JUDA INTERNATIONAL HOLDINGS LIMITED

鉅大國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code:1329

Annual Report 2013/2014

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tang Jun *(Chairman)*
Mr. Zhong Beichen *(Chief Executive Officer)*

Non-Executive Directors

Mr. Liu Xiaoguang
Mr. Wang Hao

Independent Non-Executive Directors

Dr. Ngai Wai Fung
Ms. Zhao Yuhong
Mr. He Xiaofeng

AUDIT COMMITTEE

Dr. Ngai Wai Fung *(Chairman)*
Ms. Zhao Yuhong
Mr. He Xiaofeng

REMUNERATION COMMITTEE

Ms. Zhao Yuhong *(Chairperson)*
Mr. Liu Xiaoguang
Dr. Ngai Wai Fung

NOMINATION COMMITTEE

Mr. Tang Jun *(Chairman)*
Dr. Ngai Wai Fung
Ms. Zhao Yuhong

STRATEGIC COMMITTEE

Mr. Wang Hao *(Chairman)*
Mr. Zhong Beichen
Mr. He Xiaofeng

COMPANY SECRETARY

Mr. Lee Sing Yeung Simon

AUTHORISED REPRESENTATIVES

Mr. Tang Jun
Mr. Lee Sing Yeung Simon

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

COMPLIANCE ADVISER

Quam Capital Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2906– 08
AIA Central
1 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22 Hopwell Centre
183 Queen’s Road East
Hong Kong

STOCK CODE

1329

CORPORATE WEBSITE

www.judaintl.com

Chairman's Statement

Dear Shareholders,

I have pleasure to present to you the Annual Report of Juda International Holdings Limited (the "Company", together with its subsidiaries are collectively referred to as the "Group") for the year ended 31 March 2014.

CHANGE OF CONTROLLING SHAREHOLDER

On 8 November 2013, Get Thrive Limited ("GTL") and BCG Chinastar International Limited ("BCG") entered into a share purchase agreement (the "Agreement") with Lian Wang Limited ("Lian Wang") pursuant to which Lian Wang agreed to sell and Get Thrive and BCG agreed to purchase 112,200,000 Shares and 19,800,000 Shares, respectively, on a several and not joint and several basis, representing respectively 56.1% and 9.9% of the entire issued share capital of the Company for a total cash consideration of HK$351,120,000 (being HK$2.66 per Share).

Completion of the Agreement took place on 12 November 2013 and GTL was required to make an unconditional mandatory cash offer to acquire all the shares of the Company not already owned by it at a price of HK$2.66 per share (the "Offer"). Upon the close of the Offer on 20 December 2013, GTL and BCG became interested in 130,200,000 and 19,800,000 shares respectively, representing respectively 65.1% and 9.9% of the issued share capital of the Company.

GTL is a company incorporated in the British Virgin Islands with limited liability and an indirectly wholly-owned subsidiary of BCL. BCL is a joint stock company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). BCG is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Capital Group. Capital Group is a state-owned enterprise incorporated in the PRC and the controlling shareholder of BCL.

PERFORMANCE

The Group's total revenue for the year ended 31 March 2014 reached record high at approximately HK$331,472,000, representing an increase of 31.3% relative to the preceding year's of approximately HK$252,437,000. Profit for the year ended 31 March 2014 declined to approximately HK$3,120,000, compared to the preceding year's of approximately HK$10,068,000, primarily due to the squeeze of gross profit margin caused by increase in average purchase cost of the major raw materials purchased and decrease in average selling price of the major finished goods sold by the Group.

OUTLOOK

Following completion of offer, BCL become the controlling shareholder of the Company, BCL plans to leverage on its experience and network in real estate development in the PRC to capture other business and investment opportunities, including assets and/or business acquisitions by the Company in real estate in order to enhance its growth.

Chairman's Statement

APPRECIATION

I would like to take this opportunity to thank each and every member of the management and staff of the Group for their hard work and unwavering commitment to the Group.

Tang Jun
Chairman

Hong Kong, 16 May 2014

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the production of two chemical products, namely phthalic anhydride ("PA") and fumaric acid, which are intermediate chemicals mainly used in the industrial production of plasticisers and polyester resins. All of the Group's turnover is derived from customers based in the People's Republic of China (the "PRC").

The Group's production facilities are located in Xiamen, Fujian Province, the PRC. The Group continues to operate under a simple business model with one major raw material, namely ortho-xylene ("OX") sourcing from independent suppliers in the PRC for its production process. OX is used in the production facilities of PA to produce PA and certain by-products including maleic anhydride, which can be used to produce fumaric acid.

To improve its sales of PA, the Group put more effort into expanding customer base during the year ended 31 March 2014. Accordingly, the Group's turnover derived from selling PA increased from approximately HK$229,503,000 for the year ended 31 March 2013 to approximately HK$302,759,000 for the year ended 31 March 2014, as a result of the increase in quantity of PA sold despite lower average selling price caused by the weaker market demand on PA. Sales of fumaric acid and other by-products of PA also rose from approximately HK$22,934,000 for the year ended 31 March 2013 to approximately HK$28,713,000 for the year ended 31 March 2014 due to the increase in average selling price and quantity sold for the tighter market supply of fumaric acid.

FINANCIAL REVIEW

Turnover of the Group grew from approximately HK$252,437,000 for the year ended 31 March 2013 to approximately HK$331,472,000 for the year ended 31 March 2014, mostly attributable to the increase in production and sales volume of PA, fumaric acid and other by-products of PA. Gross profit margin declined from 16.0% for the year ended 31 March 2013 to 9.2% for the year ended 31 March 2014, mainly due to increase in average purchase cost of OX purchased and decrease in average selling price of PA sold by the Group. Profit from operations decreased from approximately HK$21,967,000 for the year ended 31 March 2013 to approximately HK$12,063,000 for the year ended 31 March 2014 primarily due to the drop of gross profit. Finance costs decreased from approximately HK$4,462,000 for the year ended 31 March 2013 to approximately HK$3,785,000 for the year ended 31 March 2014 as a result of the lower balance of bank borrowings. Taxation, representing the PRC enterprise income tax, reduced from approximately HK$7,437,000 for the year ended 31 March 2013 to approximately HK$5,158,000 for the year ended 31 March 2014 in line with the decrease in the Group's profit generated from its operations in the PRC. For the above reasons, profit for the year decreased from approximately HK$10,068,000 for the year ended 31 March 2013 to approximately HK$3,120,000 for the year ended 31 March 2014.

LIQUIDITY AND FINANCIAL RESOURCES

The Group mainly relies upon internally generated cash flows and bank borrowings to finance its operations and expansion.

As at 31 March 2014, the Group's cash and cash equivalents amounted to approximately HK$23,887,000 (2013: approximately HK$37,472,000), including approximately HK$22,448,000 and approximately HK$1,439,000 denominated in Renminbi ("RMB") and HK$ respectively. The decrease in cash and cash equivalents of the Group was primarily due to the pledge of bank deposit amounting to approximately HK$31,026,000 (2013: Nil) against its bank borrowings, net of the improvement of its cash flows from the lower level of trade and bills receivables and inventories. The majority of the Group's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. Cash at banks earns interest at floating rates based on daily bank deposit rates. As at 31 March 2014, the Group's interest-bearing bank borrowings were approximately HK$50,306,000 (2013: approximately HK$55,615,000), all of which were denominated in RMB, due within one year and secured by prepaid lease payments for land use rights and certain of the buildings, plant and machinery and furniture, fixtures and equipment and bank deposits. The range of effective interest rate on bank borrowings for the year ended 31 March 2014 was 6.30%–6.90% per annum (2013: 6.60%–8.53% per annum).

As at 31 March 2014, the Group's gearing ratio was approximately 19.5%, improved from approximately 21.9% as at 31 March 2013, based on the division of the bank borrowings, by total assets, the gearing ratio was at a reasonable level.

Management Discussion and Analysis

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

As at 31 March 2014, the Group had capital commitment for the acquisition of property, plant and equipment totaling of approximately HK$17,456,000 (2013: approximately HK$12,829,000).

REMUNERATION POLICIES

As at 31 March 2014, the Group had 95 employees (2013: 97 employees). The Group reviews remuneration and benefits of its employees regularly according to the relevant market practice and individual performance of the employees. The Group contributes social insurance in the PRC and mandatory provident fund scheme in Hong Kong for eligible employees, and also provides medical insurance, work-related personal injury insurance, maternity insurance and unemployment insurance in the PRC, in accordance with the relevant laws and regulations. Total staff costs (including directors' remuneration) incurred by the Group for the year ended 31 March 2014 were approximately HK$9,536,000 (2013: approximately HK$10,305,000).

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The net proceeds received by the Group from the initial public offering, after deducting underwriting commissions and other estimated expenses payable for the offering, amounting to approximately HK$28,708,000 are to be used in the manner consistent with that mentioned in the section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 March 2012 (the "Prospectus"). As at 31 March 2014, approximately HK$23,266,000 had been used by the Group in prepayments on the acquisition of property, plant and equipment in connection with the expansion and upgrading of the Group's production capacity. The unused balance of the Proceeds was deposited at the Group's bank accounts. In the event that the Directors decide to use the Proceeds in a manner different from that stated in the Prospectus, the Company will issue a further announcement in compliance with the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Corporate Governance Report

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good governance practices and procedures. During the year ended 31 March 2014, the Company has complied with the requirements under the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and the continuing obligations requirements of a listed issuer pursuant to the Listing Rules.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the Model Code during the year ended 31 March 2014.

Board of Directors

With effect from 21 December 2013, Mr. Tang Jun was appointed as executive Director and Chairman of the Board, Mr. Zhong Beichen was appointed as executive Director and Chief Executive Officer, each of Mr. Liu Xiaoguang and Mr. Wang Hao was appointed as non-executive Director, and each of Dr. Ngai Wai Fung, Ms. Zhao Yuhong and Mr. He Xiaofeng was appointed as independent non-executive Director.

The Board is scheduled to meet at least four times a year to determine overall strategic direction and objectives, approve interim and annual results, and discuss other significant matters on the businesses and operations of the Group. During the year ended 31 March 2014, a total of 4 board meetings were held. Details of the Directors' attendance at the Board meetings are set out under "Directors'/Committee Members' Attendance at Meetings" below.

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

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

There is no relationship among members of the Board and in particular, between the Chairman and the Chief Executive Officer.

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

There are in place a directors and officers liabilities insurance cover in respect of legal action against directors and officers.

Corporate Governance Report

Directors'/Committee Members' Attendance at Meetings

	Meeting Attended/Held During the Year Ended 31 March 2014				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Tang Jun [1]	1/1			N/A	N/A
Zhong Beichen [1]	1/1				N/A
Choi Lim Chi [2]	2/3				1/1
Chen Fan [2]	2/3				1/1
Lee Lit Mo Johnny [2]	3/3		2/2	2/2	1/1
Huang Dongsheng [3]	0/0				0/1
Non-Executive Directors					
Liu Xiaoguang [1]	1/1		N/A		N/A
Wang Hao [1]	1/1				N/A
Independent Non-executive Directors					
Ngai Wai Fung [1]	1/1	N/A	N/A	N/A	N/A
Zhao Yuhong [1]	1/1	N/A	N/A	N/A	N/A
He Xiaofeng [1]	1/1	N/A			N/A
Yan Wai Kiu [2]	3/3	3/3	2/2	1/2	0/1
Wong Kin Tak [2]	3/3	3/3	2/2	2/2	1/1
Choi Kin Cheong [2]	3/3	3/3	2/2	2/2	1/1

1 *Appointed on 21 December 2013*
2 *Resigned on 21 December 2013*
3 *Appointed on 19 June 2013 and retired on 2 September 2013*

Chairman and Chief Executive Officer

Mr. Tang Jun is the Chairman of the Board and Mr. Zhong Beichen is the Chief Executive Officer of the Company. The Chairman of the Board is responsible for the overall strategic development of the Group's operation. The Chief Executive Officer, is principally responsible for the overall management of the Group.

Non-executive Directors

Each of the existing non-executive and independent non-executive Directors has been appointed for a term of three years subject to the provision of retirement and rotation of directors under the Articles of Association of the Company.

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

Corporate Governance Report

Board Committees

(a) Audit Committee ("AC")

The AC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of three members with all independent non-executive Directors. namely, Dr. Ngai Wai Fung (as chairman), Ms. Zhao Yuhong and Mr. He Xiaofeng with effect from 21 December 2013. Dr. Ngai Wai Fung is a fellow of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants and with appropriate professional qualification as required under Rule 3.10(2) of the Listing Rules.

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

For the year ended 31 March 2014, the AC held 3 meetings. Details of the committee members' attendance at the AC meetings are set out under "Directors'/Committee Members' Attendance at Meetings" above.

The summary of the work of the AC for the year ended 31 March 2014 is as below:

— reviewed the announcement of annual results and annual report of the Group for the financial year ended 31 March 2013 before submission to the Board for adoption and publication;

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

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

— reviewed the Group's internal control system;

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

— reviewed the compliance with the non-competition undertaking by Lian Wang Limited ("Lian Wang"), Mr. Choi Lim Chi and his spouse, Ms. Wong Sai ("Mrs. Choi"), the former controlling shareholders of the Company under the deed of non-competition.

Corporate Governance Report

Board Committees *(Continued)*

(b) Remuneration Committee ("RC")

The RC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of three members with two independent non-executive Directors, namely, Ms. Zhao Yuhong (as chairperson) and Dr. Ngai Wai Fung, and one non-executive Director, namely, Mr. Liu Xiaoguang with effect from 21 December 2013.

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

For the year ended 31 March 2014, the RC held 2 meeting. Details of the committee members' attendance at the RC meetings are set out under "Directors'/Committee Members' Attendance at Meetings" above.

The summary of the work of the RC for the year ended 31 March 2014 is as below:

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

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

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

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

— assessed performance of the executive Directors.

(c) Nomination Committee ("NC")

The NC was established on 14 March 2012 with written terms of reference in compliance with the CG Code. It consists of three members with one executive Director, namely Mr. Tang Jun (as chairman) and two independent non-executive Directors, namely, Dr. Ngai Wai Fung and Ms. Zhao Yuhong with effect from 21 December 2013.

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

The Board has adopted a board diversity policy which sets out the approach to achieve diversity on the Board in June 2013. Accordingly, selection of candidates to the Board is based on a range of measurable objectives, including but not limited to gender, age, cultural and educational background, professional experience and qualifications, skills, knowledge and length of service, having due regard to the Company's own business model and specific needs from time to time. With the existing Board members coming from a variety of business and professional background and one out of the seven Board members being woman, the Company considers that the Board possesses a balance of skills, experience, expertise and diversity of perspectives appropriate to the requirements of the Company's business.

Corporate Governance Report

Board Committees *(Continued)*

(c) Nomination Committee ("NC") *(Continued)*

For the year ended 31 March 2014, the NC held 2 meeting. Details of the committee members' attendance are set out under "Directors'/Committee Members' Attendance at Meetings" above.

The summary of the work of the NC for the year ended 31 March 2014 is as below:

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

— assessed the independence of independent non-executive Directors;

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

— recommend the change of board composition on 21 December 2013.

(d) Strategic Committee ("SC")

The SC was established on 21 December 2013 and its main function is advising on the long-term development strategies and major investment decisions of the Company. It currently consists of three members with one non-executive Director, namely Mr. Wang Hao (as chairman), one independent non-executive Directors, namely, Mr. He Xiaofeng, and one executive Director, namely Mr. Zhong Beichen.

For the year ended 31 March 2014, no meeting was held by the SC.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties and has adopted the CG Code as its corporate governance code of practices during the year ended 31 March 2014.

The Board has, among other things, reviewed the training and continuous professional development of Directors, the Company's compliance with the respective code provisions of the CG Code for the year ended 31 March 2014 and disclosure in this Corporate Governance Report.

During the year ended 31 March 2014, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant and ensure they keep updated on the changes in the applicable laws and regulations and the overall development of the operations of the Group.

A briefing session was organised for all newly appointed Directors for their appointment to ensure that they have adequate understanding of the businesses and operations of the Group and directors' duties.

Accountability and Audit

(a) Accountability

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

Corporate Governance Report

Accountability and Audit *(Continued)*

(b) Internal Controls

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

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

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

(c) Auditors' Remuneration

The financial statements for the year ended 31 March 2014 were audited by HLB Hodgson Impey Cheng Limited of which the term of office will expire upon the forthcoming annual general meeting. The AC has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

The fees charged by HLB Hodgson Impey Cheng Limited for the year in respect of annual audit services and non-audit services amounted to approximately HK$1,800,000 and HK$788,000 respectively.

Directors' responsibility for financial reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the year ended 31 March 2014 and confirm that the financial statements contained herein give a true and fair view of the results and state of affairs of the Group for the year under review. The Directors consider that the financial statements have been prepared in conformity with the statutory requirements and the applicable accounting standards.

Going Concern

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

Company Secretary

According to Rule 3.29 of the Listing Rules, Mr. Lee Sing Yeung, Simon as the Company Secretary of the Company with effect from 21 December 2013 is required to take no less than 15 hours of relevant professional training. Mr. Lee Sing Yeung, Simon has confirmed that he took no less than 15 hours of relevant professional training for the year ended 31 March 2014.

Corporate Governance Report

Shareholders' Rights

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

1. **Procedures to convene an extraordinary general meeting**

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

   — Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at Suites 2906–08, AIA Central, 1 Connaught Road Central, Hong Kong, for the attention of the Company Secretary;

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

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

   If, within twenty-one (21) days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2. **Procedures to put forward proposals at a general meeting**

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

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

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

4. **Procedures to send enquiries to the Board**

   Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Suites 2906–08, AIA Central, 1 Connaught Road Central, Hong Kong by post or by email to enquiry@judaintl.com for the attention of the Company Secretary.

Corporate Governance Report

Constitutional Documents

There was no change to the Company's Memorandum of Association & Articles of Association during the financial year 2013/2014. A copy of the latest Memorandum of Association & Articles of Association are posted on the websites of the Company and HKEX.

Investors Relations

Shareholders may send their enquiries and concerns to the Board of the Company by addressing them to the principal place of business of the Company in Hong Kong at Suites 2906-08, AIA Central, 1 Connaught Road Central, Hong Kong by post or by email to enquiry@judaintl.com for the attention of the Company Secretary.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Tang Jun

Mr. Tang Jun, aged 54, has been appointed as an executive director and the Chairman of the Company since 21 December 2013. Mr. Tang has been appointed as an executive director and the president of BCL (Stock Code: 2868), the controlling shareholder (as defined in the Listing Rules) of the Company, since December 2002. Mr. Tang has worked for the Beijing Municipal Planning and Development Commission and the Beijing Economics and Technology Development Zone. From 1994 to 2004, Mr. Tang was the legal representative and general manager of Beijing Sunshine Real Estate Comprehensive Development Company, a wholly-owned subsidiary of Capital Group, the controlling shareholder of BCL. Mr. Tang also serves as the chairman of Yang Guang Co., Ltd. (Stock Code: 000608), a company whose shares are listed on the Shenzhen Stock Exchange. Mr. Tang obtained his Bachelor of Construction Engineering degree from Hefei University of Technology in 1982.

Mr. Zhong Beichen

Mr. Zhong Beichen, aged 39, has been appointed as an executive director and the Chief Executive Officer of the Company since 21 December 2013. Mr. Zhong has served as an architect of the Planning and Design Institute of the Department of Light Industry of the PRC from July 1996 to May 2000. He joined BCL in June 2000 and served as an architect of Beijing Sunshine Real Estate Comprehensive Development Company and the deputy general manager of Beijing Anhua Shiji Real Estate Development Co., Ltd. and Beijing Sunshine City Real Estate Development Co., Ltd. Mr. Zhong served as the general manager of the Product R&D Centre of BCL from January 2008. Since September 2011, Mr. Zhong served as an assistant president and general manager of the Commercial Property Development Department of BCL. Mr. Zhong graduated from Xiamen University and obtained his Bachelor's degree in Architecture in 1996.

NON-EXECUTIVE DIRECTORS

Mr. Liu Xiaoguang

Mr. Liu Xiaoguang, aged 58, has been appointed as a non-executive director of the Company since 21 December 2013. Mr. Liu has been appointed as an executive director and the chairman of BCL since December 2002. Mr. Liu has served as the vice-chairman and the general manager of Capital Group since 1995. He has been appointed as the chairman of Capital Group since January 2013. Prior to his appointment with Capital Group, Mr. Liu had approximately 13 years of working experience in various departments of the Beijing Municipal Government including serving as the vice-chairman of the Development and Planning Commission of the Beijing Municipality and deputy secretary general of the Capital Planning and Construction Committee of the Beijing Municipal Government. Mr. Liu has served as the chairman of Beijing Capital Co., Ltd. (Stock Code: 600008) ("BCCL"), which is a subsidiary of Capital Group and a company listed on the Shanghai Stock Exchange, since 2000. Mr. Liu is also an executive director of New Environmental Energy Holdings Limited (Stock Code: 3989) and China Development Bank International Investment Limited (Stock Code: 1062), both are companies whose shares are listed on the Main Board of the Stock Exchange. Currently, Mr. Liu is the visiting lecturer at Beijing Institute of Business and Beijing Jiaotong University. Mr. Liu obtained his Bachelor of Economics degree from the Beijing Institute of Commerce in 1982.

Mr. Wang Hao

Mr. Wang Hao, aged 46, has been appointed as a non-executive director of the Company since 21 December 2013. Mr. Wang has been appointed as a non-executive director of BCL since September 2013. Mr. Wang is a senior economist, a professor and a mentor for doctoral students. In January 2013, Mr. Wang joined Capital Group as the deputy chairman and general manager. Prior to his appointment with Capital Group, from 1990 to 2000, Mr. Wang had worked for Beijing Coal General Company and served as the deputy general manager in 1994. In 2000, he served as the deputy head of Beijing Offshore Financing and Investment Management Center. From 2001 to 2003, he served as the director and deputy general manager of Beijing State-owned Assets Management Co., Ltd. and Beijing Metro Group Company Ltd. From 2003 to 2009, he served as the deputy general manager, director and managing director of Beijing Infrastructure Investment Corporation Limited. From 2009 to 2013, he served as the deputy head of State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. Mr. Wang is also a director of BCCL since September 2013. Mr. Wang obtained his master degree in engineering at Fuxin Mining Institute in Liaoning in 1994, and a doctoral degree in economics at School of Economics Peking University in 2006.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Ngai Wai Fung

Dr. Ngai Wai Fung, aged 51, has been appointed as an independent non-executive director of the Company since 21 December 2013. Dr. Ngai is currently the chief executive officer of SW Corporate Services Group Limited, a specialty corporate and compliance services provider to companies in pre-IPO and post-IPO stages. Prior to that, he was the director and head of listing services of an independent integrated corporate services provider. Dr. Ngai has over 20 years of senior management experience, most of which are in the areas of finance, accounting, internal control and regulatory compliance for listed issuers including major red chips companies. He is also a vice president of the Hong Kong Institute of Chartered Secretaries and the Chairman of its audit committee, a member of Qualification and Examination Board of the Hong Kong Institute of Certified Public Accountants and the Adjunct Professor of Law of Hong Kong Shue Yan University. Dr. Ngai was appointed by the Chief Executive of The Hong Kong Special Administrative Region as a member of Work Group on Professional Services under the Economic Development Commission at the beginning of 2013. He is a fellow of the Association of Chartered Certified Accountants in the United Kingdom since March 2012, a member of the Hong Kong Institute of Certified Public Accountants since July 2007, a fellow of the Institute of Chartered Secretaries and Administrators since November 2000, a fellow of the Hong Kong Institute of Chartered Secretaries since November 2000, a fellow of Hong Kong Institute of Directors since February 2010 and a member of Hong Kong Securities and Investment Institute since November 2012. Dr. Ngai obtained a Doctoral degree in Finance at Shanghai University of Finance and Economics, a Master's degree in Corporate Finance at Hong Kong Polytechnic University in November 2002, a Master's degree in Business Administration at Andrews University of Michigan in August 1992 and a Bachelor's degree in Law at University of Wolverhampton in October 1994.

Dr. Ngai is currently an independent non-executive director and the member and chairman of the audit committee of China Railway Construction Corporation Limited (Stock Code: 01186), BaWang International (Group) Holding Limited (Stock Code: 01338), Powerlong Real Estate Holdings Limited (Stock Code: 01238), Biostime International Holdings Limited (Stock Code: 01112), Bosideng International Holdings Limited (Stock Code: 03998), China Coal Energy Company Limited (Stock Code: 01898), SITC International Holdings Company Limited (Stock Code: 01308), Sany Heavy Equipment International Holdings Company Limited (Stock Code: 00631) and LDK Solar Co., Ltd. (LDK). He was the independent non-executive director of Franshion Properties (China) Limited (Stock Code: 00817) from May 2007 to June 2011 and China Life lnsurance Company Limited (Stock Code: 02628) from December 2006 to May 2009. Apart from LDK Solar Co., Ltd., which is listed on the New York Stock Exchange, all the above companies are listed on the Main Board of the Stock Exchange.

Ms. Zhao Yuhong

Ms. Zhao Yuhong, aged 46, has been appointed as an independent non-executive director of the Company since 21 December 2013. Ms. Zhao has worked as an Associate Professor of Faculty of Law, The Chinese University of Hong Kong ("CUHK") since August 2008. Ms. Zhao was the Assistant Dean (UG Student Affairs) and Associate Dean (Undergraduate Studies) of Faculty of Law at CUHK from September 2008 to August 2010 and from September 2010 to July 2013, respectively. Ms. Zhao was Lecturer and then Assistant Professor of School of Law at City University of Hong Kong from January 1996 to June 2002 and from July 2002 to August 2006, respectively. From September 2006 to July 2008, Ms. Zhao served as Assistant Professor of School of Law at CUHK. Ms. Zhao obtained her Bachelor of Arts degree in English Language and Literature and Bachelor of Laws degree from Peking University in July 1991. Ms. Zhao obtained her Master of Studies in Law degree with Magna Cum Laude from Vermont Law School in May 1993 and PhD degree in Law from City University of Hong Kong in November 2000.

Mr. He Xiaofeng

Mr. He Xiaofeng, aged 58, has been appointed as an independent non-executive director of the Company since 21 December 2013. Mr. He studied in the Department of Economics of Peking University from 1978 to 1984 and graduated with a Bachelor's degree in January 1982 and a Master's degree in Economics in July 1984. He is currently the professor of the Department of Finance, School of Economics of Peking University, doctoral supervisor and director of the Research Center of Financial and Industrial Development of Peking University. He taught in the School of Economics of Peking University since 1984. From 1986 to 1989, he did research in the Southeast Economic Information Center in Hong Kong. From 1990 till the present, he acted as deputy professor and professor of Peking University. He also held various positions including vice-chairman of Beijing Private Equity Association and standing director of Investment Association of China from 2007 till the present, director of Beijing Qingchang Power Technology Co., Ltd (Stock Code: 430057), a company listed on the Shenzhen Stock Exchange from 2002 till the present, independent director of Qinghai Sunshiny Mining Co., Ltd. (Stock Code: 600381), a company listed on the Shanghai Stock Exchange, from April 2013 to January 2014 and independent director of E Fund Management Co., Ltd. from 2009 till the present.

Biographical Details of Directors and Senior Management

COMPANY SECRETARY

Mr. Lee Sing Yeung

Mr. Lee Sing Yeung, Simon, aged 45, has been appointed as a company secretary of the Company since 21 December 2013. Mr. Lee was appointed as the company secretary of BCL, in April 2008. Mr. Lee is a fellow of both The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants and a fellow member of both the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Prior to joining BCL, Mr. Lee served as a qualified accountant and company secretary in companies listed on the GEM Board and Main Board of the Stock Exchange. Mr. Lee obtained a Master degree of professional accounting and Master degree of corporate governance from the Hong Kong Polytechnic University.

Report of the Directors

The Directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in Note 20 to the Consolidated Financial Statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 March 2014 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 26 of this Annual Report.

The Directors do not recommend the payments of dividend for the year ended 31 March 2014.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for each of the last five financial years is set out in the Five Year Financial Summary on page 80 of this Annual Report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 18 to the Consolidated Financial Statements on page 69 of this Annual Report.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 29 to the Consolidated Financial Statements on pages 75 to 77 of this Annual Report.

PRE-EMPTIVE RIGHTS

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 29 to the Consolidated Financial Statements on pages 75 to 77 of this Annual Report and in the Consolidated Statement of Changes in Equity on page 29 of this Annual Report.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2014, sales to the Group's largest customer and five largest customers accounted for approximately 27% and 56%, respectively, of the total sales of the Group for the year. Purchases from the Group's largest supplier and five largest suppliers accounted for approximately 81% and 100%, respectively, of the Group's total purchases for the year.

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

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 March 2014 are set out in Note 27 to the Consolidated Financial Statements on pages 74 to 75 of this Annual Report.

DIRECTORS

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

Executive Directors:

Mr. Tang Jun *(Chairman)* (appointed on 21 December 2013)
Mr. Zhong Beichen *(Chief Executive Officer)* (appointed on 21 December 2013)
Mr. Choi Lim Chi (resigned on 21 December 2013)
Mr. Chen Fan (resigned on 21 December 2013)
Mr. Lee Lit Mo Johnny (resigned on 21 December 2013)
Mr. Huang Dongsheng (appointed on 19 June 2013 and retired on 2 September 2013)

Non-Executive Directors:

Mr. Liu Xiaoguang (appointed on 21 December 2013)
Mr. Wang Hao (appointed on 21 December 2013)

Independent non-executive Directors:

Dr. Ngai Wai Fung (appointed on 21 December 2013)
Ms. Zhao Yuhong (appointed on 21 December 2013)
Mr. He Xiaofeng (appointed on 21 December 2013)
Mr. Yan Wai Kiu (resigned on 21 December 2013)
Mr. Wong Kin Tak (resigned on 21 December 2013)
Mr. Choi Kin Cheong (resigned on 21 December 2013)

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

DIRECTORS' BIOGRAPHIES

Biographical details of the existing Directors of the Company are set out on pages 15 to 17 of this Annual Report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Each of the existing executive and non-executive Directors has been appointed for a term of three years on 21 December 2013 subject to the provision of retirement and rotation of directors under the Articles of Association of the Company.

Each of the independent non-executive Directors has been appointed for a term of three years on 21 December 2013 and an annual remuneration of HK$276,000 and other discretionary bonuses as may be determined by the Board according to the recommendation of the RC of the Company subject to the provision of retirement and rotation of Directors under the Articles of Association.

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

As at 31 March 2014, so far as is known to the Directors, none of the Directors and the chief executive of the Company and their associates had any interests or short positions in the shares, or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) ("SFO")) which were to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules ("Model Code"), to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTOR'S INTEREST IN COMPETING BUSINESS

The following Directors are also directors and/or officers of BCL (controlling shareholder of the Company) as set out in the table below.

Name of Director	Position held in BCL
Tang Jun	President and executive director
Liu Xiaoguang	Chairman and executive director
Wang Hao	Non-Executive Director

Report of the Directors

DIRECTOR'S INTEREST IN COMPETING BUSINESS *(Continued)*

BCL is a large property developer in the PRC, focusing primarily on developing and investing in high quality and high-end commercial properties and medium to high-end residential properties, operation of hotels, property consulting services and investment holding.

During the year, the Directors did not aware of any competing businesses between BCL and the Group.

Save as disclosed above, none of the Directors had an interest in any business which competes or may compete with the business in which the Group is engaged.

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

As at 31 March 2014, so far as is known to the Directors, the following entities, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital (%)
Get Thrive	Beneficial owner	130,200,000	65.1%
BCG	Beneficial owner	19,800,000	9.9%
Rueyyuan Holding	Interest of controlled corporation *(Note 1)*	130,200,000	65.1%
Beijing Ruiyuan	Interest of controlled corporation *(Note 2)*	130,200,000	65.1%
BCL	Interest of controlled corporation *(Note 3)*	130,200,000	65.1%
Capital Group	Interest of controlled corporation *(Note 4)*	150,000,000	75%

Notes:

1. *Get Thrive is a wholly-owned subsidiary of Rueyyuan Holding Company Limited ("Rueyuan Holding"). As such, Rueyyuan Holding is deemed to be interested in all the Shares in which Get Thrive is interested by virtue of the SFO.*

2. *Rueyyuan Holding is a wholly-owned subsidiary of Beijing Ruiyuan Fengxiang Real Estate Ltd. (北京瑞元豐祥置業有限公司) ("Beijing Ruiyuan"). As such, Beijing Ruiyuan is deemed to be interested in all the Shares in which Rueyyuan Holding is interested or deemed interested by virtue of the SFO.*

3. *Beijing Ruiyuan is a wholly-owned subsidiary of BCL. As such, BCL is deemed to be interested in all the Shares in which Beijing Ruiyuan is interested or deemed interested by virtue of the SFO.*

4. *Capital Group is the parent company of BCL and BCG is a wholly-owned subsidiary of Capital Group. As such, Capital Group is deemed to be interested in all the Shares in which BCL and BCG are interested or deemed interested by virtue of the SFO.*

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Long positions in shares and underlying shares of the Company *(Continued)*

Save as disclosed above, as at 31 March 2014, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

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

No options have been granted under the Share Option Scheme since the adoption of the Share Option Scheme and up to 31 March 2014.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Details of the Company's corporate governance are set out the Corporate Governance Report on pages 7 to 14 of this Annual Report.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that have occurred subsequent to the end of the reporting period of the Company and up to the date of this report.

Report of the Directors

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited of which the term of office will expire upon the upcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the upcoming annual general meeting.

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

On behalf of the Board
Tang Jun
Chairman

Hong Kong, 16 May 2014

Independent Auditors' Report

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

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

We have audited the consolidated financial statements of Juda International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 79, which comprise the consolidated and the Company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

Independent Auditors' Report

OPINION

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Hon Koon Fai, Alex
Practising Certificate Number: P05029

Hong Kong, 16 May 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Turnover	*8*	**331,472**	252,437
Cost of sales		**(300,852)**	(211,964)
Gross profit		**30,620**	40,473
Other revenue	*9*	**1,093**	610
Selling expenses		**(927)**	(769)
Administrative expenses		**(18,723)**	(18,347)
Profit from operations	*10*	**12,063**	21,967
Finance costs	*11*	**(3,785)**	(4,462)
Profit before taxation		**8,278**	17,505
Taxation	*14*	**(5,158)**	(7,437)
Profit for the year		**3,120**	10,068
Other comprehensive income for the year, net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**3,192**	1,303
Other comprehensive income for the year, net of income tax		**3,192**	1,303
Total comprehensive income for the year		**6,312**	11,371
Profit for the year attributable to owners of the Company		**3,120**	10,068
Total comprehensive income for the year attributable to owners of the Company		**6,312**	11,371
Earnings per share attributable to owners of the Company:			
— Basic (HK cents per share)	*17*	**1.56**	5.03
— Diluted (HK cents per share)	*17*	**1.56**	5.03

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

Consolidated Statement of Financial Position

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Prepaid lease payments	*19*	**1,824**	1,849
Prepayments on acquisition of property, plant and equipment		**23,266**	18,638
Property, plant and equipment	*18*	**73,790**	77,612
		98,880	98,099
Current assets			
Inventories	*23*	**66,720**	75,996
Trade and bills receivables	*21*	**9,263**	16,757
Prepayments, deposits and other receivables	*22*	**28,505**	25,926
Pledged bank deposits	*24*	**31,026**	–
Cash and cash equivalents	*24*	**23,887**	37,472
		159,401	156,151
Current liabilities			
Trade payables	*25*	**239**	2,381
Receipt in advance		**581**	302
Accruals and other payables	*26*	**7,503**	3,419
Income tax payable		**4,924**	4,117
Bank borrowings	*27*	**50,306**	55,615
		63,553	65,834
Net current assets		**95,848**	90,317
Total assets less current liabilities		**194,728**	188,416
Capital and reserves			
Share capital	*29*	**2,000**	2,000
Reserves	*29*	**192,728**	186,416
Total equity		**194,728**	188,416

Approved by the Board of Directors on 16 May 2014 and signed on its behalf by:

Mr. Tang Jun
Executive Director

Mr. Zhong Beichen
Executive Director

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

Statement of Financial Position

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	*20*	**–**	–
Current assets			
Cash and cash equivalents	*24*	**261**	10,814
Prepayments	*22*	**109**	9
Amounts due from subsidiaries	*20*	**19,975**	19,441
		20,345	30,264
Current liabilities			
Accruals	*26*	**2,000**	400
Amount due to a subsidiary	*20*	**914**	914
		2,914	1,314
Net current assets		**17,431**	28,950
Total assets less current liabilities		**17,431**	28,950
Capital and reserves			
Share capital	*29*	**2,000**	2,000
Reserves	*29*	**15,431**	26,950
Total equity		**17,431**	28,950

Approved by the Board of Directors on 16 May 2014 and signed on its behalf by:

Mr. Tang Jun
Executive Director

Mr. Zhong Beichen
Executive Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Share capital HK$'000 *Note 29(a)*	Share premium HK$'000 *Note 29(a)*	Contribution surplus HK$'000 *Note 29(b)*	Exchange reserve HK$'000 *Note 29(c)*	Statutory reserve HK$'000 *Note 29(d)*	Retained earnings HK$'000	Total HK$'000
At 1 April 2012	10	–	79,990	17,129	6,160	35,697	138,986
Profit for the year	–	–	–	–	–	10,068	10,068
Other comprehensive income for the year, net of tax:							
Exchange differences on translating of foreign operations	–	–	–	1,303	–	–	1,303
Total comprehensive income for the year	–	–	–	1,303	–	10,068	11,371
Issue of shares under the public offering	500	52,409	–	–	–	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–	–	–	–
Share issuing expenses	–	(14,850)	–	–	–	–	(14,850)
Current year appropriation	–	–	–	–	2,251	(2,251)	–
At 31 March 2013 and 1 April 2013	2,000	36,069	79,990	18,432	8,411	43,514	188,416
Profit for the year	–	–	–	–	–	3,120	3,120
Other comprehensive income for the year, net of tax:							
Exchange differences on translating of foreign operations	–	–	–	3,192	–	–	3,192
Total comprehensive income for the year	–	–	–	3,192	–	3,120	6,312
Current year appropriation	–	–	–	–	1,601	(1,601)	–
At 31 March 2014	**2,000**	**36,069**	**79,990**	**21,624**	**10,012**	**45,033**	**194,728**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Operating activities		
Profit before taxation	**8,278**	17,505
Adjustments for:		
Amortisation of prepaid lease payments for land use rights	**57**	56
Depreciation of property, plant and equipment	**5,502**	5,656
Interest income	**(417)**	(532)
Finance costs	**3,785**	4,462
Operating cash flows before movements in working capital	**17,205**	27,147
Decrease in trade and bills receivables	**7,789**	24,185
Decrease/(increase) in inventories	**10,613**	(42,027)
Increase in prepayments, deposits and other receivables	**(2,124)**	(15,421)
Decrease in trade payables	**(2,184)**	(2,912)
Increase/(decrease) in accruals and other payables	**4,031**	(4,264)
Increase in receipt in advance	**274**	302
Cash generated from/(used in) operations	**35,604**	(12,990)
PRC tax paid	**(4,446)**	(4,227)
Net cash generated from/(used in) operating activities	**31,158**	(17,217)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
Investing activities		
Interest received	**417**	532
Increase in prepayments on acquisition of property, plant and equipment	**(4,301)**	(18,638)
Purchase of property, plant and equipment	**(338)**	(156)
Net cash used in investing activities	**(4,222)**	(18,262)
Financing activities		
Interest paid	**(3,785)**	(4,462)
Proceeds from issue of shares	**–**	52,909
Share issuing expenses	**–**	(14,850)
Increase in pledged bank deposits	**(31,026)**	–
Proceeds from new bank loans	**106,899**	55,615
Repayment of bank loans	**(113,188)**	(61,794)
Net cash (used in)/generated from financing activities	**(41,100)**	27,418
Net decrease in cash and cash equivalents	**(14,164)**	(8,061)
Cash and cash equivalents at the beginning of the year	**37,472**	44,758
Effect of foreign exchange rate changes	**579**	775
Cash and cash equivalents at the end of the year	**23,887**	37,472
Analysis of balances of cash and cash equivalents		
Cash and bank equivalents	**23,887**	37,472

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The principal activity of the Company is investment holdings. The activities of its principal subsidiaries are set out in Note 20 to the consolidated financial statements, and the Company's shares were listed on the Main Board of the Stock Exchange on 2 April 2012. The Company's immediate holding company is Get Thrive Limited ("GTL"), a company incorporated in British Virgin Islands. GTL is an indirectly wholly-owned subsidiary of Beijing Capital Land Limited ("BCL"). BCL is a joint stock company incorporated in the PRC with limited liability and whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 2868). The parent company of BCL is Beijing Capital Group Company Limited ("Capital Group"). Capital Group is a state-owned enterprise incorporated in the PRC.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries in Renminbi ("RMB"). The management considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

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

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2013.

A summary of the new HKFRSs adopted by the Group is set out as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Except for the amendments to HKAS 1, the application of these new HKFRSs has no material impact on the results and the financial position of the Group.

The nature of the impending changes in accounting policy are described below.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012.

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

HKFRS 13 Fair Value Measurement *(Continued)*

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

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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

[1] *effective for annual periods beginning on or after 1 January 2014, with earlier application permitted*
[2] *effective for annual periods beginning on or after 1 July 2014, with earlier application permitted*
[3] *no mandatory effective date yet determined but is available for adoption*
[4] *effective for annual periods beginning on or after 1 January 2016*
[5] *effective for annual periods beginning on or after 1 July 2014, with limited exceptions*

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

HKFRS 9 Financial Instruments

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

Key requirements of HKFRS 9 are described below:

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

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

The date when entities would be required to apply HKFRS 9 was previously stated at 1 January 2015. This mandatory effective date has been removed to provide sufficient time for preparers of financial statements to make the transition to the new requirements, which will now become effective from a later date yet to be announced.

The directors anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures

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

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

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

Amendments to HKFRS 7 and HKAS 32 — Offsetting Financial Assets and Financial Liabilities and the related disclosures *(Continued)*

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

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

Amendments to HKAS 36 — Impairment of Assets: Recoverable Amount Disclosure for Non-Financial Assets

The amendments to HKAS 36 are to remove certain unintended disclosure requirements which may be introduced by the consequential amendments to HKAS 36 when HKFRS 13 was issued. Furthermore, these amendments require the disclosure of additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments to HKAS 36 are effective for annual periods beginning on or after 1 January 2014. Earlier application is permitted. However, an entity may not apply those amendments in periods (including comparative periods) in which it does not also apply HKFRS 13.

The directors anticipate that the application of these amendments to HKAS 36 will have no material impact on the Group's financial performance and positions.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) — Investment Entities

The investment entities amendments apply to a particular class of business that qualify as investment entities. The term 'investment entity' refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

Under HKFRS 10, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information.

In response to this, the amendments provide an exception to the consolidation requirements in HKFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted in order to allow investment entities to apply the amendments at the same time they first apply the rest of HKFRS 10.

The directors anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKFRS 27 (2011) will have no material impact on the Group's financial performance and positions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Similar relief will be included in HKFRS 9.

The amendments will be effective for annual periods beginning on or after 1 January 2014 and applied retrospectively. Earlier application is permitted.

The directors anticipate that the application of these amendments to HKAS 39 will have no material impact on the Group's financial performance and positions.

HK (IFRIC)-Int 21 Levies

HK (IFRIC)-Int 21 is an interpretation of HKAS 37 and addresses how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. The principal question raised was about when the entity should recognise a liability to pay a levy. It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. HK(IFRIC)-Int 21 is effective for annual periods beginning on or after 1 January 2014 with earlier application permitted.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, 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 on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

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

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

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

Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

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

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

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

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

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Merger accounting for common control combination

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Subsidiaries

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

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

Business combinations

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Business combinations *(Continued)*

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Impairments of assets

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

(a) Calculation of recoverable amount

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

(b) Reversal of impairment losses

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

Related party transactions

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Related party transactions *(Continued)*

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchases price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

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

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

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

Leases

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

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the period necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest (received on or after 1 January 2009) is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Income is recognised on an effective interest basis for debt instruments.

Held-to-maturity investments

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

(a) those that the entity upon initial recognition designated as at fair value through profit or loss;

(b) those that the entity designates as available for sales; and

(c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss.

Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of it is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

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

Loans and receivables

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

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

Impairment of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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

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

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

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

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

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

Impairment based on AFS equity securities will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in the AFS financial assets revaluation reserve. For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Financial instruments *(Continued)*

Derecognition *(Continued)*

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

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

Inventories

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

Cash and cash equivalents

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

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

Prepaid lease payments

Prepaid lease payments represent the purchase costs of land use rights and are amortised on a straight-line basis over the period of land use rights. Land use rights are carried at cost less accumulated amortisation and impairment losses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Income tax

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

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

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

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Revenue recognition

Provided it is probable that the economic benefits will flows to the Group and revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(a) Sales of goods

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

(b) Interest income

Interest income from a financial assets (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Employee benefits

Retirement benefits costs

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

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

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

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the consolidated statement of profit or loss and other 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 functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. At the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period, and the statement of profit or loss and other comprehensive incomes are translated into Hong Kong dollars at the weighted average exchange rates for the year. Exchange differences arising are recognised in the exchange reserve.

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

Provisions

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

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

Borrowing costs

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

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

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

Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

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

Share-based payment arrangements

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

(a) Income taxes

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

(b) Impairment of property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

(d) Depreciation and amortisation

Items of property, plant and equipment and prepaid lease payments are depreciated and amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense and amortisation to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense and amortisation for future periods are adjusted if there are significant changes from previous estimates.

5. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables				
— trade and bills receivables	**9,263**	16,757	**–**	–
— financial assets included in prepayments, deposits and other receivables	**490**	480	**–**	–
— amounts due from subsidiaries	**–**	–	**19,975**	19,441
— pledged bank deposits	**31,026**	–	**–**	–
— cash and cash equivalents	**23,887**	37,472	**261**	10,814
	64,666	54,709	**20,236**	30,255
Financial liabilities				
At amortised cost				
— trade payables	**239**	2,381	**–**	–
— financial liabilities included in accruals and other payables	**3,986**	2,138	**2,000**	400
— amount due to a subsidiary	**–**	–	**914**	914
— bank borrowings	**50,306**	55,615	**–**	–
	54,531	60,134	**2,914**	1,314

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

5. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

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

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

Credit risk

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

The Group's concentration of credit risk by geographical location is mainly in the PRC. The Group also has concentration of credit risk by customers as approximately 100% of total trade receivables were due from the Group's largest customers as at 31 March 2014 and 2013 respectively.

In order to minimise the credit risk, the management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken on a timely basis and adequate impairment losses are made for irrecoverable amounts overdue. In this regards, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

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

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables include both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

The Group

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 March 2014					
Trade payables	**–**	**239**	**–**	**239**	**239**
Accruals and other payables	**–**	**3,986**	**–**	**3,986**	**3,986**
Bank borrowings	**6.58**	**50,306**	**–**	**50,306**	**50,306**
		54,531	**–**	**54,531**	**54,531**
As at 31 March 2013					
Trade payables	–	2,381	–	2,381	2,381
Accruals and other payables	–	2,138	–	2,138	2,138
Bank borrowings	6.60	55,615	–	55,615	55,615
		60,134	–	60,134	60,134

The Company

	Weighted average effective interest rate %	On demand or within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flow HK$'000	Carrying amount HK$'000
As at 31 March 2014					
Accruals	**–**	**2,000**	**–**	**2,000**	**2,000**
Amounts due to a subsidiary	**–**	**914**	**–**	**914**	**914**
		2,914	**–**	**2,914**	**2,914**
As at 31 March 2013					
Accruals	–	400	–	400	400
Amounts due to a subsidiary	–	914	–	914	914
		1,314	–	1,314	1,314

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Interest rate risk

The Group's exposure to fair value interest rate risk to fixed rate borrowings is minimal because the Group has been keeping borrowings at variable rates.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings (Note 27). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates arising from the Group's RMB denominated borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the floating rate bank borrowings. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease throughout the reporting period is used internally for assessment of possible change in interest rate.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would decrease/increase by approximately HK$277,000 (2013: HK$278,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Currency risk

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

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

In the opinion of the directors of the Company, since the Company risk is minimal, no sensitivity analysis is presented.

Commodity risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

5. FINANCIAL INSTRUMENTS *(Continued)*

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

Fair value measurement

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the reporting period.

The capital structure of the Group consists of bank borrowings and total assets.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The Group monitors capital on the basis of gearing ratio. This calculated by dividing the total borrowings with total assets. The Group's overall strategy remains unchanged during the reporting period. The gearing ratios at the end of the reporting period were as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Total borrowings *(Note)*	**50,306**	55,615
Total assets	**258,281**	254,250
Gearing ratio (%)	**19.5%**	21.9%

Note: Total borrowings comprise bank borrowings (Note 27).

7. SEGMENT INFORMATION

The Group currently operates in one operating segment in the manufacture and sales of chemicals in the PRC. A single management team reports to the Group's Chief Executive Officer (being the chief operating decision-maker) who allocates resources and assesses performance based on the consolidated result for the year for the entire business comprehensively. Accordingly, the Group does not present separately segment information separately.

During each of the reporting periods, all revenue is derived from customers in the People's Republic of China (the "PRC") and almost all the non-current assets of the Group are located in the PRC, no geographical segment information is presented in accordance with HKFRS 8 Operating Segments.

Information about products is set out in Note 8 on these consolidated financial statements.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

7. SEGMENT INFORMATION *(Continued)*

Information about major customers

The Group's customer base includes 1 and 2 customers with whom transactions have exceeded 10% of the Group's turnover during the years ended 31 March 2014 and 2013, sales from these customers are set out below:

	2014 **HK$'000**	2013 HK$'000
Customer A	**88,010**	69,406
Customer B *(Note)*	**N/A**	28,765

Note: No information on turnover for the current year is disclosed for this customer since it contributed less than 10% of the Group's turnover for the year ended 31 March 2014.

8. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	2014 **HK$'000**	2013 HK$'000
Turnover from		
Sale of Phthalic Anhydride ("PA")	**302,759**	229,503
Sale of fumaric acid and other by-products of PA	**28,713**	22,934
	331,472	252,437

9. OTHER REVENUE

	2014 **HK$'000**	2013 HK$'000
Interest income on bank deposits	**417**	532
Government grants *(Note)*	**566**	–
Sundry income	**110**	78
	1,093	610

Note: Government grants mainly represent incentive subsided and there are no conditions or limitations attached to these subsides by respective PRC government authorities.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

10. PROFIT FROM OPERATIONS

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

	2014 **HK$'000**	2013 HK$'000
Staff costs:		
Employee benefits expense (including directors' emoluments *(Note 12)*):		
Wages and salaries	**8,430**	9,069
Provident fund contributions	**14**	39
Pension scheme contributions	**638**	693
Staff welfare expenses	**454**	504
	9,536	10,305
Other items:		
Depreciation of owned property, plant and equipment *(Note 18)*	**5,502**	5,656
Amortisation of prepaid lease payments for land use right *(Note 19)*	**57**	56
Auditors' remuneration	**1,800**	1,650
Listing expenses	**–**	4,882
Cost of inventories sold	**300,008**	211,353
Operating lease rentals in respect of land and building	**692**	635

For the years ended 31 March 2014 and 2013, the cost of catalysts recognised as cost of sales were approximately HK$1,331,000 and HK$1,158,000 respectively.

11. FINANCE COSTS

	2014 **HK$'000**	2013 HK$'000
Interest on:		
— Bank borrowings wholly repayable within one year	**3,762**	4,462
— Early redemption of bills receivables	**23**	–
	3,785	4,462

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

12. DIRECTORS' EMOLUMENTS

Pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, the aggregate amounts of emoluments paid by the companies now comprising the Group to the directors of the Company during the reporting period are as follows:

	2014	2013
	HK$'000	HK$'000
Fees	**636**	540
Other emoluments:		
Salaries, allowances and benefits in kind	**1,350**	1,800
Provident fund contributions	**23**	29
Total	**2,009**	2,369

Details for the emoluments of each director of the Company during the reporting period are as follows:

	Fees	**Salaries, allowances and benefits in kind**	**Provident fund contributions**	**Total remuneration**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
2014				
Executive directors:				
Mr. Choi Lim Chi *(Note (c))*	–	**450**	**23**	**473**
Mr. Chen Fan *(Note (a) and (c))*	–	**450**	–	**450**
Mr. Lee Lit Mo Johnny *(Note (c))*	–	**450**	–	**450**
Mr. Tang Jun *(Note (d))*	–	–	–	–
Mr. Zhong Beichen *(Note (b) and (d))*	–	–	–	–
Mr. Huang Dongsheng *(Note (e))*	–	–	–	–
Non-executive directors:				
Mr. Liu Xiaoguang *(Note (d))*	–	–	–	–
Mr. Wang Hao *(Note (d))*	–	–	–	–
Independent non-executive directors:				
Mr. Yan Wai Kiu *(Note (c))*	**135**	–	–	**135**
Mr. Wong Kin Tak *(Note (c))*	**135**	–	–	**135**
Mr. Choi Kin Cheong *(Note (c))*	**135**	–	–	**135**
Mr. He Xiaofeng *(Note (d))*	**77**	–	–	**77**
Ms. Zhao Yuhong *(Note (d))*	**77**	–	–	**77**
Dr. Ngai Wai Fung *(Note (d))*	**77**	–	–	**77**
	636	**1,350**	**23**	**2,009**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

12. DIRECTORS' EMOLUMENTS *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Provident fund contributions HK$'000	Total remuneration HK$'000
2013				
Executive directors:				
Mr. Choi Lim Chi *(Note (c))*	–	600	29	629
Mr. Chen Fan *(Note (a) and (c))*	–	600	–	600
Mr. Lee Lit Mo Johnny *(Note (c))*	–	600	–	600
Independent non-executive directors:				
Mr. Yan Wai Kiu *(Note (c))*	180	–	–	180
Mr. Wong Kin Tak *(Note (c))*	180	–	–	180
Mr. Choi Kin Cheong *(Note (c))*	180	–	–	180
	540	1,800	29	2,369

Notes:

(a) Mr. Chen Fan is the chief executive officer up to 21 December 2013.

(b) Mr. Zhong Beichen is the chief executive officer from 21 December 2013.

(c) The Company's executive directors and independent non-executive directors were all appointed on 7 February 2012 and resigned on 21 December 2013.

(d) The Company's executive directors, non-executive directors and independent non-executive directors were all appointed on 21 December 2013.

(e) Mr. Huang Dongsheng was appointed as executive director on 19 June 2013 and retired on 2 September 2013.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

13. EMPLOYEES EMOLUMENTS

(a) Five highest paid individuals

The five highest paid individuals during the year included three directors (2013: three). The detail of the emoluments of the remaining two (2013: two) highest paid individuals are as follows:

	2014	2013
	HK$'000	HK$'000
Salaries and other emoluments	**440**	526
Retirement scheme contribution	**35**	21
	475	547

The emoluments of the two (2013: two) individuals with the highest emoluments within the following band are as follows:

	2014	2013
	HK$'000	HK$'000
Nil to HK$1,000,000	**2**	2

During the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the reporting period (2013: Nil).

(b) Senior management of the Company

The emoluments of the senior management (excluding directors) of the Company are within the following band.

	2014	2013
Nil to HK$1,000,000	**1**	0

During the years ended 31 March 2014 and 2013, no emoluments were paid by the Group to the senior management as an inducement to join or upon joining the Group or as compensation for loss of office. None of the senior management waived or agreed to waive any emoluments during the reporting period (2013: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

14. TAXATION

	2014 **HK$'000**	2013 HK$'000
Current tax for the year — PRC enterprise income tax	**5,158**	7,437

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

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2013: Nil).

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

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

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

Year ended 31 March 2014

	The PRC		**Hong Kong**		**Total**	
	HK$'000	**%**	**HK$'000**	**%**	**HK$'000**	**%**
Profit/(loss) before taxation	**20,878**		**(12,600)**		**8,278**	
Tax at the statutory tax rate	**5,220**	**25.0**	**(2,079)**	**(16.5)**	**3,141**	**37.9**
Tax effect of income not taxable for tax purpose	**(306)**	**(1.5)**	**–**	**–**	**(306)**	**(3.6)**
Tax effect of expenses not deductible for tax purpose	**244**	**1.2**	**2,079**	**16.5**	**2,323**	**28.1**
Tax effect for the year	**5,158**	**24.7**	**–**	**–**	**5,158**	**62.4**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

14. TAXATION *(Continued)*

Year ended 31 March 2013

	The PRC		Hong Kong		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before taxation	29,956		(12,451)		17,505	
Tax at the statutory tax rate	7,489	25.0	(2,054)	(16.5)	5,435	31.0
Tax effect of income not taxable for tax purpose	(509)	(1.7)	–	–	(509)	(2.9)
Tax effect of expenses not deductible for tax purpose	457	1.5	2,054	16.5	2,511	14.3
Tax effect for the year	7,437	24.8	–	–	7,437	42.4

15. LOSS OF THE COMPANY

The loss for the year dealt with in the financial statements of the Company amounted to HK$11,519,000 (2013: HK$8,569,000).

16. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

17. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2014	2013
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic earnings per share calculation	**3,120**	10,068
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**200,000,000**	200,000,000

Diluted earnings per share is the same as the basic earnings per share as there were no potential diluted ordinary share in existence for the years ended 31 March 2014 and 2013.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost					
As at 1 April 2012	34,910	90,326	837	920	126,993
Exchange alignment	235	611	6	6	858
Additions	–	63	16	77	156
As at 31 March 2013 and 1 April 2013	35,145	91,000	859	1,003	128,007
Exchange alignment	618	1,601	15	17	2,251
Disposals	–	–	–	(143)	(143)
Additions	–	327	11	–	338
As at 31 March 2014	**35,763**	**92,928**	**885**	**877**	**130,453**
Accumulated depreciation					
As at 1 April 2012	6,915	36,308	592	592	44,407
Exchange alignment	52	272	4	4	332
Charge for the year	905	4,674	41	36	5,656
As at 31 March 2013 and 1 April 2013	7,872	41,254	637	632	50,395
Exchange alignment	144	743	11	11	909
Written off on disposal	–	–	–	(143)	(143)
Charge for the year	1,331	4,092	31	48	5,502
As at 31 March 2014	**9,347**	**46,089**	**679**	**548**	**56,663**
Net book value					
As at 31 March 2014	**26,416**	**46,839**	**206**	**329**	**73,790**
As at 31 March 2013	27,273	49,746	222	371	77,612

Note: Certain buildings, plant and machinery and furniture, fixtures and equipment with net book amount approximately HK$19,937,000, HK$45,884,000 and HK$125,000 as at 31 March 2014 (2013: approximately HK$27,273,000, HK$43,525,000 and HK$26,000) are pledged collaterals for the Group's bank borrowings. Please refer to Note 34 for details.

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

19. PREPAID LEASE PAYMENTS

	2014	2013
	HK$'000	HK$'000
Leasehold land in the PRC:		
— Medium-term lease	**1,881**	1,905
Analysed for reporting purpose as:		
— Current assets *(Note 22)*	**57**	56
— Non-current assets	**1,824**	1,849
	1,881	1,905

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

As at 31 March 2014, prepaid lease payments with net book amount of approximately HK$1,881,000 (2013: approximately HK$1,905,000) are pledged as collaterals for Group's bank borrowings. Please refer to Note 34 for details.

20. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Amounts due from subsidiaries	**19,975**	19,441
Amount due to a subsidiary	**(914)**	(914)
	19,061	18,527

The amounts due from/(to) subsidiaries are unsecured, interest-free and recoverable/repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

20. INTERESTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/(TO) SUBSIDIARIES

(Continued)

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

Name of subsidiary	Place and date of incorporation/ registration and operation	Particulars of issued and fully paid ordinary share capital/ registered capital	Percentage of equity, effective interest and voting power held by the Company %		Principal activities
Shengfa Limited	British Virgin Islands, 5 July 2010	US$1	100%	–	Investment holding
Cheng Wang Limited	British Virgin Islands, 5 July 2010	US$1	–	100%	Investment holding
Great Top Investment Limited	Hong Kong, 1 April 1993	HK$10,000	–	100%	Investment holding
Nice World Chemical Industry (Xiamen) Co., Ltd.	The PRC, 22 December 1995	US$12,121,500	–	100%	Manufacture and sale of chemicals

21. TRADE AND BILLS RECEIVABLES

	2014 **HK$'000**	2013 HK$'000
Trade receivables	**3,972**	7,629
Bills receivables	**5,291**	9,128
	9,263	16,757

The carrying amounts of trade and bills receivables are denominated in RMB. The credit policies of the Group highly depend on the industry and market environment. The Group generally receives payment on or before the delivery and may allow settlement of balance within 30 days (2013: 30 days) to those long standing customers with good payment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

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21. TRADE AND BILLS RECEIVABLES *(Continued)*

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

	2014	2013
	HK$'000	HK$'000
Within 30 days	**3,972**	7,629

The Group's policy for impairment loss on trade receivables is based on an evaluation of collectability and aged analysis of the receivables which requires the use of judgment and estimates. Provisions would apply to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivables balances and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances. No trade receivables were past due at the end of each reporting period.

The Group does not hold any collateral over the balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		**The Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments *(Note (a))*	**27,032**	23,167	**109**	9
Prepayments and deposits for cost of catalysts *(Note (b))*	**926**	2,223	**–**	–
Prepaid lease payments for land use rights — current portion *(Note 19)*	**57**	56	**–**	–
Other receivables	**490**	480	**–**	–
	28,505	25,926	**109**	9

Notes:

(a) *The amount was mainly for purchase of raw material.*

(b) *The Group accounted for the cost of replacing catalysts as prepayment at the time of purchases and as a cost incurred during the production process and recognised as cost of sales throughout the estimated useful life. As at 31 March 2014, the carrying amount of catalysts was approximately HK$926,000 (2013: HK$2,223,000). For the year ended 31 March 2014, the cost of catalysts recognised as cost of sales was approximately HK$1,331,000 (2013: HK$1,158,000).*

Notes to the Consolidated Financial Statements

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23. INVENTORIES

Inventories in the consolidated statement of financial position comprises:

	2014	2013
	HK$'000	HK$'000
Raw materials	**51,970**	45,528
Work in progress	**2,860**	2,608
Finished goods	**11,890**	27,860
	66,720	75,996

24. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	The Group		**The Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and cash equivalents	**23,887**	37,472	**261**	10,814

At the end of the reporting period, the cash at bank and in hand of the Group denominated in RMB amounted to approximately HK$22,448,000 (2013: HK$26,171,000). Cash at banks earns interest at floating rates based on the prevailing market rate which at 0.35% per annum during the reporting period (2013: 0.35%). The cash and banks are deposits with creditworthy banks with no recent history of default. Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

Pledged bank deposits:

As at 31 March 2014, a bank deposit denominated in RMB amounted to approximately HK$31,026,000 (2013: Nil) were pledged as collateral for bank borrowings and the effective interest rate on pledged bank deposits is 3.0%.

25. TRADE PAYABLES

	2014	2013
	HK$'000	HK$'000
Trade payables	**239**	2,381

Notes to the Consolidated Financial Statements
For the year ended 31 March 2014

25. TRADE PAYABLES *(Continued)*

The ageing analysis of trade payables is as follows:

	2014	2013
	HK$'000	HK$'000
Within 30 days	**18**	185
31–60 days	**2**	12
61–90 days	**–**	–
Over 90 days	**219**	2,184
	239	2,381

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

26. ACCRUALS AND OTHER PAYABLES

	The Group		**The Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**4,541**	2,309	**–**	–
Accruals	**2,962**	1,110	**2,000**	400
	7,503	3,419	**2,000**	400

Other payables mainly comprised the VAT payable amounting to approximately HK$3,517,000 as of 31 March 2014 (2013: HK$1,281,000). The remaining other payables are non-interest bearing and are due to mature within one year.

27. BANK BORROWINGS

	2014	2013
	HK$'000	HK$'000
Bank borrowings — secured	**50,306**	55,615

	2014	2013
	HK$'000	HK$'000
Carrying amount repayables:		
On demand or within one year	**50,306**	55,615

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For the year ended 31 March 2014

27. BANK BORROWINGS *(Continued)*

Bank borrowings at:

	2014	2013
	HK$'000	HK$'000
— floating interest rate	**50,306**	55,615

The carrying amount of the Group's bank borrowings are all originally denominated in RMB.

The contractual floating interest rates per annum in respect of bank borrowings were within the following ranges:

	2014	2013
	%	%
Floating	**6.30–6.90**	6.60–8.53

Note: Details of assets were pledged to bank to secure the Group's banking facilities, please refer to the Note 34.

28. DEFERRED TAX

As at 31 March 2014 and 2013, the Group and the Company did not have any unused estimated tax loss available for offset against future profits.

29. CAPITAL AND RESERVES

(a) Share capital and share premium

The Company

	Number of ordinary shares	**Share capital**
		HK$'000
Authorised:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	1,000,000,000	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

29. CAPITAL AND RESERVES *(Continued)*

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

The Company *(Continued)*

	Par value HK$	Number of ordinary shares	Share capital HK$'000	Share premium HK$'000
Issued and fully paid:				
At 1 April 2012		1,000,000	10	–
Issue of shares under the public offering *(note (i))*	0.01	50,000,000	500	52,409
Issue of shares under the capitalisation issue *(note (ii))*	0.01	149,000,000	1,490	(1,490)
Share issuing expenses		–	–	(14,850)
At 31 March 2013, 1 April 2014 and 31 March 2014		**200,000,000**	**2,000**	**36,069**

Notes:

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

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

(b) Contribution surplus

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

(c) Exchange reserve

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

(d) Statutory reserve

In accordance with the Company Law of the PRC, the PRC subsidiary of the Group is required to allocate 10% of their profit after tax to the statutory reserve (the "SR") until such reserve reaches 50% of the registered capital of the PRC subsidiary. Subject to certain restrictions set out in the Company Law of the PRC, part of the SR may be converted to increase paid-up capital/issued capital of the PRC subsidiary, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital. The SR of the PRC subsidiary was HK$10,012,000 and HK$8,411,000 as at 31 March 2014 and 2013 respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

29. CAPITAL AND RESERVES *(Continued)*

(e) Statement of changes in equity

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

The Company

	Share capital HK$'000	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2012	10	–	(550)	(540)
Loss for the year	–	–	(8,569)	(8,569)
Issue of shares under the public offer	500	52,409	–	52,909
Issue of shares under the capitalisation issue	1,490	(1,490)	–	–
Share issuing expenses	–	(14,850)	–	(14,850)
At 31 March 2013 and 1 April 2013	2,000	36,069	(9,119)	28,950
Loss for the year	–	–	(11,519)	(11,519)
At 31 March 2014	**2,000**	**36,069**	**(20,638)**	**17,431**

30. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements of Notes 10, 12, 13 and 20, the Group had entered into transactions with related parties which, in the opinion of directors, were carried out no normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Key management personnel remuneration:

	2014 HK$'000	2013 HK$'000
Short term employees benefits	**2,426**	2,866
Retirement benefits schemes contributions	**58**	50
	2,484	2,916

31. CONTINGENT LIABILITIES

The Group and the Company did not have any contingent liabilities as at 31 March 2014 and 2013.

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For the year ended 31 March 2014

32. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of each reporting period, the Group had outstanding commitments payable under non-cancellable operating leases in respect of land and properties rented with lease terms of 20 years and 1 year respectively which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**575**	683
In the second to fifth years, inclusive	**2,300**	2,260
Over five years	**6,756**	7,204
	9,631	10,147

33. CAPITAL COMMITMENTS

	2014	2013
	HK$'000	HK$'000
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	**17,456**	12,829

34. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to bank to secure the Group's banking facilities in Note 27:

	2014	2013
	HK$'000	HK$'000
Bank deposits	**31,026**	–
Buildings	**19,937**	27,273
Plant and machinery	**45,884**	43,525
Furniture, fixtures and equipment	**125**	26
Prepaid lease payments	**1,881**	1,905
	98,853	72,729

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35. SHARE OPTION SCHEME

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

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

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

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

During the years ended 31 March 2014 and 2013, no share option was granted, exercised, expired or lapsed and there is no outstanding share option under the Scheme.

36. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 16 May 2014.

Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and the prospectus, is set out below:

RESULTS

	For the year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**331,472**	252,437	294,425	202,727	231,125
Cost of sales	**(300,852)**	(211,964)	(255,852)	(166,341)	(194,456)
Gross profit	**30,620**	40,473	38,573	36,386	36,669
Other revenue	**1,093**	610	578	638	132
Selling expenses	**(927)**	(769)	(697)	(449)	(348)
Administrative expenses	**(18,723)**	(18,347)	(9,308)	(7,625)	(3,837)
Gain on disposal of subsidiaries and an associate	**–**	–	–	–	5,379
Profit from operations	**12,063**	21,967	29,146	28,950	37,995
Finance costs	**(3,785)**	(4,462)	(4,567)	(3,550)	(2,552)
Share of losses of an associate	**–**	–	–	–	(751)
Profit before taxation	**8,278**	17,505	24,579	25,400	34,692
Taxation	**(5,158)**	(7,437)	(4,336)	(3,354)	(2,690)
Profit for the year	**3,120**	10,068	20,243	22,046	32,002
Profit/(loss) for the year attributable to:					
Owners of the company	**3,120**	10,068	20,243	22,046	32,003
Non-controlling interests	**–**	–	–	–	(1)
	3,120	10,068	20,243	22,046	32,002

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**258,281**	254,250	214,116	199,769	171,394
Total liabilities	**(63,553)**	(65,834)	(75,130)	(155,298)	(153,105)
Total equity	**194,728**	188,416	138,986	44,471	18,289