)		24,579	
Tax at the statutory tax rate	7,206	25.0	(701)	(16.5)	6,505	26.5
Tax effect of income not taxable for tax purpose	(463)	(1.6)	–	–	(463)	(1.9)
Tax effect of expenses not deductible for tax purpose	194	0.6	701	16.5	895	3.6
Lower tax rate for specific provinces or local authority	(200)	(0.6)	–	–	(200)	(0.8)
Tax exemption	(2,401)	(8.4)	–	–	(2,401)	(9.8)
Tax effect for the year	4,336	15.0	–	–	4,336	17.6

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year ended 31 March 2013 included a loss of approximately HK$8,569,000 (2012: HK$550,000) which has been dealt with in the consolidated financial statements of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

14. DIVIDEND

Prior to the Reorganisation

	2013	2012
	HK$'000	HK$'000
Dividend paid by the following company:		
Great Top	**–**	10,000

The amounts represented the dividends paid by a subsidiary of the Company to its owners prior to the Reorganisation. Accordingly, the rate of dividend and the number of shares ranking for the above dividend have not been presented as such information is not meaningful.

After the Reorganisation

No dividend has been paid or declared by the Company after the Reorganisation.

The directors do not recommend the payments of any dividend after the Reorganisation and for the year ended 31 March 2013.

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit attributable to owners of the Company for the years ended 31 March 2013 and 2012, and on the assumptions that the 200,000,000 ordinary shares with par value of HK$0.01 each in issue as at the date of listing of the Company's shares on the Stock Exchange were outstanding throughout the years ended 31 March 2013 and 2012.

	2013	2012
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	**10,068**	20,243
Number of shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**200,000,000**	200,000,000

Diluted earnings per share were same as the basic earnings per share as there was no potential dilutive ordinary shares in existence during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture, fixtures and equipment	Motor vehicle	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost					
At 1 April 2011	33,710	86,526	793	888	121,917
Exchange alignment	1,200	3,081	28	32	4,341
Additions	–	719	16	–	735
At 31 March 2012 and 1 April 2012	34,910	90,326	837	920	126,993
Exchange alignment	235	611	6	6	858
Additions	–	63	16	77	156
At 31 March 2013	35,145	91,000	859	1,003	128,007
Accumulated depreciation					
At 1 April 2011	5,803	30,603	516	540	37,462
Exchange alignment	217	1,141	19	20	1,397
Charge for the year	895	4,564	57	32	5,548
At 31 March 2012 and 1 April 2012	6,915	36,308	592	592	44,407
Exchange alignment	52	272	4	4	332
Charge for the year	905	4,674	41	36}	5,656
At 31 March 2013	7,872	41,254	637	632	50,395
Carrying amounts					
At 31 March 2013	**27,273**	**49,746**	**222**	**371**	**77,612**
At 31 March 2012	27,995	54,018	245	328	82,586

As at 31 March 2013, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,273,000, HK$43,525,000 and HK$26,000 have been pledged as security for bank borrowings (Note 25).

As at 31 March 2012, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$27,995,000, HK$47,591,000 and HK$31,000 have been pledged as security for bank borrowings (Note 25).

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17. PREPAID LEASE PAYMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
The Group's prepaid lease payments for land use rights comprise:		
Leasehold land in the PRC:		
— Medium-term lease	**1,905**	1,948
Analysed for reporting purpose as:		
— Current assets *(Note 20)*	**56**	56
— Non-current assets	**1,849**	1,892
	1,905	1,948

The Group's prepaid lease payments amounts represent the payments for land use rights situated in the PRC. The leasehold lands have lease term of 50 years and the Group has possessed the land use rights of the leasehold land during the lease term.

As at 31 March 2013, prepaid lease payments for land use rights of approximately HK$1,905,000 (2012: HK$1,948,000) have been pledged as security for bank borrowings (Note 25).

18. INTERESTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Less: Provision for impairment loss of investment cost	**–**	–
	–	–
Amounts due from subsidiaries *(Note (a))*	**19,441**	10

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18. INTERESTS IN SUBSIDIARIES *(Continued)*

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

Name of subsidiary	Place of incorporation and kind of legal entity	Issued and paid-up capital	Percentage of equity attributable to the Company (Direct)	Percentage of equity attributable to the Company (Indirect)	Principal activities and place of operation
Shengfa	British Virgin Islands, limited liability company	US$1	100%	–	Investment holding, Hong Kong
Cheng Wang	British Virgin Islands, limited liability company	US$1	–	100%	Investment holding, Hong Kong
Great Top	Hong Kong, limited liability company	HK$10,000	–	100%	Investment, holding, Hong Kong
NWCI	The PRC, limited liability company	US$8,000,000	–	100%	Manufacture and sale of chemicals, the PRC

Note:

(a) The amounts due from subsidiaries included in the Company's current assets are unsecured, interest-free and recoverable on demand.

19. TRADE AND BILLS RECEIVABLES

	The Group 2013 HK$'000	2012 HK$'000
Trade receivables	**7,629**	38,420
Bills receivable	**9,128**	2,247
	16,757	40,667

The carrying amounts of trade and bills receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2012: 30 days) to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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19. TRADE AND BILLS RECEIVABLES *(Continued)*

An aged analysis of trade receivables of the Group at the end of the reporting period, net of provision for impairment is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**7,629**	34,332
31 to 60 days	**–**	2,321
61 to 90 days	**–**	1,767
	7,629	38,420

Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Age of receivables that are past due but not impaired

	The Group	
	2013	2012
	HK$'000	HK$'000
Overdue by:		
1 to 30 days	**–**	2,321
31 to 60 days	**–**	1,767
	–	4,088

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**23,167**	8,995	**9**	278
Prepayments for cost of catalysts	**2,223**	956	**–**	–
Prepaid lease payments for land use rights				
— current portion *(Note 17)*	**56**	56	**–**	–
Other receivables	**480**	465	**–**	–
	25,926	10,472	**9**	278

Notes to the Consolidated Financial Statements
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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

As at 31 March 2013, prepayments mainly comprise of prepayments for purchase of raw materials.

As at 31 March 2012, prepayments mainly comprise of prepaid listing expenses and prepayments for purchase of raw materials.

The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2013, the carrying amount of catalysts was approximately HK$2,223,000 (2012: HK$956,000). For the year ended 31 March 2013, the cost of catalysts recognised as cost of sales was approximately HK$1,158,000 (2012: HK$1,135,000).

21. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**45,528**	6,194
Work in progress	**2,608**	1,643
Finished goods	**27,860**	25,904
	75,996	33,741

22. CASH AND CASH EQUIVALENTS

	The Group		**The Company**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**37,472**	44,758	**10,814**	–

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK$26,171,000 (2012: HK$33,540,000). Cash at banks earns interest at floating rates based on daily bank deposit rates. The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

23. TRADE PAYABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade payables	**2,381**	5,257

An ageing analysis of trade payables of the Group as at the end of the reporting period as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 30 days	**185**	4,924
31 to 60 days	**12**	–
61 to 90 days	**–**	–
Over 90 days	**2,184**	333
	2,381	5,257

The trade payables are non-interest-bearing and are normally settled on or before the delivery and may allow to settle within 30 days.

24. ACCRUALS AND OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**2,309**	7,062	**–**	–
Accruals	**1,110**	572	**400**	400
	3,419	7,634	**400**	400

Other payables mainly comprised the VAT payable amounting to approximately HK$1,281,000 as of 31 March 2013 (2012: HK$5,819,000). The remaining other payables are non-interest bearing and are due to mature within one year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

25. BANK BORROWINGS

	The Group	
	2013	2012
	HK$'000	HK$'000
Bank borrowings — secured		
— wholly repayable within one year	**55,615**	61,380

	The Group	
	2013	2012
	HK$'000	HK$'000
Bank borrowings — secured		
— within one year	**55,615**	61,380
Less: amount repayable within one year included in current liabilities	**(55,615)**	(61,380)
	–	–

The range of effective interest rate on bank borrowings for the year ended 31 March 2013 was 6.60%–8.53% per annum (2012: 6.67%–8.53% per annum).

As at 31 March 2013, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,905,000, HK$27,273,000, HK$43,525,000 and HK$26,000 respectively.

As at 31 March 2012, the Group's bank borrowings were secured by prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment of approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively.

All bank borrowings are denominated in RMB.

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. DEFERRED TAX

As at 31 March 2013 and 2012, the Group and the Company did not have any unused estimated tax loss available for offset against future profits.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

28. CAPITAL AND RESERVES

(a) Share capital and share premium

The Company

	Par value HK$	Number of ordinary shares	Share capital HK$'000
Authorised:			
At 1 April 2011 *(note (i))*	0.01	38,000,000	380
Increase in authorised share capital *(note (ii))*	0.01	962,000,000	9,620
At 31 March 2012, 1 April 2012 and 31 March 2013		**1,000,000,000**	**10,000**

	Par value HK$	Number of ordinary shares	Share capital HK$'000	Share premium HK$'000
Issued and fully paid:				
At 1 April 2011 *(note (i))*	0.01	1	–	–
Issue of new shares and credit 1 nil-paid share as fully paid *(note (iii))*	0.01	999,999	10	–
At 31 March 2012 and 1 April 2012		1,000,000	10	–
Issue of shares under the public offering *(note (iv))*	0.01	50,000,000	500	52,409
Issue of shares under the capitalisation issue *(note (v))*	0.01	149,000,000	1,490	(1,490)
Share issuing expenses		–	–	(14,850)
At 31 March 2013		**200,000,000**	**2,000**	**36,069**

Notes:

(i) As at 1 April 2011, the share capital of the Group represents the issued share capital of the Company with authorised share capital of HK$380,000, divided into 38,000,000 shares of HK$0.01 each. There was one nil-paid share held by Lian Wang Limited as at 1 April 2011.

(ii) Pursuant to the written resolutions of the sole shareholder passed on 14 March 2012, the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 by the creation of an additional 962,000,000 shares.

(iii) On 3 February 2012, the Company allotted and issued 999,999 new shares at HK$0.01 each, credited as fully paid, to Lian Wang, and the one nil paid share held by Lian Wang was credited as fully paid at HK$0.01 each. There were 1,000,000 shares of HK$0.01 each in the share capital of the Company held by Lian Wang as at 31 March 2012.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

28. CAPITAL AND RESERVES *(Continued)*

(a) Share capital and share premium *(Continued)*

Notes: (Continued)

(iv) On 2 April 2012, the Company issued 50,000,000 new ordinary shares (the "Offer Shares") of HK$0.01 each for cash pursuant to the Company's initial public offering and placing at a price of HK$1.10 per share to the public for listing of those shares on the Stock Exchange.

(v) On 2 April 2012, the Company issued 149,000,000 new ordinary shares of HK$0.01 each by capitalisation of HK$1,490,000 standing to the credit of the Company's share premium account as a result of the issue of the Offer Shares. The 149,000,000 shares paying up in full at par were allotted and issued to Lian Wang.

(b) Contribution surplus

During the year ended 31 March 2012, the amount due to a director and a shareholder in the sum of approximately HK$79,990,000 were fully capitalised pursuant to the Reorganisation as detailed in Note 1.

(c) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations that have functional currency other than HK$ which are dealt with in accordance with the accounting policies as set out in Note 3.

(d) Other reserve

During the year ended 31 March 2011, the amount of approximately HK$10,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the Reorganisation as detailed in Note 1.

(e) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was approximately HK$8,411,000 and HK$6,160,000 as at 31 March 2013 and 2012 respectively.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2013

28. CAPITAL AND RESERVES *(Continued)*

(f) Statement of changes in equity

The amounts of the Company's reserves and the movements therein for the current and prior years are presented as follows:

The Company

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	–	–	–	–
Loss for the year	–	–	(550)	(550)
Effect of Group reorganisation	10	–	–	10
At 31 March 2012 and 1 April 2012	10	–	(550)	(540)
Loss for the year	–	–	(8,569)	(8,569)
Issue of shares under the public offer	500	52,409	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–
Share issuing expenses	–	(14,850)	–	(14,850)
At 31 March 2013	**2,000**	**36,069**	**(9,119)**	**28,950**

29. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Compensation of key management personnel of the Group, including directors' remuneration as detailed in Note 11 above.

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**3,374**	1,193
Provident fund contributions	**29**	24
Pension scheme contributions	**82**	68
Total compensation paid to key management personnel	**3,485**	1,285

Notes to the Consolidated Financial Statements

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30. CONTINGENT LIABILITIES

The Group and the Company did not have any contingent liabilities as at 31 March 2013 and 2012.

31. OPERATING LEASE COMMITMENTS

As lessee

As at 31 March 2013 and 2012, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**683**	655
In the second to fifth years, inclusive	**2,260**	2,245
Over five years	**7,204**	7,717
	10,147	10,617

32. CAPITAL COMMITMENTS

As at 31 March 2013 and 2012, the Group had outstanding capital commitments as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Commitments for the acquisition of property, plant and equipment	**12,829**	–

33. PLEDGE OF ASSETS

As at 31 March 2013, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK$1,905,000, HK$27,273,000, HK$43,525,000 and HK$26,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

As at 31 March 2012, prepaid lease payments for land use rights, buildings, plant and machinery and furniture, fixtures and equipment amounting to approximately HK$1,948,000, HK$27,995,000, HK$47,591,000 and HK$31,000 respectively, have been pledged to bank to secure banking facilities granted to the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2013

34. SHARE OPTION SCHEME

The Company adopted the scheme (the "Scheme") on 14 March 2012 (the "Adoption Date") which will remain in force for a period of 10 years commencing from the Adoption Date.

Under the Scheme, the directors may at their discretion grant options to (i) any employee of any member of the Group or any entity in which any member of the Group holds any equity interest (the "Invested Entity"); (ii) any executive and non-executive Directors of any member of the Group or any Invested Entity; (iii) any supplier and customer of any member of the Group or any Invested Entity; (iv) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued or proposed to be issued by any member of the Group or any Invested Entity; or (vi) any adviser or consultant of any member of the Group or any Invested Entity to subscribe for the shares of the Company.

The maximum number of shares in respect to which options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company on the date of adopting the Scheme. The limit may be refreshed at any time provided that the new limit must not be in aggregate exceed 10% of the issued share capital of the Company as at the date of the shareholders' approval in general meeting. However, the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other scheme of the Company must not in aggregate exceed 30% of the shares in issue from time to time. The maximum number of shares in respect of which options may be granted to any individual in any 12-month period shall not exceed 1% of the shares in issue on the last date of such 12-month period unless approval of the shareholders of the Company has been obtained in accordance with the Listing Rules. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

Options may be exercised at any time from the date of grant of the option to the 10th anniversary of the date of grant as may be determined by the directors. The exercise price is determined by the directors, and will not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the options; (ii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the options; or (iii) the nominal value of a share.

During the years ended 31 March 2013 and 2012, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

35. EVENTS AFTER THE REPORTING PERIOD

There were no significant events that have occurred subsequent to the end of the reporting period.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 14 June 2013.

Five Years Financial Summary

The consolidated results of the Group for the years ended 31 March 2013 and 2012 and the consolidated assets, liabilities and equity of the Group as at 31 March 2013 and 31 March 2012 are those set out in the financial statements included in this report.

The summary of the consolidated results of the Group for each of the three years ended 31 March 2011, 2010 and 2009 and of the assets, liabilities and equity as at 31 March 2011, 2010 and 2009 have been extracted from the prospectus of the Company dated 21 March 2012 in connection with the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited on 2 April 2012. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 3 to the consolidated financial statements.

The summary below does not form part of the consolidated financial statements.

	Year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**252,437**	294,425	202,727	231,125	175,363
Cost of sales	**(211,964)**	(255,852)	(166,341)	(194,456)	(157,226)
Gross profit	**40,473**	38,573	36,386	36,669	18,137
Other revenue	**610**	578	638	132	379
Selling expenses	**(769)**	(697)	(449)	(348)	(610)
Administrative expenses	**(18,347)**	(9,308)	(7,625)	(3,837)	(3,854)
Gain on disposal of subsidiaries and an associate	**–**	–	–	5,379	–
Profit from operations	**21,967**	29,146	28,950	37,995	14,052
Finance costs	**(4,462)**	(4,567)	(3,550)	(2,552)	(3,239)
Share of losses of an associate	**–**	–	–	(751)	(1,076)
Profit before taxation	**17,505**	24,579	25,400	34,692	9,737
Taxation	**(7,437)**	(4,336)	(3,354)	(2,690)	(94)
Profit for the year	**10,068**	20,243	22,046	32,002	9,643
Other comprehensive income for the year, net of tax:					
Exchange difference on translation of foreign operations	**1,303**	4,282	4,136	240	983
Total comprehensive income for the year, net of tax	**11,371**	24,525	26,182	32,242	10,626
Profit for the year attributable to:					
Owners of the Company	**10,068**	20,243	22,046	32,003	9,653
Non-controlling interests	**–**	–	–	(1)	(10)
	10,068	20,643	22,046	32,002	9,643
Total comprehensive income attributable to:					
Owners of the Company	**11,371**	24,525	26,182	32,243	10,633
Non-controlling interests	**–**	–	–	(1)	(7)
	11,371	24,525	26,182	32,242	10,626

Five Years Financial Summary

	As at 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**254,250**	214,116	199,769	171,394	149,888
Total liabilities	**(65,834)**	(75,130)	(155,298)	(153,105)	(163,101)