



ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED

志道國際(控股)有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 1220)

# Annual Report 2013

\* For identification purpose only

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Mung Hing Choy (*Chairman*)  
Mr. Chau Shing Yim, David  
Ms. Cheung Oi Chun

### Non-executive Director

Mr. Tsoi Tong Hoo, Tony

### Independent Non-executive Directors

Mr. Choi Wing Koon  
Mr. Li Kam Chung  
Mr. Kwok Lap Fung, Beeson

## AUDIT COMMITTEE

Mr. Choi Wing Koon (*Chairman*)  
Mr. Li Kam Chung  
Mr. Kwok Lap Fung, Beeson

## REMUNERATION COMMITTEE

Mr. Li Kam Chung (*Chairman*)  
Mr. Choi Wing Koon  
Ms. Cheung Oi Chun

## NOMINATION COMMITTEE

Mr. Choi Wing Koon (*Chairman*)  
Mr. Li Kam Chung  
Mr. Tsoi Tong Hoo, Tony

## COMPANY SECRETARY

Mr. Lee Cheuk Man

## LEGAL ADVISORS

TC & Co.

## AUDITORS

Ascenda Cachet CPA Limited  
Certified Public Accountants

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

## PRINCIPAL OFFICE IN HONG KONG

Unit C&D, 16th Floor  
China Overseas Building  
139 Hennessy Road  
Wanchai, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.  
Hong Kong Branch

## STOCK CODE

01220

## COMPANY WEBSITE

[www.zdihl.com](http://www.zdihl.com)

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of Directors (the "Board") of Zhidao International (Holdings) Limited (the "Company"), I am pleased to present the results and operations of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2013 (the "Year").

## BUSINESS REVIEW

The Group was principally engaged in supplying aluminium products to construction projects in addition to trading of aluminium products and raw materials throughout the year. Group restructuring was completed in January 2012 and it is the first full year that the group operates under the leadership of the current management. As a result of the change in sales strategy coupled with dedication from our employees, the Group realized a profit of HK\$13.7 million, which is comparable to 2012 profit before gain on debt restructuring and restructuring cost of HK\$16.2 million. Turnover for the year was HK\$202.8 million for 2013, a 41% decrease compared to HK\$343.2 million in 2012. Gross profit was maintained at the level of HK\$25.9 million, similar to 2012. This is a result of the Group's continuous effort in reshaping its business model and customer base with focus on higher-margin businesses within the chosen business segments: trading of aluminium products and raw materials, and supplying aluminium products to construction projects.

The expected adverse business environment prompted the management decisively to develop and implement an adjusted business strategy of focusing on higher-margin aluminium related trading sales coupled with supplying higher value-added products to construction projects of emphasizing on sales volume.

As a result of higher profit margin, profit attributable to shareholders of the Company was HK\$13.7 million for the year (2012 (before gain on debt restructuring and restructuring cost): HK\$16.2 million). The trading business was greatly improved and recorded a profit of HK\$4.9 million (please refer to note 4 above for more detailed segment information) for the year, which is a reflection of the higher-margin business model. However, the profit from supplying aluminium products to construction projects dropped from HK\$20.5 million last year to HK\$12.6 million for the year. It was mainly due to the sluggishness and uncertainties in the property development market of the PRC. The Group considers that trading is a strategic business in terms of securing and expanding customer base and securing lower cost of raw materials. Thus, we will continue our effort in managing the customer base, increase volume of trading and reshape our cost structure to ensure to strive for profit for our trading business.

## DIVIDENDS

Except for the accrual of undeclared cumulative preference shares dividend of HK\$5,550,000 during the Year, no dividend has been paid or declared by the Company for the ordinary shareholders during the Year (2012: Nil).

## PROSPECTS

The past year was a year of challenge. We expect to have another tough year ahead although the global economic condition of our chosen markets would become better based on recent statistics.

Resulting from recent visits to our key customers, we have realized most of our customers have been adversely impacted by the economic slowdown currently experiencing in their respective countries. The lack of visibility in economic recovery in the European countries and in the United States will discourage investment initiatives and purchasing appetites. Thus, we expect an even tougher business environment in the coming year.

However, we are confident that we could maintain developed momentum and dedication from our employees to achieve acceptable performance through our global customer and supplier base, take full advantage of our recognized global presence and to continue to capitalize on trading of higher margin aluminium related products and manufacturing of higher value-added products supplying to construction projects in Hong Kong and China.

In addition, the Group will explore business and investment opportunities, which would enhance and position the Group for sustainable growth. In view of the need to meet all challenges resulted from the adverse business environment, the Group has taken decisive actions to reduce operating and sales cost in order to strive for better margin for selected businesses. We are confident that the implemented dedicated measures will facilitate us to ride through and meet the challenges resulted from continuing economic downturn, achieve the expected year-end performance and develop a more superior business model for the prolonged unfavorable business environment.

# CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

We are in the process to finalize the development of the contemplated joint venture in Zhongshan, the PRC, between Fast Excel Limited and our strategic partner, Gold Mountain Aluminium Limited. We expect that the approval of the joint venture would be granted by no later than the fourth quarter of 2013 in spite of the delay.

Our performance in the past year fulfilled our target in spite of the adverse business condition. We are confident that we could maintain the momentum and achieve an even better performance in the coming year.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2013, the Group had cash and bank balances of HK\$38.0 million (2012: HK\$75.5 million) while total net assets was HK\$158.3 million (2012: HK\$149.8 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 31 March 2013 (2012: nil).

The Company did not have any movements in its share capital during the Year.

## FOREIGN EXCHANGE EXPOSURE

As at 31 March 2013, the majority of the Group's assets and liabilities were denominated in Hong Kong dollars. The Board considered its exposure to foreign exchange risk was insignificant, therefore no financial instruments was made to hedge such exposure.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group had 57 (2012: 55) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. The emoluments of the Directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Disclosure of directors' emoluments is set out in note 9 to the consolidated financial statements.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## APPRECIATIONS

On behalf of the Board, I would like to take this opportunity to express our appreciation to the staff and management team of the Group for their contribution during the year and also to give our sincere gratitude to all our shareholders for their continuous support.

**Mung Hing Choy**  
*Chairman*

Hong Kong, 27 June 2013

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTORS

**Mr. Mung Hing Choy**, aged 65, was appointed as an executive Director on 11 January 2012. Mr. Mung joined the Group as an executive director of Fast Excel Limited in May 2010 and is responsible for the overall management of the Group including operation and strategic planning. Mr. Mung has over 40 years' experience in the aluminium industry and has vast experience in manufacturing, project management, corporate and general management, strategic planning and investments, joint venture establishment, merger and acquisition, international trade and finance in Southeast Asia and China.

Up to 2006, Mr. Mung was the president of Alcan Asia Limited, of which the parent company, Rio Tinto Aluminium, is one of the largest aluminium companies in the world. He was also the president of China operations of Alcan Primary Metal Group and Alcan Nikkei China Limited, general manager of Nippon Light Metal Co., Ltd and vice president of China, Alcan Asia Pacific Limited (collectively known as "**Alcan**"). Mr. Mung served Alcan for about 30 years. Mr. Mung also built the joint venture extrusion company in China, Nonfemet International (China-Canada-Japan) Aluminum Limited. Mr. Mung first acted as the general manager to manage its business and operations. After three years' time, Mr. Mung became the executive director of this extrusion company.

Mr. Mung holds a Bachelor of Science, Mechanical Engineering degree awarded by the University of Alberta in 1977 and was a graduate of Harvard Business School's Advanced Management Program, the International Senior Managers' Program.

**Mr. Chau Shing Yim, David**, aged 49, was appointed as an executive Director on 9 January 2012. He is an ultimate and beneficial owner of Goldstar Success Limited (the "**Investor**") holding 70% of the issued share capital of the Investor and is an executive director of the Investor.

Mr. Chau is a non-executive director of Up Energy Development Group Ltd (stock code: 307) and an independent non-executive director of Shandong Molong Petroleum Machinery Company Ltd (stock code: 568), Varitronix International Ltd (stock code: 710), Man Wah Holdings Limited (stock code: 1999), Lee & Man Paper Manufacturing Ltd (stock code: 2314) and Evergrande Real Estate Group Ltd (stock code: 3333), all of which are listed on the Main Board of the Stock Exchange. Mr. Chau was the independent non-executive director of Duoyuan Global Water Inc, a company listed on the New York Stock Exchange, until 3 May 2012.

Mr. Chau has over 20 years' experience in corporate finance. He was formerly a partner of one of the big four accounting firms in Hong Kong, heading the Merger and Acquisition and Corporate Advisory Services. He is a member of the Hong Kong Securities Institute, the Institute of Chartered Accountants in England and Wales ("**ICAEW**") with Corporate Finance Qualification granted by ICAEW, and the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Mr. Chau was an ex-committee member of the Disciplinary Panel of HKICPA.

**Ms. Cheung Oi Chun**, aged 48, was appointed as an executive Director on 9 January 2012. Ms. Cheung worked for the Judiciary of The Government of Hong Kong Special Administrative Region.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## NON-EXECUTIVE DIRECTOR

**Mr. Tsoi Tong Hoo, Tony**, aged 48, was appointed as the non-executive Director of the Company with effect on 11 January 2012 and as a nomination committee member of the Company with effect from 1 March 2012. For the period from May 2010 to January 2012, Mr. Tsoi was an executive director of Fast Excel Limited, a subsidiary of the Group, and was responsible for corporate governance and for risk management affairs.

Mr. Tsoi is the chief executive officer and an executive director of Varitronix International Limited (stock code: 710). Mr. Tsoi is also an executive director of Reorient Group Limited (stock code: 376), a non-executive director of China WindPower Group Limited (stock code: 182) and an independent non-executive director of Fairwood Holdings Limited (stock code: 52), all are companies listed on the Main Board of the Stock Exchange. Mr. Tsoi is also the deputy chairman of the supervisory board of Data Modul AG, which is listed on the Frankfurt Stock Exchange.

Mr. Tsoi graduated from the University of Western Ontario, Canada with an honour degree in Business Administration in 1986.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Choi Wing Koon**, aged 36, was appointed as an independent non-executive Director on 9 January 2012. Mr. Choi was the financial controller and company secretary of Taung Gold International Limited (stock code: 621), a listed company on the Main Board of the Stock Exchange, until 21 April 2013. Mr. Choi holds a Bachelor of Business Administration in Accounting awarded by the Hong Kong University of Science and Technology. Mr. Choi is a member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants.

**Mr. Li Kam Chung**, aged 61, was appointed as an independent non-executive Director on 9 January 2012. Mr. Li is also an independent non-executive director of Taung Gold International Limited (stock code: 621). Mr. Li is currently the chairman of Joint Village Office for Villages in Shuen Wan, Tai Po, New Territories.

**Mr. Kwok Lap Fung Beeson**, aged 27, was appointed as an independent non-executive Director on 9 January 2012. Mr. Kwok holds a Bachelor of Business awarded by the University of Technology, Sydney, Australia and is an associate member of CPA Australia.

# DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of Zhidao International (Holdings) Limited (the **"Company"**) and its subsidiaries (collectively, the **"Group"**) for the year ended 31 March 2013 (the **"Year"**).

## CHANGE OF COMPANY NAME

Pursuant to a special resolution passed at a special general meeting of the Company held on 23 May 2012, the name of the Company was changed from "Ocean Grand Holdings Limited" to "Zhidao International (Holdings) Limited" and a new Chinese name "志道國際(控股)有限公司" was adopted for identification purposes only in replacement of "海域集團有限公司".

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its principal subsidiaries are set out in Note 19 to the consolidated financial statements.

## FINANCIAL STATEMENTS

The results of the Group for the Year and the state of the Company's and the Group's affairs as at 31 March 2013 are set out in the consolidated financial statements on pages 24 to 83.

## DIVIDENDS

Except for the accrual of undeclared cumulative preference shares dividend of HK\$5,550,000 during the Year, no dividend has been paid or declared by the Company for the ordinary shareholders during the Year (2012: Nil).

## PROPERTY, PLANT AND EQUIPMENT

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

## SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

The Company did not have any significant investments or material acquisitions for the Year.

## CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2013.

## COMMITMENTS

Details of the commitments are set out in notes 32 and 33 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 26 and note 30(b) to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES

Except for the share premium of the Company which can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares as permitted by the Companies Act of Bermuda, there was no aggregate amount of reserves available for distribution to equity holders of the Company as at 31 March 2013 (2012: Nil).



# DIRECTORS' REPORT

## SHARE CAPITAL

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

## SHARE OPTION SCHEME

Details of the movements in the share option of the Company during the Year are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## GROUP FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 84 of this report.

## DIRECTORS

The directors of the Company during the Year and up to the date of this annual report were as follows:

### Executive Directors

Mr. Mung Hing Choy, *Chairman*  
Mr. Chau Shing Yim, David  
Ms. Cheung Oi Chun

### Non-executive Director

Mr. Tsoi Tong Hoo, Tony

### Independent Non-executive Directors

Mr. Choi Wing Koon  
Mr. Li Kam Chung  
Mr. Kwok Lap Fung, Beeson

In accordance with Bye-laws 87, Mr. Chau Shing Yim, David and Mr. Tsoi Tong Hoo, Tony will retire and not to offer themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**"). Ms. Cheung Oi Chun will retire by rotation and, being eligible, has offered herself for re-election at the AGM.

Biographical details of Directors are set out on pages 5 to 6.

## CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The Company considers all independent non-executive Directors to be independent.

# DIRECTORS' REPORT

## DIRECTORS' INTEREST IN CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## DIRECTORS' SERVICE CONTRACTS

None of Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2013, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") adopted by the Company for the Year were as follow:

### Long position in the shares and underlying shares

#### Ordinary shares of HK\$0.01 each of the Company

Executive Director	Capacity	Number of ordinary shares	Approximate percentage of the issued ordinary share capital of the Company
Mr. Chau Shing Yim, David	Interest of controlled corporation ( <i>Note a</i> )	488,654,394	61.08%

Notes:

- (a) Mr. Chau Shing Yim, David ("**Mr. Chau**") was deemed to be interested in these shares through his controlling interest in Goldstar Success Limited ("**Goldstar Success**"). The shares were beneficially owned by Goldstar Success, which was owned as to 70.00% by Prosper Wing Limited ("**Prosper Wing**") and as to 30.00% by Kwok Tao Capital Investment Limited ("**Kwok Tao**"). Prosper Wing was in turn wholly-owned by Mr. Chau.

# DIRECTORS' REPORT

## Convertible preference shares of HK\$0.01 each of the Company (Note a)

Executive Director	Capacity	Number of convertible preference shares	Number of underlying ordinary shares	Approximate percentage of the issued ordinary share capital of the Company
Mr. Chau	Interest of controlled corporation (Note b)	850,000,000	850,000,000	106.25%

### Notes:

- (a) The holder of the 850,000,000 convertible preference shares, Goldstar Success, shall have the right to convert all or part of its holding of these preference shares into ordinary shares of the Company at any time from a date not earlier than one year from 11 January 2012, the date of resumption of trading in the shares on the Stock Exchange.
- (b) Mr. Chau was deemed to be interested in these preference shares through his controlling interest in Goldstar Success. The preference shares were beneficially owned by Goldstar Success, which was owned as to 70.00% by Prosper Wing and as to 30.00% by Kwok Tao. Prosper Wing was in turn wholly-owned by Mr. Chau.

Save as disclosed above, none of the Directors, chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2013, so far as is known to any Directors or chief executive of the Company, other than the interests disclosed above in respect of the Directors and the chief executive, the following substantial shareholders 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, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

### Long position in the shares and underlying shares

#### Ordinary shares of HK\$0.01 each of the Company

Substantial shareholder	Capacity	Number of ordinary shares	Approximate percentage of the issued ordinary share capital of the Company
Prosper Wing Limited	Interest of controlled corporation (Note a)	488,654,394	61.08%
Mr. Ng Ting Wai	Interest of controlled corporation (Note b)	488,654,394	61.08%
Kwok Tao Capital Investment Limited	Interest of controlled corporation (Note b)	488,654,394	61.08%
Goldstar Success Limited	Beneficial owner (Note a and b)	488,654,394	61.08%

# DIRECTORS' REPORT

*Notes:*

- (a) Please refer to the corporate interest in the ordinary shares of the Company held by Mr. Chau in the Company as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (b) Mr. Ng Ting Wai ("**Mr. Ng**") was deemed to be interested in these shares through his controlling interest in Goldstar Success. The shares were beneficially owned by Goldstar Success, which was owned as to 70.00% by Prosper Wing and as to 30.00% by Kwok Tao. Kwok Tao was in turn wholly-owned by Mr. Ng.

## Convertible preference shares of HK\$0.01 each of the Company (Note a)

Substantial shareholder	Capacity	Number of convertible preference shares	Number of underlying ordinary shares	Approximate percentage of the issued ordinary share capital of the Company
Prosper Wing Limited	Interest of controlled corporation ( <i>Note b</i> )	850,000,000	850,000,000	106.25%
Mr. Ng Ting Wai	Interest of controlled corporation ( <i>Note c</i> )	850,000,000	850,000,000	106.25%
Kwok Tao Capital Investment Limited	Interest of controlled corporation ( <i>Note c</i> )	850,000,000	850,000,000	106.25%
Goldstar Success Limited	Beneficial owner ( <i>Note b and c</i> )	850,000,000	850,000,000	106.25%

*Notes:*

- (a) The holder of the 850,000,000 convertible preference shares, Goldstar Success, shall have the right to convert all or part of its holding of these preference shares into ordinary shares of the Company at any time from a date not earlier than one year from 11 January 2012, the date of resumption of trading in the shares on the Stock Exchange.
- (b) Please refer to the corporate interest in the convertible preference shares of the Company held by Mr. Chau in the Company as disclosed under the "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" section above.
- (c) Mr. Ng was deemed to be interested in these preference shares through his controlling interest in Goldstar Success. The preference shares were beneficially owned by Goldstar Success, which was owned as to 70.00% by Prosper Wing and as to 30.00% by Kwok Tao. Kwok Tao was in turn wholly-owned by Mr. Ng.

Save as disclosed above, no other parties had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange as at 31 March 2013.

# DIRECTORS' REPORT

## MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the respective percentage of purchases attributable to the Group's five largest suppliers combined by value, accounted for 96% in value of total purchases during the year ended 31 March 2013, while purchase attributable to the Group's largest supplier by value, accounted for 45% in value of total purchases during the year ended 31 March 2013. The respective percentage of turnover attributable to the Group's five largest customers combined by value accounted for 99% in value of the turnover during the year ended 31 March 2013, while turnover attributable to the Group's largest customer by value accounted for 48% in value of the turnover during the year ended 31 March 2013.

At no time during the Year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in the major suppliers or customers noted above.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the Year and up to the date of this report.

## AUDITORS

The consolidated financial statements for the years ended 31 March 2010, 2011 and 2012 were audited by Ray W.H. Chan & Co.. During the year, Ray W.H. Chan & Co. resigned and Ascenda Cachet CPA Limited were appointed by the Board as the Company's auditors with effect from 19 December 2012 to fill the casual vacancy. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years. A resolution for the re-appointment of Ascenda Cachet CPA Limited as the auditors of the Company for the subsequent year will be proposed at the AGM.

By order of the Board

**Mung Hing Choy**  
*Chairman*

Hong Kong, 27 June 2013

# CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

On 1 April 2012, the Code on Corporate Governance Practices ("**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") was amended and renamed as Corporate Governance Code and Corporate Governance Report ("**Revised CG Code**").

The Company has adopted the code provisions set out in the Revised CG Code. The Company was in compliance with all code provisions set out in the Revised CG Code throughout the year ended 31 March 2013 (the "**Year**") except for the following deviations as explained:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer". The board of Directors (the "**Board**") is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Mung Hing Choy provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Code Provision E.1.3 stipulates that notice for annual general meetings should be sent to shareholders at least 20 clear business days before the meeting. The annual general meeting of the Company ("**AGM**") for the year of 2012 was held on 23 August 2012 with notice for the meeting dispatched on 31 July 2012. The notice period was less than 20 clear business days before the meeting. The Board was of the view that it was the best practicable date for the directors to attend the AGM as the directors each had different business commitments and appointments thereafter. The Board confirmed that it would have better time management in the future to avoid the matter happening again.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Revised CG Code during the Year.

The current corporate governance practice of the Company will be reviewed and updated in a timely manner in order to comply with the Revised CG Code.

## THE BOARD

### Role of the Board

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

### Board Composition

The Board currently has three executive Directors and four non-executive Directors. Three of the four Non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 5 to 6 under the section headed "Biographical Details of Directors".

# CORPORATE GOVERNANCE REPORT

The Company complies with Rule 3.10 of the Listing Rules that there is sufficient number of independent non-executive Directors (“**INEDs**”) and each of them has appropriate qualifications. The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. In addition, all INEDs do not involve in the daily management of the Company and there are no relationships or circumstances which would interfere with the exercise of their independent judgment. The Board considers that all of the INEDs are independent.

There is respective service contract between the Company and each Director with specific terms. All Directors are subject to re-election by shareholders at AGM and at least once every three years on a rotation basis in accordance with the bye-laws of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. No Director has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the bye-laws of the Company. The procedures for such proposal are posted on the website of the Group.

## Chairman of the Board

The Chairman of the Board is Mr. Mung Hing Choy, an executive Director of the Company. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of executive Directors and the company secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board’s affairs so as to contribute to the Board’s functions. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the report.

The Company does not at present have an office with the title “chief executive officer”. The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Mung Hing Choy provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

## Board Meetings

The Directors can attend meetings in person or through other electronic means of communication in accordance with the bye-laws of the Company.

The Board meets regularly with meeting dates scheduled in advance. Between scheduled meetings, senior management of the Group provides to Directors on a regular basis monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the Year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Whenever necessary, additional Board meetings are held. Notice is given to all Directors so as to give them an opportunity to attend. Board papers are circulated not less than three days before the date of a Board meeting to enable the Directors to make informed decision on matters to be raised at the Board meetings. Board minutes are kept by the Group’s company secretary (“**Company Secretary**”) and are open for inspection by the Directors. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

# CORPORATE GOVERNANCE REPORT

During the Year, the Company held 11 Board meetings and held the 2012 AGM on 23 August 2012. The attendance of each Director is set out as follows:

<b>Name of Directors</b>	<b>Board Meeting Attended/Eligible to Attend</b>	<b>2012 AGM Attended</b>
<b>Executive Directors</b>		
Mr. Mung Hing Choy, <i>Chairman</i>	11/11	✓
Mr. Chau Shing Yim, David	10/11	✓
Ms. Cheung Oi Chun	9/11	✓
<b>Non-executive Director</b>		
Mr. Tsoi Tong Hoo, Tony	4/4	–
<b>Independent Non-executive Directors</b>		
Mr. Choi Wing Koon	4/4	✓
Mr. Li Kam Chung	3/4	✓
Mr. Kwok Lap Fung, Beeson	4/4	✓

## Directors' Training

All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company. In addition to their own participation in professional training, relevant training and reading materials was provided to the Directors by the Company in the Year to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant.

## Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

## Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been reviewed and revised with reference to the Revised CG Code and adopted by the Board, are available on the websites of the Group and the Stock Exchange.



# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

The Company Secretary, Mr. Lee Cheuk Man, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, he organises seminars on specific topics of significance and interest and disseminate reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealings in the Group's securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the bye-laws of the Company. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. Mr. Lee Cheuk Man has been appointed as the Company Secretary of the Company since 2011 and has day-to-day knowledge of the Group's affairs. In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

## ACCOUNTABILITY AND AUDIT

### Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and ensuring that the statements give a true and fair presentation in accordance with statutory requirements and applicable accounting standards. The Directors ensure the publication of the Group's consolidated financial statements in a timely manner.

The statement of the Group's Auditor about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on pages 22 to 23 of this Annual Report.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

The Company established the Audit Committee with written terms of reference on 9 January 2012. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the Revised CG Code. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Choi Wing Koon (Chairman of the Audit Committee), Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and consolidated financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The Audit Committee held two meeting during the Year.

<b>Name of Members</b>	<b>Attended/ Eligible to Attend</b>
Mr. Choi Wing Koon, <i>Chairman</i>	3/3
Mr. Li Kam Chung	3/3
Mr. Kwok Lap Fung, Beeson	3/3

## External Auditor

The Audit Committee reviews and monitors the external auditor's independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its audit, approve its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

The accounts for the Year were audited by Ascenda Cachet CPA Limited whose term of office will expire upon the forthcoming AGM. The Audit Committee has recommended to the Board that Ascenda Cachet CPA Limited be re-appointed as the auditors of the Company at the forthcoming AGM.

## Auditor's Remuneration

During the Year, the total remuneration in respect of statutory audit services provided by the Company's external auditor, Ascenda Cachet CPA Limited, amounted to HK\$600,000.

# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROL

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the Year, the Board, through the Audit Committee, reviewed the overall effectiveness of the system of internal control of the Group over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

## Group Risk Management

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors of the Group from their risks arising from the businesses of the Group.

## REMUNERATION OF DIRECTORS

### Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 9 January 2012. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the Revised CG Code. The written terms of reference clearly define the role, authority and function of the Remuneration Committee.

The Remuneration Committee is currently chaired by Mr. Li Kam Chung with Mr. Choi Wing Koon (both were Independent Non-executive Directors) and Ms. Cheung Oi Chun (Executive Directors) as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year for the determination of the remuneration package of Directors of the Group.

The principal duties of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's business operations. It includes making recommendations to the Board on the Company's policy and structure on the remuneration package of all Director and senior management remuneration and on the establishment of a fair and transparent procedure for developing remuneration policy.

The share option scheme adopted by the Company has lapsed on 6 June 2012. The Company has not adopted any share option scheme currently. The emoluments of Directors are determined based on the duties and responsibilities of each Director. The Directors' fees were reviewed by the Remuneration Committee.

# CORPORATE GOVERNANCE REPORT

During the Year, the Remuneration Committee held its meeting once to review and approve the remuneration package of each Director. The attendance record is set out below.

<b>Name of Member</b>	<b>Attended/ Eligible to attend</b>
Mr. Li Kam Chung, <i>Chairman</i>	1/1
Mr. Choi Wing Koon	1/1
Ms. Cheung Oi Chun	1/1

## Remuneration Policy

The remuneration payable to Directors depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions.

## Emoluments of Directors

Details of the emoluments of the Directors for the Year are set out in note 9 to the consolidated financial statements.

## NOMINATION OF DIRECTORS

### Nomination Committee

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 9 January 2012. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the Revised CG Code.

The Nomination Committee is currently chaired by Mr. Choi Wing Koon with Mr. Li Kam Chung (both were Independent Non-executive Directors) and Mr. Tsoi Tong Hoo, Tony (Non-Executive Directors) as members. Majority of the Nomination Committee are INEDs of the Company.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman.

During the Year, the Nomination Committee held its meeting once to assess the independence of the INEDs; to consider the re-election of Directors and to review the composition of the Board. The attendance record is set out below.

<b>Name of Member</b>	<b>Attended/ Eligible to attend</b>
Mr. Choi Wing Koon, <i>Chairman</i>	1/1
Mr. Li Kam Chung	1/1
Mr. Tsoi Tong Hoo, Tony	1/1

# CORPORATE GOVERNANCE REPORT

## RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. The policy is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports in accordance with the continuing disclosure obligations under the Listing Rules. An up-to-date consolidated version of the Bye-laws of the Company is published on the websites of the Group and the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Shareholders are encouraged to attend all general meetings of the Company. The results of the poll are published on the websites of the Group and the Stock Exchange. Regularly updated financial, business and other information on the Group is made available on the Group's website for shareholders and stakeholders.

Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from attending such meetings.

Separate resolutions were proposed at 2012 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 23 August 2012.

### Procedures for Putting Forward Proposed Resolution and Statements by Shareholders at Shareholders' Meeting

Shareholders may by a written request put forward a proposed resolution to or a statement of not more than one thousand words to a resolution at a general meeting. The number of shareholders necessary shall be any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates or not less than one hundred shareholders.

A copy or copies of requisition signed by all requisitionists shall be deposited to the company secretary at the Company's principal place of business in Hong Kong in the case of:

- (i) a requisition requiring notice of a resolution, not less than six weeks before the general meeting unless the general meeting is called for a date six weeks or less after the copy has been deposited; and
- (ii) any other requisition, not less than one week before the general meeting.

The Board shall include the proposed resolution in the agenda of the general meeting upon confirmation of the written requisition is proper and in order by the Company's share registrars and there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in serving and circulating the notice of the proposed resolution or the statement to a resolution in accordance with relevant statutory requirement to give effect thereto.

# CORPORATE GOVERNANCE REPORT

## Shareholders to Convene a Special General Meeting

Shareholders holding at the date of deposit of the requisition ("**Requisition Date**") not less than one-tenth of the paid-up capital of the Company carrying the voting right at general meetings are entitled to request the Board to convene special general meeting ("**SGM**") by written requisition, duly signed by all the concerned shareholders and deposited to the company secretary of the Company at the principal place of business in Hong Kong.

Shareholders shall state the purposes of SGM in the written requisition and may consist of several documents in like form each signed by one or more of those concerned shareholders.

The written requisition will be verified by the Company's share registrar and upon their confirmation that such requisition is proper and in order, the Board shall convene SGM by serving the notice to all shareholders for passing special resolution by not less than 21 clear days' notice in writing and for ordinary resolution by not less than 14 clear days' notice in writing

If the Board do not within twenty-one (21) days from the Requisition Date proceed to convene SGM and do not within two (2) months from the Requisition Date to hold the SGM, the concerned shareholders or any of them representing more than one half of the total voting rights of all of them, may convene a SGM themselves but the SGM shall be held within three (3) months from the Requisition Date.

## Voting By Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2013 AGM will be voted by poll.

## Written Communications by Shareholders to The Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may send written enquiries, comments and suggestions to the Board or the Company addressed to the Company Secretary at the Company's principal place of business in Hong Kong by mail to Unit C&D, 16th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong or by email at [info@zdihl.com](mailto:info@zdihl.com).

By order of the Board  
**LEE CHEUK MAN**  
*Company Secretary*

Hong Kong, 27 June 2013

# INDEPENDENT AUDITOR'S REPORT



13F, Neich Tower  
128 Gloucester Road  
Wanchai, Hong Kong

## To the shareholders of Zhidao International (Holdings) Limited (formerly known as "Ocean Grand Holdings Limited")

*(Incorporated in Bermuda with limited liability)*

We have audited the consolidated financial statements of Zhidao International (Holdings) Limited (formerly known as "Ocean Grand Holdings Limited") (the "**Company**"), and its subsidiaries (together, the "**Group**") set out on pages 24 to 83, 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 ("**HKICPA**") 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. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of 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 AUDITOR'S 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.

### **Ascenda Cachet CPA Limited**

*Certified Public Accountants*

### **Chan Chi Yuen**

Practising Certificate Number P02671

Hong Kong  
27 June 2013



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2013

	<i>Notes</i>	<b>2013</b> HK\$'000	2012 HK\$'000
<b>REVENUE</b>	4, 5	<b>202,789</b>	343,153
Cost of sales		<b>(176,929)</b>	(317,376)
Gross profit		<b>25,860</b>	25,777
Other income and gains	5, 6	<b>123</b>	1,930,655
Restructuring costs		–	(25,000)
General and administrative expenses		<b>(11,424)</b>	(8,595)
Finance costs	8	–	(223)
<b>PROFIT BEFORE TAX</b>	7	<b>14,559</b>	1,922,614
Income tax expense	11	<b>(854)</b>	(962)
<b>PROFIT FOR THE YEAR</b>		<b>13,705</b>	1,921,652
<b>OTHER COMPREHENSIVE INCOME</b>			
Exchange differences on translation of foreign operations		<b>301</b>	67
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>301</b>	67
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>14,006</b>	1,921,719
Profit attributable to:	12		
Owners of the Company		<b>13,705</b>	1,921,652
Non-controlling interests		–	–
		<b>13,705</b>	1,921,652
Total comprehensive income attributable to:			
Owners of the Company		<b>14,006</b>	1,921,719
Non-controlling interests		–	–
		<b>14,006</b>	1,921,719
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>	13		
Basic		<b>HK\$0.02</b>	HK\$6.61
Diluted (Restated)		<b>HK\$0.01</b>	HK\$4.01

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	<b>2013 HK\$'000</b>	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	357	445
Goodwill	16	1,243	1,243
Intangible asset	17	252	252
Retention receivables	18	19,993	20,974
Total non-current assets		<b>21,845</b>	22,914
<b>CURRENT ASSETS</b>			
Inventories	20	693	648
Trade receivables	21	103,351	72,613
Prepayments, deposits and other receivables	22	36,909	34,126
Retention receivables	18	1,441	679
Amounts due from customers on construction contracts	23	–	2,118
Cash and cash equivalents	24	37,965	75,490
Total current assets		<b>180,359</b>	185,674
<b>CURRENT LIABILITIES</b>			
Trade payables	25	18,393	37,469
Other payables and accruals	26	2,777	3,472
Dividend payables		5,550	–
Tax payables		424	1,102
Total current liabilities		<b>27,144</b>	42,043
<b>NET CURRENT ASSETS</b>		<b>153,215</b>	143,631
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>175,060</b>	166,545
<b>NON-CURRENT LIABILITIES</b>			
Retention payables	27	16,790	16,731
Total non-current liabilities		<b>16,790</b>	16,731
<b>Net assets</b>		<b>158,270</b>	149,814
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	28(a)	16,500	16,500
Reserves	30(a)	141,800	133,314
Total shareholders' fund		<b>158,300</b>	149,814
Non-controlling interests		<b>(30)</b>	–
<b>Total equity</b>		<b>158,270</b>	149,814

**Mung Hing Choy**  
Chairman

**Cheung Oi Chun**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Attributable to owners of the Company										
	Issued capital HK\$'000	Share premium account HK\$'000	Capital reserve HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Preference shares dividend reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2011	423,835	114,340	-	145,517	581	(210)	-	(2,635,667)	(1,951,604)	-	(1,951,604)
Reduction of capital and share premium	(422,422)	(114,340)	-	-	-	-	-	536,762	-	-	-
Issue of ordinary shares	6,587	60,062	-	-	-	-	-	-	66,649	-	66,649
Issue of preference shares	8,500	104,550	-	-	-	-	-	-	113,050	-	113,050
Release of contributed surplus and capital redemption reserve	-	-	-	(145,517)	(581)	-	-	146,098	-	-	-
Total comprehensive income for the year	-	-	-	-	-	67	-	1,921,652	1,921,719	-	1,921,719
At 31 March 2012 and at 1 April 2012	<b>16,500</b>	<b>164,612</b>	-	-	-	(143)	-	(31,155)	<b>149,814</b>	-	<b>149,814</b>
Partial disposal of a subsidiary without a loss of control (note 31(a))	-	-	30	-	-	-	-	-	30	(30)	-
Cumulative preference shares dividend	-	-	-	-	-	-	(5,550)	-	(5,550)	-	(5,550)
Total comprehensive income for the year	-	-	-	-	-	301	-	13,705	<b>14,006</b>	-	<b>14,006</b>
At 31 March 2013	<b>16,500</b>	<b>164,612*</b>	<b>30*</b>	<b>-*</b>	<b>-*</b>	<b>158*</b>	<b>(5,550)*</b>	<b>(17,450)*</b>	<b>158,300</b>	<b>(30)</b>	<b>158,270</b>

\* These reserve accounts comprise the consolidated reserves of approximately HK\$141,800,000 (2012:HK\$133,314,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2013

	<i>Notes</i>	<b>2013</b> HK\$'000	2012 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>14,559</b>	1,922,614
Adjustments for:			
Finance costs	8	–	223
Depreciation	15	<b>177</b>	188
Interest income		<b>(8)</b>	(87)
Gain on debt restructuring	6	–	(1,930,503)
		<b>14,728</b>	(7,565)
(Increase)/decrease in inventories		<b>(13)</b>	1,276
Decrease/(increase) in retention receivables		<b>981</b>	(11,113)
Increase in trade receivables		<b>(3,402)</b>	(45,279)
Increase in prepayments, deposits and other receivables		<b>(30,739)</b>	(19,316)
Decrease in amounts due from customers on construction contracts		<b>2,118</b>	1,261
(Decrease)/increase in trade payables		<b>(19,093)</b>	10,653
Decrease in other payables and accruals		<b>(709)</b>	(472)
Increase in retention payables		<b>59</b>	7,281
Cash used in operations		<b>(36,070)</b>	(63,274)
Hong Kong profits tax paid		<b>(1,453)</b>	(170)
PRC income taxes paid		<b>(80)</b>	(46)
Net cash flows used in operating activities		<b>(37,603)</b>	(63,490)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest income		<b>8</b>	87
Purchases of items of property, plant and equipment	15	<b>(67)</b>	(8)
Decrease in pledged bank deposits		–	1,000
Net cash flows (used in)/from investing activities		<b>(59)</b>	1,079
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares		–	179,699
Interest paid		–	(223)
Repayment of bank borrowings		–	(2,414)
Repayment to investor		–	(9,700)
Payment to the Scheme	6	–	(35,102)
Net cash flows from financing activities		–	132,260
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(37,662)</b>	69,849
Cash and cash equivalents at beginning of year		<b>75,490</b>	5,570
Effect of foreign exchange rate changes, net		<b>137</b>	71
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>37,965</b>	75,490
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		<b>37,965</b>	75,490

# STATEMENT OF FINANCIAL POSITION

31 March 2013

	<i>Notes</i>	<b>2013</b> <b>HK\$'000</b>	2012 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries	19	–	–
Due from subsidiaries	19	<b>131,220</b>	77,245
Total non-current assets		<b>131,220</b>	77,245
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	24	<b>3,784</b>	40,408
Total current assets		<b>3,784</b>	40,408
<b>CURRENT LIABILITIES</b>			
Other payables	26	<b>302</b>	618
Dividend payables		<b>5,550</b>	–
Total current liabilities		<b>5,852</b>	618
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(2,068)</b>	39,790
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>129,152</b>	117,035
<b>NON-CURRENT LIABILITIES</b>			
Due to subsidiaries	19	<b>20,604</b>	–
Total non-current liabilities		<b>20,604</b>	–
Net assets		<b>108,548</b>	117,035
<b>EQUITY</b>			
Issued capital	28(a)	<b>16,500</b>	16,500
Reserves	30(b)	<b>92,048</b>	100,535
Total equity		<b>108,548</b>	117,035

**Mung Hing Choy**  
*Director*

**Cheung Oi Chun**  
*Director*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 1. CORPORATE INFORMATION

Zhidao International (Holdings) Limited (formerly known as “Ocean Grand Holdings Limited”) (the “**Company**”) is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit C&D, 16th Floor, China Overseas Building, 139 Hennessy Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are set out in note 19 to the consolidated financial statements.

Pursuant to a special resolution passed at a special general meeting of the Company held on 23 May 2012, the name of the Company was changed from “Ocean Grand Holdings Limited” to “Zhidao International (Holdings) Limited” and a new Chinese name “志道國際(控股)有限公司” was adopted for identification purposes only in replacement of “海域集團有限公司”.

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 23 September 1997. The shares of the Company were suspended for trading since 17 July 2006. Following the completion of a series of transactions (the “**Restructuring**”) contemplated in a restructuring agreement (the “**Restructuring Agreement**”) dated 9 January 2012, the shares of the Company was resumed for trading on 11 January 2012.

## 2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**” or “**HKD**”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2013. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.1 BASIS OF PREPARATION (continued)

### Basis of consolidation (continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 WITHDRAWAL OF WINDING-UP PETITIONS AND DISCHARGE OF PROVISIONAL LIQUIDATORS IN PREVIOUS YEAR

The shares of the Company was suspended for trading on the Stock Exchange since 17 July 2006. Messrs. Joseph Kin Ching Lo and Lai Kar Yan (also known as Lai Kar Yan, Derek), both of Deloitte Touche Tohmatsu, were appointed as the joint and several provisional liquidators of the Company (the "**Provisional Liquidators**") by the orders of the High Court of The Hong Kong Special Administrative Region (the "**High Court**") on 24 July 2006 and by the Supreme Court of Bermuda (the "**Bermuda Court**") on 25 July 2006 in order to protect the assets of the Company and to safeguard the interests of both the creditors and the shareholders.

At the respective resumed hearings of the winding-up petitions (the "**Petitions**") against the Company held on 19 and 23 December 2011, the High Court and the Bermuda Court ordered that the Petitions be withdrawn and the Provisional Liquidators be discharged and released, conditional upon, and to take effect from, the date of delivery by the Provisional Liquidators to the Registrar of Companies in Hong Kong and Bermuda respectively of the office copies of the orders of the High Court sanctioning the Company's scheme of arrangement (the "**Scheme**") for discharging its debts and its modifications and the order of the Bermuda Court recognising the Scheme.

On 9 January 2012, the office copies of the orders of the High Court sanctioning the Scheme and its modifications and the order of the Bermuda Court recognising the Scheme were filed with the Registrar of Companies in Hong Kong and Bermuda respectively. As a result, the Petitions were withdrawn and the Provisional Liquidators were discharged on 9 January 2012.

Following fulfillment of the resumption conditions set out in the decision letter from the Stock Exchange dated 28 September 2010, trading in the shares of the Company on the Stock Exchange was resumed on 11 January 2012.

Details of the above were disclosed in the Company's announcement dated 9 January 2012.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.3 DEBT RESTRUCTURING IN PREVIOUS YEAR

On 20 December 2007, the Company, the Provisional Liquidators, Goldstar Success Limited (the “Investor”) and the escrow agent entered into an agreement (the “Restructuring Agreement”) for the implementation of the restructuring proposal.

The Restructuring Agreement, as supplemented by the supplemental agreements, provided terms for, inter alia, the debt restructuring, the capital restructuring, the group reorganisation, the open offer and the subscription (the “Restructuring”). Details of the Restructuring are set out in the Company’s circular dated 31 October 2011 and prospectus dated 8 December 2011.

On 23 November 2011, the Company convened a special general meeting in which all the resolutions regarding the implementation of the Restructuring were duly and unanimously passed by the shareholders of the Company.

Pursuant to Company’s announcement on 9 January 2012, the Restructuring was completed, winding-up petitions were withdrawn and Provisional Liquidators were discharged on 9 January 2012. Accordingly, a number of subsidiaries were transferred to the scheme administrators for the benefit of the Company’s creditors at a nominal consideration of HK\$1 and all liabilities of the Company were eliminated and fully discharged pursuant to the Scheme.

## 2.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s consolidated financial statements.

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

The adoption of the revised HKFRSs has had no significant financial effect on these consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.5 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans <sup>2</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 — <i>Transition Guidance</i> <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — <i>Investment Entities</i> <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 Amendments	Amendments to HKAS 1 Presentation of Financial Statements — <i>Presentation of Items of Other Comprehensive Income</i> <sup>1</sup>
HKAS 19 (2011)	Employee Benefits <sup>2</sup>
HKAS 27 (2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>
Annual Improvement 2009–2011 Cycle	Amendments to a number of HKFRSs issued in June 2012 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES

### 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 investments in subsidiaries are stated at cost less any impairment losses.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Related parties

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

- (a) the party is a person or a close member of that person's family and that person, (i) has 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; or
- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or joint controlled by a person identified in (a); and
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

### Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Property, plant and equipment and depreciation (continued)

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

Plant and machineries	10%
Furniture, fixture and equipment	20%
Motor vehicles	10%

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

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated 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.

### Intangible assets (other than goodwill)

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

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

### Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Investments and other financial assets

#### Initial recognition and measurement

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

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

#### Subsequent measurement

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

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of comprehensive income. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

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

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Investments and other financial assets (continued)

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income in finance costs for loans and in other expenses for receivables.

#### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income in other expenses.

#### Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investment and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of comprehensive income in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Investments and other financial assets (continued)

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

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

Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

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

#### Derecognition of financial assets

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

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

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

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Impairment of financial assets

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

### Financial assets carried at amortised cost

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

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

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

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

### Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Impairment of financial assets (continued)

#### Available-for-sale financial investments

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income — is removed from other comprehensive income and recognised in the consolidated statement of comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of comprehensive income. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of comprehensive income if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of comprehensive income.

### Financial liabilities

#### Initial recognition and measurement

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

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

The Group’s financial liabilities include trade payables, other payables and accruals and retention payables.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Financial liabilities (continued)

#### Subsequent measurement

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

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of comprehensive income. The net fair value gain or loss recognised in consolidated the statement of comprehensive income does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

#### Loans and borrowings

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

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

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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

#### Offsetting of financial instruments

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNT POLICIES (continued)

### Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour 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 demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

### Provisions

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

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

### Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Construction contracts (continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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:

- when the deferred tax liability arises from the initial recognition of goodwill or 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 joint ventures, when 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, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when 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 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 each 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. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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 by 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.

### 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) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset.

### Employee benefits

#### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The Group has applied HKFRS 2 Share-based Payment, with effective since 1 January 2005, which requires an expense to be recognised where the Group buys goods or obtains services in exchange for shares or rights over shares ("**equity-settled transactions**"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("**cash-settled transactions**"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, which were granted on or after 7 November 2002, determined at the date of grant of the share options, over the vesting period.

Prior to the application of HKFRS 2, the Group did not recognise the financial effect of these share options until they were exercised.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 2.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Employee benefits (continued)

#### Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance, for all of its 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 employees of the Group’s subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

#### 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 recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As 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 prevailing at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Judgements

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

#### Income taxes

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

#### Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contracts as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding cost of the contract revenue.

#### Estimation uncertainty

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

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. 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. The carrying amounts of goodwill at 31 March 2013 were HK\$1,243,000 (2012: HK\$1,243,000). Further details are given in note 16 to the consolidated financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

#### Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these trade receivables, including these current creditworthiness and the past collection history of each customer.

#### Provision for impairment of retention receivables

The policy for the provision for impairment of retention receivables of the Group is based on the evaluation of collectibles of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these retention receivables, including these current creditworthiness and the past collection history of each customer.

#### Impairment of non-financial assets (other than goodwill)

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- (a) the trading of aluminium products segment — sales of aluminium products; and
- (b) the construction projects segment — supply of aluminium products in construction projects.

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

Segment assets exclude cash and cash equivalents, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2013	Trading of aluminium products HK\$'000	Construction projects HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	93,361	109,428	202,789
<b>Segment results</b>			
	4,919	12,616	17,535
Interest income			8
Corporate and other unallocated expenses			(2,984)
Profit before tax			14,559
<b>Segment assets</b>			
Corporate and other unallocated assets	81,657	82,582	164,239
			37,965
Total assets			202,204
<b>Segment liabilities</b>			
Corporate and other unallocated liabilities	1,261	36,398	37,659
			6,275
Total liabilities			43,934
<b>Other segment information:</b>			
Capital expenditure*	67	-	67
Depreciation of property, plant and equipment	177	-	177

\* The capital expenditure included additions of property, plant and equipment.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2012	Trading of aluminium products HK\$'000	Construction projects HK\$'000	Total HK\$'000
<b>Segment revenue:</b>			
Sales to external customers	154,406	188,747	343,153
<b>Segment results</b>			
	(39)	20,523	20,484
Unallocated corporate income, net			1,930,655
Corporate and other unallocated expenses			(28,389)
Interest income			87
Finance costs			(223)
Profit before tax			1,922,614
<b>Segment assets</b>			
Corporate and other unallocated assets	31,559	101,539	133,098
			75,490
Total assets			208,588
<b>Segment liabilities</b>			
Corporate and other unallocated liabilities	958	56,095	57,053
			1,721
Total liabilities			58,774
<b>Other segment information:</b>			
Capital expenditure*	8	–	8
Depreciation of property, plant and equipment	188	–	188

\* The capital expenditure included additions of property, plant and equipment.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 4. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

	2013 HK\$'000	2012 HK\$'000
<b>(a) Revenue from external customers</b>		
Hong Kong	6,727	7,432
Mainland China	196,062	335,721
	<b>202,789</b>	<b>343,153</b>
<b>(b) Non-current assets</b>		
Hong Kong	20,245	21,226
Mainland China	357	445
	<b>20,602</b>	<b>21,671</b>

The non-current asset information of continuing operations above is based on the locations of the assets (excluded goodwill).

### Information about major customer

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

	2013 HK\$'000	2012 HK\$'000
Customer A <sup>1</sup>	96,550	179,123
Customer B <sup>2</sup>	59,900	–
Customer C <sup>2</sup>	30,422	–
Customer D <sup>2</sup>	–	78,131
Customer E <sup>2</sup>	–	70,697

<sup>1</sup> Revenue from construction projects segment

<sup>2</sup> Revenue from trading of aluminium products segment

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and an appropriate proportion of contract revenue of construction contracts during the year.

An analysis of revenue, other income and gains is as follows:

	2013 HK\$'000	2012 HK\$'000
<b>Revenue</b>		
Trading of aluminium products	93,361	154,406
Construction projects	109,428	188,747
<b>Total revenue</b>	<b>202,789</b>	343,153
<b>Other income and gains</b>		
Gain on debt restructuring ( <i>note 6</i> )	–	1,930,503
Interest income	8	87
Others	115	65
<b>Total other income and gains</b>	<b>123</b>	1,930,655
Total revenue, other income and gains	<b>202,912</b>	2,273,808

## 6. GAIN ON DEBT RESTRUCTURING

On 20 December 2007, the Company, the Provisional Liquidators, the Investor and the escrow agent entered into the Restructuring Agreement for the implementation of the Restructuring proposal.

The Restructuring Agreement, as supplemented by the supplementary agreements, provided terms for, inter alia, the debt restructuring, the capital restructuring, the group reorganisation, the open offer and the subscription. Details of the Restructuring are set out in the Company's circular dated 31 October 2011 and prospectus dated 8 December 2011.

Pursuant to a special general meeting on 23 November 2011, all the resolutions regarding the implementation of Restructuring were duly and unanimously passed by the shareholders of the Company.

On 9 January 2012, the Restructuring was completed, winding-up petitions were withdrawn and the Provisional Liquidators were discharged. Accordingly, a number of subsidiaries were transferred to the scheme administrators for the benefit of the Company's creditors at a nominal consideration of HK\$1 and all liabilities of the Company were eliminated and fully discharged pursuant to the Scheme.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 6. GAIN ON DEBT RESTRUCTURING (continued)

Pursuant to the Scheme, (i) a cash of HK\$35 million was paid to the Scheme; (ii) 157,600,000 new ordinary shares were allotted and issued to the Scheme creditors of the Company at nil consideration; and (iii) the bank balances and cash of the Company amounted to approximately HK\$102,000 were transferred to the Scheme for the benefit of the Scheme creditors of the Company. The gain on debt restructuring pursuant to the Scheme is as follows:

	<b>9 January 2012</b>
	HK\$'000
<hr/>	
<b>Liabilities fully discharged pursuant to the Scheme</b>	
Other payables	391,101
Amounts due to deconsolidated subsidiaries	126,426
Short-term borrowings	1,448,078
	<hr/>
Total	1,965,605
Less: (i) Cash paid to the Scheme	(35,000)
(ii) Bank balances and cash of the Company transferred to the Scheme	(102)
(iii) New ordinary shares allotted and issued at nil consideration	–
	<hr/>
	(35,102)
	<hr/>
Gain on debt restructuring ( <i>note 5</i> )	1,930,503
	<hr/>

As explained by the current directors of the Company, most of former accounting personnel and former directors left the Group on or before the completion of the Restructuring, the current directors were unable to obtain sufficient documentary information to satisfy themselves as to whether the gain on debt restructuring for the year ended 31 March 2012 was fairly stated and thus the auditors of the Company had qualified their auditors' report for the year ended 31 March 2012 in this respect.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 7. PROFIT BEFORE TAX

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

	2013 HK\$'000	2012 HK\$'000
Cost of construction and inventories sold*	176,929	317,376
Auditors' remuneration	600	753
Depreciation	177	188
Foreign exchange difference, net	26	19
Employee benefits expenses (including directors' remuneration (note 9)):		
Wages and salaries	7,032	3,463
Pension scheme contributions	233	157
	<b>7,265</b>	3,620
Minimum lease payments under operating leases on land and buildings	1,238	700
Gain on debt restructuring (note 6)	-	(1,930,503)
Interest income	(8)	(87)

\* The depreciation of the property, plant and equipment of approximately HK\$170,000 (2012: HK\$174,000) for the year ended 31 March 2013 are included in the "cost of construction and inventories sold" in the consolidated statement of comprehensive income.

## 8. FINANCE COSTS

	2013 HK\$'000	2012 HK\$'000
Interest on:		
Bank borrowings wholly repayable within 5 years	-	94
Bills and overdrafts	-	129
	-	223



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 9. DIRECTORS' REMUNERATION

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

	2013 HK\$'000	2012 HK\$'000
Fees	696	158
Other emoluments:		
Salaries, allowances and benefits in kind	2,424	941
Pension scheme contributions	44	9
	2,468	950
	3,164	1,108

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>2013</b>				
<b>Executive directors</b>				
Mr. Chau Shing Yim, David	–	300	15	315
Ms. Cheung Oi Chun	–	324	15	339
Mr. Mung Hing Choy	–	1,800	14	1,814
	–	2,424	44	2,468
<b>Non-executive director</b>				
Mr. Tsoi Tong Hoo, Tony	396	–	–	396
	396	–	–	396
<b>Independent non-executive directors</b>				
Mr. Choi Wing Koon	100	–	–	100
Mr. Kwok Lap Fung, Beeson	100	–	–	100
Mr. Li Kam Chung	100	–	–	100
	300	–	–	300
	696	2,424	44	3,164

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 9. DIRECTORS' REMUNERATION (continued)

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2012				
<b>Executive directors</b>				
Mr. Chau Shing Yim, David (Note (a))	–	67	3	70
Ms. Cheung Oi Chun (Note (a))	–	67	3	70
Mr. Mung Hing Choy (Note (b))	–	807	3	810
Mr. Hui Ho Ming, Herbert (Note (c))	–	–	–	–
Mr. Kwan Man Wai (Note (c))	–	–	–	–
Mr. Li Lee Cheung (Note (c))	–	–	–	–
Mr. Yip Kim Po (Note (d))	–	–	–	–
Mr. Yip Wan Fung (Note (d))	–	–	–	–
Mr. Chin Chang Keng, Raymond (Note (c))	–	–	–	–
Ms. Ang Mei Lee, May (Note (c))	–	–	–	–
	–	941	9	950
<b>Non-executive director</b>				
Mr. Tsoi Tong Hoo, Tony (Note (b))	89	–	–	89
	89	–	–	89
<b>Independent non-executive directors</b>				
Mr. Choi Wing Koon (Note (a))	23	–	–	23
Mr. Kwok Lap Fung, Beeson (Note (a))	23	–	–	23
Mr. Li Kam Chung (Note (a))	23	–	–	23
	69	–	–	69
	158	941	9	1,108

Notes:

- (a) Appointed on 9 January 2012
- (b) Appointed on 11 January 2012
- (c) Resigned on 11 January 2012
- (d) Retired on 30 August 2011

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

During the year, no emoluments have been paid to the directors as an inducement to join or upon joining the Group; or as compensation for loss of office (2012: Nil).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 9. DIRECTORS' REMUNERATION (continued)

The number of directors, whose remuneration fell within the following bands is as follows:

	Number of directors	
	2013	2012
Nil to HK\$1,000,000	6	14
HK\$1,000,001 to HK\$2,000,000	1	–
	<b>7</b>	<b>14</b>

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one (2012: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining four (2012: four) non-directors, highest paid employees for the year are as follows:

	2013	2012
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	2,282	1,016
Pension scheme contributions	58	41
	<b>2,340</b>	<b>1,057</b>

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

	Number of employees	
	2013	2012
Nil to HK\$1,000,000	4	4

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 11. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2013 HK\$'000	2012 HK\$'000
Current tax — Hong Kong		
Charge for the year	795	183
Under-provision in prior years	–	715
Current tax — PRC		
Charge for the year	41	26
Under-provision in the previous years	18	38
Total tax charge for the year	<b>854</b>	962

PRC enterprise income tax is calculated at 25% (2012: 25%) on the estimated assessable profits for the year ended 31 March 2013.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2013		2012	
	HK\$'000	%	HK\$'000	%
Profit before tax	<b>14,559</b>		1,922,614	
Tax at the statutory tax rates	2,399	16.5	317,060	16.5
Income not subject to tax	(15,931)	(109.4)	(322,044)	(16.8)
Expenses not deductible for tax	13,205	90.7	4,842	0.3
Tax losses not recognised	1,175	8.1	352	–
Tax effect of temporary differences	(2)	–	(1)	–
Under-provision in previous years	18	0.1	753	–
Tax reduction for year of assessment 2012/13	(10)	(0.1)	–	–
Tax charge at effective tax rate	<b>854</b>	5.9	962	–

The Group had deferred tax benefits not recognised in respect of tax losses available for offsetting future assessable profits as follows:

	2013 HK\$'000	2012 HK\$'000
Tax losses	<b>9,255</b>	2,134

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 12. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2013 includes a loss of approximately HK\$2,937,000 (2012: profit of approximately HK\$1,902,822,000) which has been dealt with in the financial statements of the Company (note 30(b)).

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic earnings per share are based on:

	2013 HK\$'000	2012 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>13,705</b>	1,921,652
<b>Number of shares</b>		
	2013	2012
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	<b>800,000,000</b>	290,661,000

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (continued)

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic earnings per share calculation, as adjusted for the weighted average number of convertible preference shares and share options assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share for the year ended 31 March 2012 did not assume the conversion of outstanding share options since the exercise price was higher than the average market price of the Company's shares for the year ended 31 March 2012.

The calculation of diluted earnings per share for the years ended 31 March 2013 and 2012 is based on:

	2013 HK\$'000	2012 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	<b>13,705</b>	1,921,652
	<b>Number of shares</b>	
	2013	2012 (Restated)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	<b>800,000,000</b>	290,661,000
Effect on dilution — weighted average number of ordinary shares		
Share options ( <i>Note a</i> )	—	—
Convertible preference shares ( <i>Note b</i> )	<b>850,000,000</b>	188,114,754
Weight average number of ordinary shares for the purpose of diluted earnings per share	<b>1,650,000,000</b>	478,775,754

Notes:

- (a) The share options had no dilutive effect on the weighted average number of ordinary shares as the exercise price was higher than the average market price of the Company's shares for the year ended 31 March 2012. In addition, upon the completion of the Company's Restructuring which became effective on 9 January 2012, all share options outstanding were lapsed automatically (to the extent not already exercised) and the share option scheme has been expired during the year.
- (b) The weighted average number of ordinary shares assumed the conversion of preference shares for the year ended 31 March 2012 has been restated to reflect the time portion of the preference shares in issue during the year ended 31 March 2012.

## 14. DIVIDENDS

Except for the accrual of cumulative preference shares dividend of HK\$5,550,000 during the year ended 31 March 2013, no dividend has been declared or paid by the Company for the ordinary shareholders during the year ended 31 March 2013 (2012: Nil).

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 15. PROPERTY, PLANT AND EQUIPMENT

### Group

	Plant and machineries HK\$'000	Furniture, fixture and equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>31 March 2013</b>				
1 April 2012:				
Cost	694	21	23	738
Accumulated depreciation	(267)	(13)	(13)	(293)
Net carrying amount	427	8	10	445
At 1 April 2012, net of accumulated depreciation	427	8	10	445
Additions	–	22	45	67
Depreciation provided during the year	(170)	(4)	(3)	(177)
Exchange realignment	21	–	1	22
At 31 March 2013, net of accumulated depreciation	278	26	53	357
At 31 March 2013:				
Cost	801	47	74	922
Accumulated depreciation	(523)	(21)	(21)	(565)
Net carrying amount	278	26	53	357

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

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

### Group

	Plant and machineries HK\$'000	Furniture, fixture and equipment HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
31 March 2012				
1 April 2011:				
Cost	680	21	23	724
Accumulated depreciation	(92)	(7)	(5)	(104)
Net carrying amount	588	14	18	620
At 1 April 2011, net of accumulated depreciation	588	14	18	620
Additions	8	–	–	8
Depreciation provided during the year	(174)	(6)	(8)	(188)
Exchange realignment	5	–	–	5
At 31 March 2012, net of accumulated depreciation	427	8	10	445
At 31 March 2012:				
Cost	694	21	23	738
Accumulated depreciation	(267)	(13)	(13)	(293)
Net carrying amount	427	8	10	445

## 16. GOODWILL

	Group	
	2013 HK\$'000	2012 HK\$'000
Cost	1,243	1,243
Accumulated impairment	–	–
Net carrying amount at 31 March	1,243	1,243



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 16. GOODWILL (continued)

### Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the Group's cash-generating unit for impairment testing as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Carrying amount of goodwill relevant to supply of aluminium products to construction projects business	<b>1,243</b>	1,243

The goodwill arose from the acquisition of Tak Lee Metal Manufactory (Hong Kong) Company Limited ("Tak Lee") and its subsidiary (the "Tak Lee's Group") during the year ended 31 March 2011. The recoverable amount of the goodwill has been determined based on a value in use calculation which using a cash flow projection based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 8% (2012: 10%). The growth rate used to extrapolate the cash flows of the industrial products unit beyond the five-year period is 2% to 10% (2012: 0%). Based on the valuation results prepared by the management, the management considered that there is no impairment charge needed to be made against the goodwill as at 31 March 2013 and 2012.

Assumptions were used in the value in use calculation of the goodwill as at 31 March 2013 and 2012. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Group	
	2013	2012
Gross margin	<b>18% to 29%</b>	13% to 15%
Growth rate	<b>2% to 10%</b>	0%
Discount rate	<b>8%</b>	10%

Management determined the budgeted gross-margin based on past performance and its expectation for market development. The discount rates used are pre-tax that reflected current market assessments of the time value of money and the specific risks relating to the relevant segments.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 17. INTANGIBLE ASSET

	Group	
	2013 HK\$'000	2012 HK\$'000
Cost	252	252
Accumulated impairment	–	–
At 31 March, net of accumulated impairment	<b>252</b>	<b>252</b>

The amount represents the cost incurred for the application for inclusion into the Hong Kong Housing Authority's list of approved suppliers for stainless steel gate sets and aluminium windows in the past practice. The directors of the Company are of the opinion that the name of a subsidiary had been included in the list of approved suppliers has an indefinite useful life. As a result, the intangible asset will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired. Based on the valuation results prepared by the management, details of which are set out in note 16 to the consolidated financial statements, the directors considered that there is no impairment charge needed to be made against the intangible asset as at 31 March 2013 and 2012.

## 18. RETENTION RECEIVABLES

	Group	
	2013 HK\$'000	2012 HK\$'000
Retention receivables	21,434	21,653
Less: Current portion of retention receivables	(1,441)	(679)
Non-current portion of retention receivables	<b>19,993</b>	<b>20,974</b>

Retention receivables represents certified contract payments in respect of works performed, for which payments are withheld by customers for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention receivables is presented as the retentions are released to the Group pursuant to the provisions of the relevant contracts after the completion of the projects in question.

## 19. INTERESTS IN SUBSIDIARIES

	Company	
	2013 HK\$'000	2012 HK\$'000
Unlisted shares, at cost	–	–
Due from subsidiaries	<b>131,220</b>	<b>77,245</b>
Due to subsidiaries	<b>(20,604)</b>	–

The amounts due from/(to) subsidiaries are unsecured and interest-free. In addition, the subsidiaries have agreed not to demand for repayment within the next 12 months after the end of the reporting period.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 19. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid share capital/ paid-up capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zhidao Investment Limited (formerly known as Zhidao International (Holdings) Limited)	Hong Kong	HK\$1	100	–	Not yet commenced business
Wealthy Hero Investments Limited (Note 1)	British Virgin Islands (“BVI”)	US\$1	100	–	Investment holding
Rongbao Holdings Limited (Note 1)	BVI	US\$1	100	–	Investment holding
Golden Beach Enterprises Limited (Note 1)	BVI	US\$1	100	–	Investment holding
Wealthy Hero Holdings Limited (Note 4)	Hong Kong	HK\$1	–	100	Not yet commenced business
Rongbao Investments Limited (Note 4)	Hong Kong	HK\$1	–	100	Not yet commenced business
Fast Excel Limited	Hong Kong	HK\$10	–	100	Investment holding
Parkson Trade Services Limited	Hong Kong	HK\$1	–	100	Trading of aluminium products
Tak Lee Metal Manufactory (Hong Kong) Company Limited	Hong Kong	HK\$3,210,000	–	100	Supply of aluminium products in construction projects
Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited (Note 3)	Hong Kong	HK\$5	–	60 (2012:100)	Not yet commenced business
Zhongshan City Minzhong Deli Metal Company Limited (Note 1 & 2)	People’s Republic of China (the “PRC”)	US\$500,000	–	100	Manufacturing aluminium windows and gates

Notes:

- (1) Not audited by Ascenda Cachet CPA Limited.
- (2) This subsidiary is registered as a wholly-foreign owned enterprise under the PRC law.
- (3) The Group disposed 40% equity interest in this subsidiary during the year, details of which are set out in note 31(a) to the consolidated financial statements.
- (4) These subsidiaries were newly incorporated during the year ended 31 March 2013.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 20. INVENTORIES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Raw materials	387	323
Finished goods	306	325
	<b>693</b>	648

## 21. TRADE RECEIVABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Trade receivables	<b>103,351</b>	72,613

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and other receivables balances. Trade and other receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days (2012: 0 to 90 days) to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within 1 month	34,755	29,493
1 to 2 months	–	29,535
2 to 3 months	–	–
Over 3 months	<b>68,596</b>	13,585
Trade receivables	<b>103,351</b>	72,613

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 21. TRADE RECEIVABLES (continued)

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Neither past due nor impaired	34,755	59,028
Less than 1 month past due	–	–
1 to 3 months past due	15,722	12,388
Over 3 months past due	52,874	1,197
	<b>103,351</b>	<b>72,613</b>

Receivables that were neither past due nor impaired relate to several customers for whom there was no recent history default.

Receivables that were past due but not impaired relate to two of the independent customers and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

## 22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	HK\$'000	HK\$'000
Prepayments	92	1,600
Trade deposits	34,047	31,196
Utility deposits	471	406
Other receivables	3,855	2,480
	<b>38,465</b>	<b>35,682</b>
Less: Impairment	<b>(1,556)</b>	<b>(1,556)</b>
	<b>36,909</b>	<b>34,126</b>

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 23. CONSTRUCTION CONTRACTS IN PROGRESS

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Gross amount due from contract customers	–	2,118
Contract costs incurred plus recognised profits less recognised losses to date	<b>12,262</b>	136,165
Less: Progress billings	<b>(12,262)</b>	(134,047)
	–	2,118

## 24. CASH AND CASH EQUIVALENTS

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>37,965</b>	75,490	<b>3,784</b>	40,408

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$146,000 (2012: HK\$2,748,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 25. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Within 1 month	<b>715</b>	27,794
1 to 2 months	–	246
2 to 3 months	<b>138</b>	–
Over 3 months	<b>17,540</b>	9,429
	<b>18,393</b>	37,469

The trade payables are non interest bearing and are normally settled on 30 to 60-day terms.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 26. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2013 HK\$'000	2012 HK\$'000	2013 HK\$'000	2012 HK\$'000
Other payables	2,040	2,605	302	550
Accruals	737	867	–	68
	<b>2,777</b>	3,472	<b>302</b>	618

## 27. RETENTION PAYABLES

	Group	
	2013 HK\$'000	2012 HK\$'000
Retention payables	16,790	16,731
Less: current portion of retention payables	–	–
Non current portion of retention payables	<b>16,790</b>	16,731

Retention payables represents certified contract payments in respect of works performed, for which payments are withheld by the Group for retention purposes, and the amount retained is withheld on each payment up to a maximum amount calculated on a prescribed percentage of the contract sum. No aging analysis of retention payables is presented as the retentions are released to the subcontractors pursuant to the provisions of the relevant contracts after the completion of the projects in question.

## 28. SHARE CAPITAL

### (a) Shares

	Company	
	2013 HK\$'000	2012 HK\$'000
<b>Authorised:</b>		
2,800,000,000 ordinary shares of HK\$0.01 each	28,000	28,000
850,000,000 preference shares of HK\$0.01 each	8,500	8,500
	<b>36,500</b>	36,500
<b>Issued and fully paid:</b>		
800,000,000 ordinary shares of HK\$0.01 each	8,000	8,000
850,000,000 preference shares of HK\$0.01 each	8,500	8,500
	<b>16,500</b>	16,500

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 28. SHARE CAPITAL (continued)

### (a) Shares (continued)

The movements in the Company's authorised share capital for the years is as follows:

	Number of shares '000	Authorised capital HK\$'000
<b>Authorised:</b>		
<b>Ordinary shares:</b>		
At 31 March 2011 and 1 April 2011		
Ordinary shares of HK\$1.00 each	1,000,000	1,000,000
Share consolidation	(i) (666,667)	–
Ordinary shares of HK\$3.00 each	333,333	1,000,000
Capital reduction	(i) –	(996,667)
Cancellation of unissued ordinary share capital	(i) (192,054)	(1,920)
	141,279	1,413
Increase in authorised share capital	(i) 2,658,721	26,587
At 31 March 2012 and 2013		
Ordinary shares of HK\$0.01 each	<b>2,800,000</b>	<b>28,000</b>
<b>Preference shares:</b>		
At 31 March 2011 and 1 April 2011		
Increase in authorised share capital	(i) 850,000	850
At 31 March 2012 and 2013		
Preference shares of HK\$0.01 each	<b>850,000</b>	<b>850</b>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 28. SHARE CAPITAL (continued)

### (a) Shares (continued)

The movements in the Company's issued share capital for the years is as follows:

	Number of shares '000	Amount HK\$'000
<b>Issued and fully paid:</b>		
<b>Ordinary shares:</b>		
At 1 April 2011		
Ordinary shares of HK\$1.00 each	423,835	423,835
Capital reduction and share consolidation pursuant to the Restructuring Agreement	(i) (282,556)	(422,422)
Ordinary shares of HK\$0.01 each	141,279	1,413
Issue of ordinary shares — open offer	(ii) 94,185	942
Issue of ordinary shares — subscription	(iii) 406,936	4,069
Issue of ordinary shares — creditors pursuant to the Scheme	(iv) 157,600	1,576
At 31 March 2012 and 2013		
Ordinary shares of HK\$0.01 each	800,000	8,000
<b>Preference shares:</b>		
At 1 April 2011		
Issue of preference shares pursuant to the Restructuring Agreement	(iii) 850,000	8,500
At 31 March 2012 and 2013		
Preference shares of HK\$0.01 each	850,000	8,500

On 24 November 2011, the Company underwent a capital restructuring pursuant to the Restructuring Agreement. Further details of the transactions were set out in the Company's circular dated 31 October 2011, prospectus dated 8 December 2011 and the announcement dated 9 January 2012.

- (i) Pursuant to special resolutions passed by the Company's shareholders at a special general meeting held on 23 November 2011, (1) every three issued ordinary shares of HK\$1.00 each were consolidated into one consolidated ordinary share of HK\$3.00 each; (2) the par value of every consolidated ordinary share were reduced from HK\$3.00 each to HK\$0.01 each; (3) all the authorised but unissued ordinary shares were cancelled; (4) the authorised share capital of the Company was increased to HK\$36,500,000 divided into 2,800,000,000 ordinary shares of HK\$0.01 each and 850,000,000 convertible preference shares of HK\$0.01 each.
- (ii) On 6 December 2011, 94,185,624 ordinary shares of HK\$0.01 each were issued at HK\$0.133 per share by way of an open offer on the basis of two offer shares for every three shares held with proceeds of HK\$12,527,000 before expenses.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 28. SHARE CAPITAL (continued)

### (a) Shares (continued)

- (iii) On 9 January 2012, 406,936,000 ordinary shares of HK\$0.01 each and 850,000,000 convertible preference shares of HK\$0.01 each were issued at HK\$0.133 per share upon completion of the Restructuring with proceeds of approximately HK\$54,122,000 and HK\$113,050,000, respectively. The preference share, with a paid-up value of HK\$0.133 per share, shall entitle the holder thereof the right to convert one preference share into one fully-paid ordinary share of the Company commencing on the first anniversary from the date of the resumption of the Company on 11 January 2012. The preference shares are non-redeemable and do not bear any voting right. The preference shares shall carry a fixed cumulative preferential dividend at a rate of 4% per annum on the initial subscription price of HK\$0.133 each out of the funds of the Company available for distribution. The cumulative preference shares dividend of HK\$5,550,000 has been accrued during the year ended 31 March 2013.
- (iv) 157,600,000 new ordinary shares were issued at nil consideration to the creditors of the Company pursuant to the Scheme upon completion of the Restructuring on 9 January 2012.

### (b) Shares options

Details of the Company's share option scheme are included in note 29 to the consolidated financial statements.

## 29. SHARE OPTION SCHEME

The Company's share option scheme (the "Share Option Scheme") was approved and adopted by the shareholders on 7 June 2002 and was subsequently modified by the shareholders resolution on 6 June 2003 and 3 June 2004. The scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the scheme is to provide incentives to the employee or consultant of the Group including any executive director of any nationality of the Company and any subsidiary, but except for those who are PRC nationals (the "Participants") to contribute to the Group and/or to enable the Group to recruit and/or retain high-calibre individuals and attract human resources that are valuable to the Group. Under the Share Option Scheme, the board of directors of the Company may grant options to the Participants to subscribe for shares of the Company.

Upon the completion of the Company's Restructuring which became effective on 9 January 2012, all share options outstanding were lapsed automatically (to the extent not already exercised) and the Share Option Scheme has been expired during the year.

The following share options were outstanding under the scheme during the year:

	2013		2012	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At the beginning of the year	–	–	1.7192	18,900
Lapsed during the year	–	–	1.7192	(18,900)
At the end of the year		–		–

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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## 30. RESERVES

### (a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 26 of the consolidated financial statements.

### (b) Company

	Share premium HK\$'000	Contributed surplus HK\$'000	Capital redemption reserve HK\$'000	Preference shares dividend reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2011	114,340	145,517	581	-	(2,649,759)	(2,389,321)
Reduction of capital and share premium	(114,340)	-	-	-	536,762	422,422
Issue of ordinary shares	60,062	-	-	-	-	60,062
Issue of preference shares	104,550	-	-	-	-	104,550
Release of contributed surplus and capital redemption reserve	-	(145,517)	(581)	-	146,098	-
Total comprehensive income for the year	-	-	-	-	1,902,822	1,902,822
At 31 March 2012 and at 1 April 2012	<b>164,612</b>	-	-	-	<b>(64,077)</b>	<b>100,535</b>
Cumulative preference shares dividend	-	-	-	<b>(5,550)</b>	-	<b>(5,550)</b>
Total comprehensive income for the year	-	-	-	-	<b>(2,937)</b>	<b>(2,937)</b>
At 31 March 2013	<b>164,612</b>	-	-	<b>(5,550)</b>	<b>(67,014)</b>	<b>92,048</b>

## 31. DISPOSAL OF SUBSIDIARIES

### (a) 31 March 2013

During the year ended 31 March 2013, the Company disposed (the "Disposal") of 40% equity interests of its subsidiary, Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited ("FEGM"), to an independent third party at a cash consideration of HK\$2. FEGM has not commenced business since its incorporation on 29 November 2010. Upon the completion of the Disposal, the equity interests in FEGM held by the Group decreased from 100% to 60%, and a gain on partial disposal of FEGM of approximately HK\$30,000 was recognised in capital reserve.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 31. DISPOSAL OF SUBSIDIARIES (continued)

### (b) 31 March 2012

Upon completion of the Restructuring on 9 January 2012, OG Aluminium Australia Pty Ltd and the following subsidiaries were transferred to the scheme administrators for the benefit of the Company's Scheme creditors at a consideration of HK\$1 pursuant to the Scheme.

	Percentage of capital held by the Company	
	Directly	Indirectly
Chinacin.com Limited	–	100%
Harvest Fortune Limited (Dissolved)	–	100%
Hing Yip Holdings (China) Limited (Dissolved)	–	100%
Hing Yip Holdings (Hong Kong) Limited (In Liquidation)	–	100%
Jinbocho Holdings Limited	100%	–
Jorki Profits Limited	–	100%
Ocean Grand (China) Limited	–	100%
Ocean Grand Aluminium Company Limited (Foshan)	–	100%
Ocean Grand Development Holdings Limited	–	100%
Ocean Grand Finance Limited (Dissolved)	100%	–
Ocean Grand Services Limited	100%	–
Ocean Grand Technology Company Limited	100%	–
OG Aluminium (Sanshui) Company Limited	–	90%
OG Aluminium Company Limited (Foshan)	–	100%
OG Development Company Limited (In Liquidation)	–	100%
Sky Leader Industries Limited (In Liquidation)	–	100%
Successful Gold Profits Limited (In Liquidation)	100%	–
Toowomba Holdings Limited (In Liquidation)	100%	–
廣州倫帕理維信息科技有限公司	–	100%

As OG Aluminium Australia Pty Ltd was not included in the consolidated financial statements and the results, assets and liabilities of the above subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 January 2005, the net asset value of these subsidiaries was nil as at the date of disposal and accordingly, a gain on disposal of subsidiaries of HK\$1, being the consideration received for the disposal, was recorded.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 32. OPERATING LEASE COMMITMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2013	2012
	HK\$'000	HK\$'000
Within one year	<b>1,378</b>	1,285
2–5 years, inclusive	<b>1,247</b>	2,052
	<b>2,625</b>	3,337

## 33. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 32 above, the Group had the following capital commitments at the end of the reporting period:

	2013	2012
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Capital contributions payable to a non-wholly owned subsidiary	<b>30,000</b>	30,000

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 34. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel of the Group:

	2013 HK\$'000	2012 HK\$'000
Short term employee benefits	5,504	2,165
Post-employment benefits	–	–
Equity-settled share option expenses	–	–
Total compensation paid to key management personnel	5,504	2,165

Further details of directors' and the chief executive's emoluments are included in note 9 to the consolidated financial statements.

## 35. LITIGATION

On 23 August 2007, the Company, together with its former subsidiaries (the "**Former Subsidiaries**"), namely Toowomba Holdings Limited (In Liquidation), Hing Yip Holdings (Hong Kong) Limited (In Liquidation) and OG Development Company Limited (In Liquidation), as plaintiffs, issued a writ of summons in the High Court to claim against a number of former directors of the Company, Mr. Li Lee Cheung ("**Mr. Li**") and Mr. Kwan Man Wai ("**Mr. Kwan**"), seeking compensation from them in connection with their alleged breach of duties during the period they acted as directors of the Company and the Former Subsidiaries. The total compensation claimed (the "**Claim**") amounted to approximately HK\$136 million in connection with the purported purchase of machinery by a former subsidiary in November 2005. Details of this litigation were disclosed in the Company's announcement dated 11 January 2012.

The Company was of the information and knowledge in prior year that Mr. Kwan was seeking leave from the court to commence, by way of counterclaim (the "**CounterClaim**"), an action against the Company for an alleged indemnity in respect of Claim.

Subsequent to the end of the reporting period in June 2013, it came to the attention of the directors of the Company from the Provisional Liquidators that Mr. Kwan has served on his CounterClaim on 21 February 2012 against the Former Subsidiaries whilst the Company was not named as a counterclaims party.

The directors of the Company are of the opinion that since the Former Subsidiaries have been transferred to the Scheme which became effective on 9 January 2012 and the Company was not a named party in the CounterClaim, the Claim and the CounterClaim would not have any impact on the financial position of the Company and the Group.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 36. FINANCIAL INSTRUMENTS BY CATEGORY

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

### Group

#### Financial assets

	Loans and receivables	
	2013 HK\$'000	2012 HK\$'000
Retention receivables	21,434	21,653
Trade receivables	103,351	72,613
Financial assets included in prepayments, deposits and other receivables	36,817	32,526
Cash and cash equivalents	37,905	75,490
	<b>199,507</b>	202,282

#### Financial liabilities

	Financial liabilities at amortised cost	
	2013 HK\$'000	2012 HK\$'000
Trade payables	18,393	37,469
Financial liabilities included in other payables and accruals	2,777	3,472
Retention payables	16,790	16,731
Dividend payables	5,550	–
	<b>43,510</b>	57,672

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 36. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

### Company

#### Financial assets

	Loans and receivables	
	2013 HK\$'000	2012 HK\$'000
Due from subsidiaries	131,220	77,245
Cash and cash equivalents	3,784	40,408
	<b>135,004</b>	117,653

#### Financial liabilities

	Financial liabilities at amortised cost	
	2013 HK\$'000	2012 HK\$'000
Financial liabilities included in other payables	302	618
Due to subsidiaries	20,604	–
Dividend payables	5,550	–
	<b>26,456</b>	618

## 37. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs).

As at 31 March 2012 and 2013, the Group did not have any financial instruments which were measured at fair value.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade and other payables and retention payables. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade and other receivables and retention receivables which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.6 to the consolidated financial statements.

### Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest bearing assets and liabilities. The interest rate risk is considered to be insignificant.

### Foreign currency risk

The directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HKD, Renminbi ("RMB") or United States dollars ("US\$") and accordingly the Group's foreign currency risk is not material as the exchange rates of HKD against US\$ are quite stable. The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

The exchange rate of RMB was comparatively volatile.

The following table demonstrates the sensitivity at the financial year end to a reasonably possible change in the exchange rate of RMB, with all other variables held constant, of the Group's profit before tax.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in profit before tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
<b>31 March 2013</b>			
If HKD weakens against RMB	5%	(279)	–
If HKD strengthens against RMB	(5%)	279	–
<b>31 March 2012</b>			
If HKD weakens against RMB	5%	(302)	–
If HKD strengthens against RMB	(5%)	302	–

\* Excluding retained profits

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

The Group's credit risk is primarily attributable to trade receivables, prepayments, deposits and other receivables, retention receivables, the amount due from customers on construction contracts and cash and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables. Other than this there are no significant concentrations of credit risk within the Group in relation to other financial assets.

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans or other interest-bearing loans.

The maturity of the financial liabilities of the Group at the end of each of the reporting period is as follows:

### Group

#### 31 March 2013

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	17,678	715	-	-	-	18,393
Other payables and accruals	2,777	-	-	-	-	2,777
Retention payables	-	-	-	16,790	-	16,790
Dividend payables	5,550	-	-	-	-	5,550
	<b>26,005</b>	<b>715</b>	<b>-</b>	<b>16,790</b>	<b>-</b>	<b>43,510</b>

#### 31 March 2012

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	9,429	28,040	-	-	-	37,469
Other payables and accruals	3,472	-	-	-	-	3,472
Retention payables	-	-	-	16,731	-	16,731
	<b>12,901</b>	<b>28,040</b>	<b>-</b>	<b>16,731</b>	<b>-</b>	<b>57,672</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Company

31 March 2013

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Financial liabilities included in other payables and accruals	302	–	–	–	–	302
Due to subsidiaries	–	–	–	–	20,604	20,604
Dividend payables	5,550	–	–	–	–	5,550
	<b>5,852</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>20,604</b>	<b>26,456</b>

31 March 2012

	On demand or no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Financial liabilities included in other payables and accruals	618	–	–	–	–	618

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the level of equity indices and the value of individual securities. At the end of the reporting period, the Group has not significant equity price risk.

### Capital 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 its 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.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 March 2013

## 38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade and other payables and accruals and retention payables, less cash and bank balances. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	<b>Group</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>18,393</b>	37,469
Other payables and accruals	<b>2,777</b>	3,472
Retention payables	<b>16,790</b>	16,731
Less: Cash and bank balances	<b>(37,965)</b>	(75,490)
Net cash	<b>(5)</b>	(17,818)
Total capital:		
Equity attributable to equity holders	<b>163,820</b>	149,814
Capital and net debt	<b>163,815</b>	131,996
Gearing ratio	<b>NA</b>	NA

## 39. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation.

## 40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 June 2013.

# FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below. The consolidated financial statements for the years ended 31 March 2009, 2010 and 2011 had been disclaimed by the auditors of the Company and the consolidated financial statements for the year ended 31 March 2012 had been qualified by the auditors of the Company. Details of the disclaimer and qualified opinions of the auditors were set out in the annual reports for the years 2009, 2010, 2011 and 2012 of the Company, respectively.

	Year ended 31 March				
	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
<b>RESULTS</b>					
REVENUE	<b>202,789</b>	343,153	414,924	242,405	161,432
Cost of sales	<b>(176,929)</b>	(317,376)	(398,317)	(238,284)	(158,169)
Gross profit	<b>25,860</b>	25,777	16,607	4,121	3,263
Other income and gains	<b>123</b>	1,930,655	165	–	7
Restructuring costs	–	(25,000)	–	–	–
General and administrative expenses	<b>(11,424)</b>	(8,595)	(5,060)	(2,594)	(1,953)
Finance costs	–	(223)	(237)	–	–
PROFIT BEFORE TAX	<b>14,559</b>	1,922,614	11,475	1,527	1,317
Tax	<b>(854)</b>	(962)	(193)	(64)	–
PROFIT FOR THE YEAR	<b>13,705</b>	1,921,652	11,282	1,463	1,317
Attributable to:					
Owners of the Company	<b>13,705</b>	1,921,652	11,282	1,463	1,317
Non-controlling interests	–	–	–	–	–
	<b>13,705</b>	1,921,652	11,282	1,463	1,317

## ASSETS AND LIABILITIES

	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000
TOTAL ASSETS	<b>202,204</b>	208,588	66,672	64,773	97,008
TOTAL LIABILITIES	<b>(43,934)</b>	(58,774)	(2,018,276)	(2,027,449)	(2,061,147)
NON-CONTROLLING INTERESTS	<b>30</b>	–	–	–	–
	<b>158,300</b>	149,814	(1,951,604)	(1,962,676)	(1,964,139)