

2014

Annual Report



South East Group Limited

東南國際集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 726

* For identification purpose only

CONTENTS

	<i>Pages</i>
Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	4
Directors' Biography	7
Directors' Report	9
Corporate Governance Report	16
Independent Auditors' Report	26
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Statement of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements	33
Financial Summary	78

CORPORATE INFORMATION

BOARD OF DIRECTORS (Note):

Executive:

YU Shengming (*Chairman*)

MOCK Wai Yin

(*Deputy Chairman, Chief Executive Officer*)

CHAN Chi Yuen

Non-executive:

CHEN Xiaoping

NG Kwok Wai*

LEE Chi Hwa, Joshua*

LING Kit Wah, Joseph*

* independent non-executive director

AUDIT COMMITTEE (Note):

LEE Chi Hwa, Joshua (*Committee Chairman*)

NG Kwok Wai

CHEN Xiaoping

REMUNERATION COMMITTEE (Note):

NG Kwok Wai (*Committee Chairman*)

LEE Chi Hwa, Joshua

MOCK Wai Yin

NOMINATION COMMITTEE (Note):

NG Kwok Wai (*Committee Chairman*)

LEE Chi Hwa, Joshua

MOCK Wai Yin

FINANCIAL CONTROLLER:

LAU Wah Ching

COMPANY SECRETARY:

CHAN Sau Chee

REGISTERED OFFICE:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:

12th Floor, Entertainment Building
30 Queen's Road Central
Hong Kong

AUDITORS:

East Asia Sentinel Limited
Certified Public Accountants
22nd Floor, Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

With effect from 30 July 2014:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Note: The above refers to the composition of the Board and the Board committees as at the date of this report. Details of changes in directors of the Company during the year ended 31 March 2014 are set out on page 5 of this report.

RESULTS

For the year ended 31 March 2014, South East Group Limited (the "Company") and its subsidiaries (the "Group") recorded a turnover of approximately HK\$817,000 generated from property sales and properties rental (2013: HK\$732,000 represented turnover from property sales only). The loss attributable to the owners of the Company for the year ended 31 March 2014 amounted to approximately HK\$6,990,000 (2013: HK\$16,857,000) and loss per share was HK1.97 cents (2013: HK4.80 cents).

At 31 March 2014, the total assets and net assets of the Group were HK\$71,388,000 (2013: HK\$69,826,000) and HK\$178,000 (2013: HK\$2,663,000) respectively. This is an improvement from the net liabilities position as disclosed in the Company's interim report for the six months ended 30 September 2013, which is mainly due to the change of Group's properties held for sale as investment properties in the second half of the year under review. Attributable to the above change in use, the properties were revalued and a gain in fair value was recognized.

BUSINESS REVIEW AND PROSPECTS

During the year ended 31 March 2014, the Group was principally engaged in the business of property development and investments in the People's Republic of China (the "PRC"). At 31 March 2014, there was a gross floor area of approximately 7,845 square metres (2013: 7,985 square metres) of commercial properties held by the Group in Zouping, Shandong, the PRC. Turnover of approximately HK\$401,000 was recorded from property sales attributable to the aforementioned properties during the year under review (2013: HK\$732,000 generated from sale of car parking space in Pudong, the PRC). Rental income of approximately HK\$416,000 was recorded this year, which was generated from leasing out part of the commercial properties concerned. Owing to adjustment in operational structure in view of the real estate market in the PRC and the recurring nature of the leasing transactions, the Group reclassified the completed properties in Zouping formerly held for sale as investment properties. Hence, properties rental was reclassified and included as revenues generated from the Group's main business operations for the year ended 31 March 2014, rather than accounted for as other revenues as in previous year.

During the year under review, the board of directors of the Company (the "Board") has been reorganized. Under the leadership of the reorganized Board, the Group has made an effort to explore quality properties with a view to expanding its property portfolio so as to enhance performance and sustain growth in this business. As disclosed in the Company's announcements dated 26 February 2014 and 23 May 2014, the Company entered into a non-legally binding framework agreement and supplemental framework agreement relating to a possible acquisition of certain properties in Shenzhen, the PRC. Taking into consideration of the growing trend in Shenzhen commercial and residential property market, it is believed that the proposed acquisition, if materialized, will generate steady income for the Group's continuous development. A detailed due diligence and negotiations are still in progress and no formal agreement has been entered into up to date. The Company will make proper announcement regarding this potential investment project as and when appropriate.

The Company will strive to boost its business development and enhance financial and operating performance, so as to create better returns for shareholders in the long run. To pursue in this direction, the Group will continue looking for business opportunities and potential acquisitions actively. It will also actively seek for market opportunities in order to broaden its capital base and to enhance its income source.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all our shareholders, investors and other business partners for their continuing support and trust to the Company. I would also like to thank our employees for their hard work and dedication in the past year.

By order of the Board of
SOUTH EAST GROUP LIMITED
YU Shengming
Chairman

Hong Kong, 20 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

During the year under review, 13,697,000 new ordinary shares of HK\$0.10 each (the “Share(s)”) have been issued and allotted upon exercise of share options granted by the Company. The proceeds obtained by the Company from the exercise of share options amounted to approximately HK\$4,215,770.

At 31 March 2014, the Company's issued share capital was HK\$36,495,588 (2013: HK\$35,125,888) with 364,955,880 (2013: 351,258,880) Shares in issue.

Similar to the previous year, the Group's interest-bearing liabilities were mainly attributable to the 3% coupon convertible bond (the “Convertible Bond”) of the Company due on 7 May 2016 (the “Maturity Date”) with an outstanding principal amount of HK\$68,000,000 as at 31 March 2014. The Convertible Bond was transferred from Loyal Delight Group Limited to Viva Shine Limited on 20 December 2013. It was then deposited and transferred to Kingston Securities Limited on 23 December 2013. Accordingly, a bond certificate was issued to Kingston Securities Limited on 24 December 2013 without change in beneficial ownership. The Convertible Bond can be converted into a maximum of 162,679,425 Shares (subject to restrictions on conversion right) at the conversion price of HK\$0.418 per Share (subject to adjustment) prior to the Maturity Date. The Company has no obligation to redeem the Convertible Bond prior to the Maturity Date unless an event of default as provided in the terms and conditions of the Convertible Bond has occurred prior to the Maturity Date and the bondholder serves a notice on the Company requiring the Convertible Bond to be redeemed.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2014, the Group had cash and bank balances amounted to approximately HK\$27,151,000 (2013: HK\$39,855,000). At the year-end date, the Group's total borrowings represented the carrying amount of the Convertible Bond of approximately HK\$65,352,000 (2013: HK\$64,183,000).

During the financial year under review, the Group's business operations were mainly in Hong Kong and the PRC. Hence, most of the transactions were denominated and settled in Hong Kong dollars and Renminbi. As there was no significant exposure to foreign exchange fluctuation arising from the normal course of operations, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

The Group had shareholders' equity of approximately HK\$178,000 as at 31 March 2014 (2013: HK\$2,663,000).

The Group's gearing ratio resulting from a comparison of the Group's total borrowings with the total assets was approximately 92% as at 31 March 2014 (2013: 92%).

SEGMENT

Details of segment information of the Group for the year ended 31 March 2014 are set out in Note 35 to the consolidated financial statements.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material investment, material acquisition or disposal of subsidiaries and associated companies during the year.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As aforesaid, the Company will actively seek for market opportunities in order to broaden its capital base and to enhance its income source. Hence, the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise. As at the date of this report, the Company had not entered into any agreement, arrangement, understanding, intention or negotiation that should be disclosed pursuant to the Listing Rules and the Securities and Futures Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES OF COMPOSITION OF THE BOARD

During the year ended 31 March 2014, the Company has the following changes in the composition of its Board:

On 8 May 2013, Mr. David R. Peterson resigned as an independent non-executive director of the Company.

On 7 October 2013, Mr. Ling Kit Wah, Joseph was appointed as an independent non-executive director of the Company to fill up the above casual vacancy.

On 20 December 2013, the Board underwent the following restructuring:

Appointment of Directors:

Mr. Yu Shengming was appointed as the chairman of the Board and an executive director of the Company;

Mr. Mock Wai Yin was appointed as the deputy chairman of the Board, an executive director, chief executive officer and a member of each of the Nomination Committee and the Remuneration Committee of the Company and an authorized representative of the Company;

Mr. Chan Chi Yuen was appointed as an executive director of the Company;

Mr. Ng Kwok Wai was appointed as an independent non-executive director, the chairman of each of the Nomination Committee and the Remuneration Committee and a member of the Audit Committee of the Company; and

Mr. Lee Chi Hwa, Joshua was appointed as an independent non-executive director, the chairman of the Audit Committee and a member of each of the Nomination Committee and the Remuneration Committee of the Company.

Re-designation of Director

Mr. Chen Xiaoping was re-designated from an executive director to a non-executive director and appointed as a member of the Audit Committee of the Company, and resigned as the chief executive officer of the Company.

Resignation of Directors

Mr. Wu Siu Chung resigned as the chairman of the Board, an executive director and an authorized representative of the Company;

Mr. Eduard William Rudolf Helmuth Will resigned as a non-executive director, a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Company;

Mr. Lo Yuk Lam resigned as an independent non-executive director, the chairman of each the Nomination Committee and the Remuneration Committee and a member of the Audit Committee of the Company; and

Mr. Wong Kam Wah resigned as an independent non-executive director, the chairman of the Audit Committee, and a member of each of the Nomination Committee and the Remuneration Committee of the Company;

On 14 January 2014, Mr. Chen Yuan Shou, Budiman resigned as a non-executive director of the Company.

EMPLOYEE INFORMATION

At 31 March 2014, the Group had a total of 14 (2013: 21) employees (excluding directors of the Company), 8 (2013: 9) employees worked in the PRC and 6 (2013: 12) worked in Hong Kong.

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. Other employee benefits include mandatory provident fund, medical insurance coverage and share option scheme.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP ASSETS

At 31 March 2014, the Group had no assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2013: nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2014, the Group had no outstanding capital commitments (2013: nil) and no material contingent liabilities (2013: nil).

LITIGATION

At 31 March 2014, the Group had not involved in any material litigation.

EXECUTIVE DIRECTORS

Mr. Yu Shengming, aged 48, was appointed as the chairman and an executive director of the Company on 20 December 2013. Mr. Yu is currently the chairman of 招誠集團 (Zhao Cheng Group*) in Shenzhen. 招誠集團 (Zhao Cheng Group*) is a leading conglomerate engaged in diversified business such as trading of construction materials, leasing of property, project investment, tourist real estate and financial services. He also dedicates himself into social and public affairs and holds a number of important positions in political and business fields, namely the delegate of the 12th session of the People's Congress of Guangdong Municipality, the honourable chairman of the Confederacy of Hong Kong Shan Wei Clansmen Limited and the deputy chairman of the China Furniture & Decoration Chamber of Commerce. Mr. Yu is a beneficial owner of 50% equity interests in and also a director of Viva Shine Limited which in turn is the beneficial owner of (i) 92,000,000 Shares representing approximately 25.21% of the issued share capital of the Company; and (ii) the Convertible Bond (as detailed in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" in the Directors' Report). Mr. Yu is responsible for the overall strategic planning for business development and management of the Group.

Mr. Mock Wai Yin, aged 42, was appointed as the deputy chairman, chief executive officer and an executive director of the Company on 20 December 2013, and is a member of the Remuneration Committee and the Nomination Committee of the Company. He is also a director of various subsidiaries of the Company. Mr. Mock holds a Master of Philosophy in Biochemistry from The Chinese University of Hong Kong and a Master of Science in Hazard Analysis and Critical Control Point from University of Salford. He also holds a Postgraduate Diploma in Professional Accounting. Mr. Mock has 14 years of experience in research analysis and over 2 years of world-wide experience in natural resources, project investment and property development as well as project valuation and budget management. Currently, he is a director of a company which provides advisory services in relation to client's project investments. Mr. Mock is responsible for overseeing the daily operations of the Group and in executing the corporate strategy.

Mr. Chan Chi Yuen, aged 47, was appointed as an executive director of the Company on 20 December 2013. Mr. Chan holds a Bachelor degree with honours in Business Administration and a Master of Science degree in Corporate Governance and Directorship. He is a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants in the United Kingdom and an associate of The Institute of Chartered Accountants in England and Wales. Mr. Chan is a practising certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance. Mr. Chan is currently an executive director and the chief executive officer of Noble Century Investment Holdings Limited, an independent non-executive director of Asia Energy Logistics Group Limited, China Gamma Group Limited, China Sandi Holdings Limited, Jun Yang Solar Power Investments Limited, Media Asia Group Holdings Limited, New Times Energy Corporation Limited and U-RIGHT International Holdings Limited. Mr. Chan was an executive director of Kong Sun Holdings Limited from February 2007 to November 2009 and from December 2011 to September 2013, and an independent non-executive director of The Hong Kong Building and Loan Agency Limited from October 2009 to February 2011, Richly Field China Development Limited from February 2009 to August 2010 and Superb Summit International Timber Company Limited (currently known as Superb Summit International Group Limited) from April 2007 to June 2010. The issued shares of all the aforesaid companies are listed and traded on The Stock Exchange of Hong Kong Limited.

* *The English names of the PRC entities marked with "*" are for identification purposes only. In case of any inconsistency, the Chinese names shall prevail.*

DIRECTORS' BIOGRAPHY

NON-EXECUTIVE DIRECTORS

Mr. CHEN Xiaoping, aged 62, was re-designated as a non-executive director of the Company on 20 December 2013, and is currently a member of the Audit Committee of the Company. Before his re-designation, Mr. Chen had assumed the roles of an executive director and the chief executive officer of the Company since September 2007. Mr. Chen worked at senior management positions in banking and other business fields in the past twenty five years, such as Director of Kleinwort Benson Group, Senior Adviser of Global Interactive Technology AG and Financial Adviser of CNT Group.

Mr. Ng Kwok Wai, aged 37, was appointed as an independent non-executive director of the Company on 20 December 2013. He is the chairman of the Remuneration Committee and the Nomination Committee; and a member of the Audit Committee of the Company. Mr. Ng holds a bachelor degree in accounting and finance. He has over 10 years of experience in the field of accounting and finance.

Mr. Lee Chi Hwa, Joshua, aged 41, was appointed as an independent non-executive director of the Company on 20 December 2013. He is the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lee is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants. Mr. Lee has extensive experience in the fields of auditing, accounting and finance. Mr. Lee currently serves as an independent non-executive director of China Fortune Investments (Holding) Limited (stock code: 8116) and Code Agriculture (Holdings) Limited (stock code: 8153), both are listed on the GEM Board of The Stock Exchange of Hong Kong Limited. He was an independent non-executive director of King Stone Energy Group Limited (stock code: 663) from January 2012 to April 2013.

Mr. Ling Kit Wah, Joseph, aged 57, was appointed as an independent non-executive director of the Company on 7 October 2013. Mr. Ling graduated from the University of Windsor with the Bachelor of Commerce (Hons) in business administration in June 1981. Mr. Ling has over 20 years' experience in investment banking, direct investment and corporate finance in Hong Kong and Asia Pacific. During the period from January 1985 to September 2000, Mr. Ling worked for various banks, including, inter alia, Citigroup Australia Limited, The Hongkong and Shanghai Banking Corporation and Internationale Nederlanden Bank N.V. in private banking division. Mr. Ling was appointed as an executive director of Singapore Hong Kong Properties Investment Ltd. (currently known as China Seven Star Holdings Ltd., a company listed on the Main Board of The Stock Exchange of Hong Kong Limited) from October 2001 to November 2002, and then as a senior vice president of VXL Management Services Limited from March 2005 to April 2007. Then, he was appointed as an executive vice president of Pacific Star Group, a Singapore-based property investment company during the period from January 2008 to July 2009. Mr. Ling is currently an independent director of East Asia Sports International Limited, a company listed on the stock market in Korea. He is also an independent non-executive director, the chairman of the remuneration committee and a member of the audit committee of ZMFY Automobile Glass Services Limited (a company listed on the GEM Board of The Stock Exchange of Hong Kong Limited).

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal business activities of the Group are property development and investment. Details of the principal activities of the Company's principal subsidiaries are set out in Note 15 to the consolidated financial statements.

FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 March 2014 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 28 to 77.

DONATIONS

During the year, the Group has not made any charitable donations (2013: nil).

DIVIDENDS

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

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 78.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 31 and Note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in Note 13 to the consolidated financial statements.

PROPERTIES HELD FOR SALE

Details of the principal properties held for sale by the Group are set out in Note 19 to the consolidated financial statements.

INVESTMENT PROPERTIES

During the year, the Group reclassified the properties held for sale to investment properties. As at 31 March 2014, the Group revalued its investment properties by using an income capitalisation approach. The increase in fair value amounting to approximately HK\$15,215,000 has been credited to the consolidated statement of profit or loss and other comprehensive income.

Details of the investment properties of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of share capital for the year are set out in Note 25 to the consolidated financial statements.

LITIGATION

During the year, the Group has not involved in any material litigation.

BORROWINGS

Details of the borrowings of the Group at 31 March 2014 are set out in Note 23 to the consolidated financial statements.

DIRECTORS' REPORT

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in Note 34 to the consolidated financial statements. Such transactions are exempt from the reporting requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of connected transactions.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant post statement of financial position event of the Group are set out in Note 37 to the consolidated financial statements.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors:

Mr. YU Shengming (*Chairman*) (appointed on 20 December 2013)

Mr. MOCK Wai Yin (*Deputy Chairman, Chief Executive Officer*) (appointed on 20 December 2013)

Mr. CHAN Chi Yuen (appointed on 20 December 2013)

Mr. WU Siu Chung (*Chairman*) (resigned on 20 December 2013)

Mr. CHEN Xiaoping (*Chief Executive Officer*) (re-designated from executive to non-executive director and resigned as Chief Executive Officer on 20 December 2013)

Non-executive directors:

Mr. CHEN Xiaoping (re-designated from executive to non-executive director on 20 December 2013)

Mr. Eduard William Rudolf Helmuth WILL (resigned on 20 December 2013)

Mr. CHEN Yuan Shou, Budiman (resigned on 14 January 2014)

Independent Non-executive directors:

Mr. LING Kit Wah, Joseph (appointed on 7 October 2013)

Mr. NG Kwok Wai (appointed on 20 December 2013)

Mr. LEE Chi Hwa, Joshua (appointed on 20 December 2013)

Mr. David R. PETERSON (resigned on 8 May 2013)

Mr. LO Yuk Lam (resigned on 20 December 2013)

Mr. WONG Kam Wah (resigned on 20 December 2013)

In accordance with bye-law 99 of the Company's bye-laws, Mr. Chen Xiaoping shall retire by rotation and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 102(B) of the Company's bye-laws, Mr. Yu Shengming, Mr. Mock Wai Yin, Mr. Chan Chi Yuen, Mr. Ling Kit Wah, Joseph, Mr. Ng Kwok Wai and Mr. Lee Chi Hwa, Joshua (who were appointed by the board of directors of the Company after the last annual general meeting) shall hold office only until the conclusion of the forthcoming annual general meeting, being eligible, offer themselves for re-election at such general meeting.

The Company has received from each of the existing independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Mr. Wu Siu Chung had entered into a service agreement with the Company for a period of three years from 1 October 2013 and would continue thereafter unless and until terminated by either party by six months' prior notice. As Mr. Wu Siu Chung resigned from the directorship of the Company on 20 December 2013, upon mutual consent between the parties concerned, the service agreement was terminated on the same date.

DIRECTORS' SERVICE CONTRACTS (continued)

Mr. Chen Xiaoping had entered into a service agreement with the Company for a period of three years from 1 October 2013 and would continue thereafter unless and until terminated by either party by six months' prior notice. As Mr. Chen Xiaoping was re-designated from an executive director to a non-executive director of the Company on 20 December 2013, upon mutual consent between the parties concerned, the service agreement was terminated on the same date.

Apart from the above, no Director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2014, save as disclosed below, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") and save as disclosed below, none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers contained in the Listing Rules.

Long position in the ordinary shares of HK\$0.10 each (the "Shares"), underlying Shares and debentures of the Company

Name of director	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Percentage of the Company's issued share capital (Note 4)
YU Shengming	Through a controlled corporation	92,000,000 (Note 1)	162,679,425 (Note 2)	254,679,425	69.78%
CHEN Xiaoping	Beneficially owned	436,000 (Note 3)	—	436,000	0.12%

Notes:

- These shares are beneficially owned by Viva Shine Limited, a company beneficially owned as to 50% by Mr. Yu Shengming, the chairman and an executive director of the Company and 50% by Mr. Wang Guoli.
- Through his equity interest in Viva Shine Limited as disclosed above, Mr. Yu Shengming is deemed to be interested in 162,679,425 underlying Shares to be derived from the Convertible Bond with an outstanding principal amount of HK\$68 million due in May 2016. Viva Shine Limited is the beneficial owner of the Convertible Bond.
- Mr. Chen Xiaoping disposed of 122,000 shares after the year-end date, so that he had interests in 314,000 Shares only (representing approximately 0.09%) in the issued share capital of the Company as at the date of this report.
- For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 364,955,880 Shares in issue.

DIRECTORS' REPORT

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION (continued)

Long position in the ordinary shares of HK\$0.10 each (the "Shares"), underlying Shares and debentures of the Company (continued)

The interests of the directors and chief executive of the Company in the share options of the Company are separately disclosed in the section headed "Share Option Scheme" below and in Note 27 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of all or any substantial part of the Group's business was entered into or existed during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, save as disclosed below, as far as the directors of the Company are aware, no other persons or corporations (other than a director or chief executive of the Company) who had or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

Long position in the Shares and underlying Shares in the Company

Name of shareholder	Nature of interest	Number of Shares held	Number of underlying Shares held	Total	Percentage of the Company's issued share capital (Note 3)
Viva Shine Limited (Note 1)	Beneficial owner	92,000,000	162,679,425	254,679,425	69.78%
Mr. Wang Guoli (Note 1)	Interest of a controlled corporation	92,000,000	162,679,425	254,679,425	69.78%
Kingston Securities Limited (Note 2)	Person having security interest	92,000,000	162,679,425	254,679,425	69.78%

Notes:

1. Viva Shine Limited is beneficially interested in 92,000,000 Shares and the Convertible Bond convertible into a maximum of 162,679,425 Shares at the price of HK\$0.418 per Share (subject to adjustment). Viva Shine Limited is a company owned as to 50% by Mr. Yu Shengming ("Mr. Yu"), the chairman and an executive director of the Company and 50% by Mr. Wang Guoli ("Mr. Wang"). Under Part XV of the SFO, each of Mr. Yu and Mr. Wang is deemed to have an interest in the same parcel of shares and in the Convertible Bond beneficially owned by Viva Shine Limited. Mr. Yu's interests in such regard are set out in the section headed "Directors' and Chief Executives' Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation" above.
2. The 92,000,000 Shares and the Convertible Bond beneficially owned by Viva Shine Limited have been deposited and transferred to Kingston Securities Limited without change in their beneficial ownership. Kingston Securities Limited is deemed to have an interest in the same parcel of shares and the Convertible Bond in the capacity of person having security interest by virtue of the SFO.

SUBSTANTIAL SHAREHOLDERS (continued)

Long position in the Shares and underlying Shares in the Company (continued)

Notes: (continued)

3. For the purpose of this section, the shareholding percentage in the Company is calculated on the basis of 364,955,880 Shares in issue.

SHARE OPTION SCHEME

Details of the share option schemes of the Company are set out in Note 27 to the consolidated financial statements.

The share option scheme adopted by the Company on 7 November 2003 (the "Old Scheme") was terminated pursuant to a resolution passed by the shareholders of the Company on 7 August 2013. A new share option scheme (the "New Scheme") in place of the Old Scheme was adopted pursuant to such resolution with effect from 7 August 2013 for a period of 10 years.

During the year ended 31 March 2014, details of movements in the share options granted under the Old Scheme were as follows:

Participants	Date of Grant	Exercisable period	Exercise price per Share HK\$	Number of share options				At 31 March 2014
				At 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	
Directors								
WU Siu Chung (resigned on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	3,000,000	-	(3,000,000)	-	-
CHEN Xiaoping (re-designated from executive to non-executive director on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	-	(2,500,000)	-	-
Eduard William Rudolf Helmuth WILL (resigned on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	-	(2,500,000)	-	-
CHEN Yuan Shou, Budiman (resigned on 14 January 2014)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	3,305,000 346,000	- -	(3,305,000) -	- (346,000)	- -
				3,651,000	-	(3,305,000)	(346,000)	-
LO Yuk Lam (resigned on 20 December 2013)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	- -	(330,000) (346,000)	- -	- -
				676,000	-	(676,000)	-	-
WONG Kam Wah (resigned on 20 December 2013)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	- -	(330,000) (346,000)	- -	- -
				676,000	-	(676,000)	-	-
David R. PETERSON (resigned on 8 May 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	-	-	(346,000)	-
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	1,040,000	-	(1,040,000)	-	-
Total				14,389,000	-	(13,697,000)	(692,000)	-

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

The valuation of share options is set out in Note 27 to the consolidated financial statements.

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013, so there were no outstanding share options at 31 March 2014.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2014:

- (i) The Group's largest customer and five largest customers accounted for approximately 49% and 66% respectively of the Group's total turnover.
- (ii) No material production was carried out during the year, so no major suppliers were identified.

None of the directors, their associates, or any shareholders (which to the best knowledge of the directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and suppliers.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's by-laws although there are no restrictions against such rights under the laws of Bermuda.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in Note 30 to the consolidated financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float throughout the year ended 31 March 2014 and up to the date of this report.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") with specific written terms of reference which clearly deal with its authorities and duties. The Audit Committee currently comprises three members including two independent non-executive Directors and one non-executive Director, and its chairman possesses recognized professional qualifications in accounting. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed the auditing, internal control and financial reporting matters, including a review of the annual results and the consolidated financial statements for the year ended 31 March 2014.

CORPORATE GOVERNANCE

The Company has applied the principles and complied with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2014 except the deviations as disclosed in the "Corporate Governance Report" on pages 16 to 25.

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 March 2014, none of the directors of the Company has interest in competing business required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

AUDITORS

The auditors, East Asia Sentinel Limited, a corporation of Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board of
South East Group Limited
Yu Shengming
Chairman

Hong Kong, 20 June 2014

CORPORATE GOVERNANCE REPORT

The Company acknowledges the importance of good corporate governance practices as to improve the efficiency and performance of the Company and its subsidiaries and to safeguard the interests of its shareholders. The key corporate governance principles and practices of the Company are set out here below.

(A) CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the applicable code provisions (the “Code Provision(s)”) of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2014 except the following:

Under Code Provision A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. The Board aims to meet regularly in person or through electronic means of communication at least four times a year. However, for the sake of flexibility, the Board may also hold meetings with less than 14 days notice as required for regular meetings under Code Provision A.1.3, it may also pass resolutions by circulation of documents if considered appropriate. The Company will keep reviewing the above situation and make appropriate changes to improve the corporate governance practices of the Company if considered necessary.

Under Code Provision A.4.1, non-executive Directors should be appointed for a specific term, and subject to re-election. Each of the existing Directors (including non-executive Directors) has entered into a letter of appointment with the Company, pursuant to the terms and conditions of which his service term is subject to retirement by rotation in accordance with the Company’s bye-laws. According to the Company’s bye-laws, one-third of the Directors for the time being shall retire from office by rotation at the annual general meeting of the Company and every Director shall be subject to retirement by rotation at least once every three years. As such, the Board considers the same purpose as a specific term of appointment can be achieved.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Chen Yuan Shou, Budiman, a former non-executive Director, and Mr. Lo Yuk Lam, a former independent non-executive Director, could not attend the annual general meeting of the Company held on 7 August 2013 because of other business commitments. Aiming for compliance with this Code Provision, the Company will continue to furnish all Directors with appropriate information on all general meetings and take all reasonable measures to arrange the schedule in such a cautious way to enable all Directors to attend the general meetings as far as possible.

(B) 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 as its code of conduct regarding securities transactions by directors of the Company. The Company has made specific enquiry to all Directors that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2014.

(C) BOARD OF DIRECTORS

The Board comprised the following directors during the year ended 31 March 2014 and up to the date of this report:

Executive directors:

Mr. YU Shengming (*Chairman*) (appointed on 20 December 2013)
Mr. MOCK Wai Yin (*Deputy Chairman, Chief Executive Officer*) (appointed on 20 December 2013)
Mr. CHAN Chi Yuen (appointed on 20 December 2013)
Mr. WU Siu Chung (*Chairman*) (resigned on 20 December 2013)
Mr. CHEN Xiaoping (*Chief Executive Officer*) (re-designated from executive to non-executive director and resigned as Chief Executive Officer on 20 December 2013)

Non-executive directors:

Mr. CHEN Xiaoping (re-designated from executive to non-executive director on 20 December 2013)
Mr. Eduard William Rudolf Helmuth WILL (resigned on 20 December 2013)
Mr. CHEN Yuan Shou, Budiman (resigned on 14 January 2014)

Independent non-executive directors:

Mr. LING Kit Wah, Joseph (appointed on 7 October 2013)
Mr. NG Kwok Wai (appointed on 20 December 2013)
Mr. LEE Chi Hwa, Joshua (appointed on 20 December 2013)
Mr. David R. PETERSON (resigned on 8 May 2013)
Mr. LO Yuk Lam (resigned on 20 December 2013)
Mr. WONG Kam Wah (resigned on 20 December 2013)

The relationship among members of the Board and biographical details of the directors of the Company (the "Directors", or individually the "Director") who are currently serving the Board are set out on pages 7 to 8 of this annual report. Save for the Directors' business relationships as a result of their respective directorships in the Company and its subsidiaries or else as disclosed in each of their respective biographies as aforementioned, there are no financial, business, family or other material or relevant relationships among members of the Board.

During the year ended 31 March 2014, the Board has complied with the requirements of the Listing Rules in relation to the appointment of a minimum of three independent non-executive directors and at least one independent non-executive director is having appropriate professional accounting or financial management experience; except for the period from 9 May 2013 to 6 October 2013 during which the Board had only two independent non-executive Directors.

The Company has observed the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules in the appointment of its independent non-executive Directors. It has received the confirmation of independence from each of the independent non-executive Directors upon their appointment, and has continued to receive from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company therefore considered all its existing independent non-executive Directors to be independent in accordance with the independence guidelines of the Listing Rules.

The Board aims to meet regularly in person or through electronic means of communication at least four times a year. For the sake of flexibility, the Board may also hold meetings whenever necessary rather than the regular meetings. During the year ended 31 March 2014, the Board has convened ten meetings (excluding committee meetings) that required directors' attendance in person or through electronic means of communication to consider and approve, among others, annual and interim results of the Group, as well as to review business operations and development of the Group. It has also passed resolutions by circulation of documents one time during the year.

CORPORATE GOVERNANCE REPORT

(C) BOARD OF DIRECTORS (continued)

During the year ended 31 March 2014, the individual attendance record of each Director at the meetings of the Board (including circulation of written resolutions) and general meeting is as follows:

Name of director	Number of Board meetings attended	Board written resolutions	Annual general meeting
Mr. YU Shengming (appointed on 20 December 2013)	6/6	0/0	N/A
Mr. MOCK Wai Yin (appointed on 20 December 2013)	6/6	0/0	N/A
Mr. CHAN Chi Yuen (appointed on 20 December 2013)	6/6	0/0	N/A
Mr. WU Siu Chung (resigned on 20 December 2013)	4/4	1/1	1/1
Mr. CHEN Xiaoping	8/10	1/1	1/1
Mr. Eduard William Rudolf Helmuth WILL (resigned on 20 December 2013)	2/4	1/1	1/1
Mr. CHEN Yuan Shou, Budiman (resigned on 14 January 2014)	1/8	1/1	0/1
Mr. LING Kit Wah, Joseph (appointed on 7 October 2013)	8/9	0/0	N/A
Mr. NG Kwok Wai (appointed on 20 December 2013)	6/6	0/0	N/A
Mr. LEE Chi Hwa, Joshua (appointed on 20 December 2013)	6/6	0/0	N/A
Mr. David R. PETERSON (resigned on 8 May 2013)	0/0	0/0	N/A
Mr. LO Yuk Lam (resigned on 20 December 2013)	2/4	1/1	0/1
Mr. WONG Kam Wah (resigned on 20 December 2013)	4/4	1/1	1/1

The Board has delegated the supervision of the day-to-day management of the Company's business to the executive Directors. However, the Directors are collectively responsible for promoting the success of the Company by guiding and monitoring the Company to achieve its strategic objectives. The Board's primary functions are to set corporate policy and overall strategy for the Group and to oversee the management's performance. Accordingly, the Board approves the strategic plans, major disposals and acquisitions, connected transactions and other significant operational issues. Furthermore, Board meetings may be held on occasions when a Board level decision on a particular matter is required; otherwise daily operational decisions are delegated to the executive Directors.

The Company has arranged for appropriate liability insurance cover for its Directors. The insurance coverage is reviewed on an annual basis.

(D) DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Newly appointed Directors are provided with necessary induction and information to ensure that they have a proper understanding of the Company's business and operations, as well as awareness of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Pursuant to Code Provision A.6.5 of the CG Code, the Directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant. The Directors committed to participating in appropriate continuous professional development activities by way of attending training or reading materials relevant to the Company's business or to the Directors' duties and responsibilities. During the year ended 31 March 2014, the Directors have been provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. The Directors are also briefed on the latest development and changes in the Listing Rules and other relevant regulatory requirements from time to time. All directors are encouraged to participate in continuous professional development programmes to develop and refresh their professional knowledge and skills. All the existing Directors confirmed that they have had suitable directors' training through attendance of training courses and seminars; or reading materials to refresh their knowledge and skills during the year.

(E) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of the chairman of the Company was held by Mr. Wu Siu Chung up to his resignation on 20 December 2013, and was replaced by Mr. Yu Shengming who was appointed on the same date and has been serving such position since then. The position of the chief executive officer of the Company was held by Mr. Chen Xiaoping up to his re-designation on 20 December 2013, and was replaced by Mr. Mock Wai Yin who was appointed on the same date and has been serving such position since then. The roles of chairman and chief executive officer of the Company are separate. The chairman is responsible for leadership of the Board to ensure it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The chief executive officer heads the management for implementing the strategies and policies adopted by the Board and focuses on the day-to-day operations of the Group.

(F) NON-EXECUTIVE DIRECTORS

On 7 October 2013, Mr. Ling Kit Wah, Joseph was appointed as an independent non-executive Director and entered into a letter of appointment with the Company upon his appointment for a service term of three years, subject to re-election in accordance with the Company's bye-laws however. On 20 December 2013, Mr. Chen Xiaoping was re-designated as a non-executive Director, Mr. Lee Chi Hwa, Joshua and Mr. Ng Kwok Wai were appointed as independent non-executive Directors; and each of them entered into a letter of appointment with the Company upon their re-designation or appointment in respect of their individual service term which is subject to re-election in accordance the Company's bye-laws.

According to the Company's bye-laws, one-third of the Directors shall retire from office by rotation at the annual general meeting of the Company and every Director including those appointed for a specific term shall be subject to retirement by rotation at least once every three years. The Board therefore considers that sufficient measures were taken to ensure the corporate governance practices of the Company are not less than those specified in Code Provision A.4.1 of the CG Code.

(G) BOARD COMMITTEES

The Board has established the following committees to oversee particular aspects of the Company's affairs and to assist in the execution of the Board's responsibilities.

Remuneration Committee

The Company has set up the Remuneration Committee with specific written terms of reference which clearly deal with its authorities and duties. The Remuneration Committee comprised two independent non-executive Directors, namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah; and one non-executive Director, namely Mr. Eduard William Rudolf Helmuth Will up to 20 December 2013. Following the change of Board composition of the Company on 20 December 2013, the Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. Ng Kwok Wai and Mr. Lee Chi Hwa, Joshua; and one executive Director namely Mr. Mock Wai Yin. Mr. Ng Kwok Wai is appointed the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Company, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, and ensure no Director or any of his associates may be involved in any decisions as to his own remuneration.

CORPORATE GOVERNANCE REPORT

(G) BOARD COMMITTEES (continued)

Remuneration Committee (continued)

During the year ended 31 March 2014, the Remuneration Committee held three meetings to review the remuneration packages of the executive Directors and senior management, consider and approve the renewal of the Company's service agreements with its executive Directors and matters relating to the early termination of such agreements upon change of Board composition of the Company. The attendance of each member of the Remuneration Committee is set out below:

Name of member	Number of meetings attended
LO Yuk Lam (ceased to be a member and the chairman with effect from 20 December 2013)	3/3
WONG Kam Wah (ceased to be a member with effect from 20 December 2013)	3/3
Eduard William Rudolf Helmuth WILL (ceased to be a member with effect from 20 December 2013)	2/3
NG Kwok Wai (appointed as a member and the chairman with effect from 20 December 2013)	N/A
LEE Chi Hwa, Joshua (appointed as a member with effect from 20 December 2013)	N/A
MOCK Wai Yin (appointed as a member with effect from 20 December 2013)	N/A

The existing Remuneration Committee will continue to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management of the Group, and to ensure that no Director or any of his associates will participate in deciding his own remuneration.

Nomination Committee

The Company has set up the Nomination Committee with specific written terms of reference which clearly deal with its authorities and duties. The Nomination Committee comprised two independent non-executive Directors, namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah; and one non-executive Director, namely Mr. Eduard William Rudolf Helmuth Will up to 20 December 2013. Following the change of Board composition of the Company on 20 December 2013, the Nomination Committee currently comprises two independent non-executive Directors, namely Mr. Ng Kwok Wai and Mr. Lee Chi Hwa, Joshua; and one executive Director namely Mr. Mock Wai Yin. Mr. Ng Kwok Wai is appointed the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to recommend to the Board on the selection of suitable candidates for directorships and on the succession planning for Directors.

The Company recognizes the benefits of diversity of Board members. It will endeavour to ensure a balance of skills and experience among Board members when determining the composition of the Board. All Board appointments will be made on a merit basis, and selection of candidates will be based on objective criteria, having due regard for the benefits of diversity on the Board. Board diversity will be considered from a number of factors, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge, taking into account of the Company's own business model and specific needs. The board diversity policy of the Company has been published on the Company's corporate website (<http://southeastgroup.todayir.com>) for public information.

During the year ended 31 March 2014, the Nomination Committee held four meetings to review the structure and composition and the succession plan of the Board, and to evaluate and make recommendations on individuals nominated for directorship. The attendance of each member of the Nomination Committee is set out below:

(G) BOARD COMMITTEES (continued)
Nomination Committee (continued)

Name of member	Number of meetings attended
LO Yuk Lam (ceased to be a member and the chairman with effect from 20 December 2013)	4/4
WONG Kam Wah (ceased to be a member with effect from 20 December 2013)	4/4
Eduard William Rudolf Helmuth WILL (ceased to be a member with effect from 20 December 2013)	3/4
NG Kwok Wai (appointed as a member and the chairman with effect from 20 December 2013)	N/A
LEE Chi Hwa, Joshua (appointed as a member with effect from 20 December 2013)	N/A
MOCK Wai Yin (appointed as a member with effect from 20 December 2013)	N/A

In accordance with the Company's bye-laws, one-third of the Directors for the time being are required to retire by rotation in each annual general meeting and a newly appointed Director shall hold office only until the conclusion of the next following general meeting. Mr. Chen Xiaoping shall retire by rotation pursuant to bye-law 99 of the Company's bye-laws, being eligible, offer himself for re-election at the forthcoming annual general meeting. Mr. Yu Shengming, Mr. Mock Wai Yin, Mr. Chan Chi Yuen, Mr. Ling Kit Wah, Joseph, Mr. Ng Kwok Wai and Mr. Lee Chi Hwa, Joshua (who were appointed by the Board after the last annual general meeting) shall retire pursuant to bye-law 102(B) of the Company's bye-laws, being eligible, offer themselves for re-election at the forthcoming annual general meeting. The existing Nomination Committee has reviewed the performance of the above Directors and have recommended to the Board for their re-election.

Audit Committee

The Company has set up the Audit Committee with specific written terms of reference which clearly deal with its authorities and duties. The primary role and function of the Audit Committee is to assist the Board in providing an independent review of the Group's financial reporting and internal control systems as well as the internal and external audit functions. The Audit Committee comprised two independent non-executive Directors, namely Mr. Wong Kam Wah and Mr. Lo Yuk Lam and one non-executive Director, namely Mr. Eduard William Rudolf Helmuth Will up to 20 December 2013. Following the change of Board composition of the Company on 20 December 2013, the Audit Committee currently comprises two independent non-executive Directors, namely Mr. Lee Chi Hwa, Joshua and Mr. Ng Kwok Wai; and one non-executive Director, namely Mr. Chen Xiaoping. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. Mr. Lee Chi Hwa is an independent non-executive Director with appropriate professional accounting qualification as required under Rule 3.10(2) of the Listing Rules. He is the chairman of the Audit Committee.

During the year ended 31 March 2014, the Audit Committee held two meetings to review with the management the Group's adopted accounting principles and practices, internal controls and financial reporting matters in conjunction with the external auditors, including reviews of the half-year and annual financial results and reports. The Audit Committee has also discussed on the financial, operational and compliance controls in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of the external auditors. The attendance of each member of the Audit Committee is set out below:

CORPORATE GOVERNANCE REPORT

(G) BOARD COMMITTEES (continued)

Audit Committee (continued)

Name of member	Number of meetings attended
WONG Kam Wah (ceased to be a member and the chairman with effect from 20 December 2013)	2/2
LO Yuk Lam (ceased to be a member with effect from 20 December 2013)	2/2
Eduard William Rudolf Helmuth WILL (ceased to be a member with effect from 20 December 2013)	2/2
LEE Chi Hwa, Joshua (appointed as a member and the chairman with effect from 20 December 2013)	N/A
NG Kwok Wai (appointed as a member with effect from 20 December 2013)	N/A
CHEN Xiaoping (appointed as a member with effect from 20 December 2013)	N/A

The existing Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2014, including the accounting principles and practices adopted by the Group.

(H) CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance duties including:

- to develop and review the Company's policies and practices on corporate governance;
- to review and monitor the training and continuous professional development of directors and senior management of the Company;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and
- to review the Company's compliance with the code and disclosure in the Corporate Governance Report.

The Company has adopted a whistle-blowing policy to encourage employees of the Group to raise concerns about possible improprieties. During the year under review, no incident of fraud or misconduct was reported from employees that have material effect on the Group's financial statements and overall operations. The Company has also published the "Procedures for Shareholders to Nominate Candidates for Election as Directors" on its corporate website.

(I) AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit services provided by East Asia Sentinel Limited for the year ended 31 March 2014 was as follows:

	HK\$'000
Audit services	250

(J) ACCOUNTABILITY

Financial reporting

The Directors acknowledge their responsibility for preparing the financial statements of the Group in accordance with the requirements of the Listing Rules and applicable statutory requirements and accounting standards. The Group has adopted the going concern basis in preparing its financial statements.

A statement by the auditors of the Company about their reporting responsibilities is set out in the “Independent Auditors’ Report” on pages 26 to 27 of this annual report.

Internal controls

The Board is responsible for maintaining and reviewing the effectiveness of the Group’s internal control system. The Board has through the Audit Committee reviewed the effectiveness of the Group’s system of internal controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of staff in respect of the Company’s accounting and financial reporting function, and their training programmes and budget. The Board considers the existing resources, qualifications and experience of staff and their training programmes and budget should be adequate in respect of the Group’s accounting and financial reporting function.

(K) COMPANY SECRETARY

Ms. Chan Sau Chee has been the company secretary of the Company since April 1999. She is a full time employee of the Company and has relevant academic or professional qualifications and adequate working experience to discharge the functions of company secretary.

(L) SHAREHOLDERS’ RIGHTS

Rights to convene special general meetings

(1) Under the Company’s bye-laws

Pursuant to Bye-law 62 of the Company’s bye-laws, a special general meeting (“SGM”) shall be convened on requisition by shareholders of the Company (the “Shareholders”, or individually the “Shareholder”), as provided by the Companies Act 1981 of Bermuda (as amended) (the “Companies Act”), or, in default, may be convened by the requisitionists.

(2) Under the Companies Act

Pursuant to Section 74 of the Companies Act, a Shareholder or Shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may requisition the Directors to forthwith proceed duly to convene a SGM by depositing a written requisition at the registered office of the Company.

The written requisition must state the purposes of the meeting (including the resolutions to be considered at the meeting), signed by the requisitionists, deposited at the registered office of the Company at Canon’s Court, 22 Victoria Street, Hamilton HM 12, Bermuda and may consist of several documents in like form each signed by one or more requisitionists.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a SGM, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a SGM, but any SGM so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

A SGM so convened by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Directors.

CORPORATE GOVERNANCE REPORT

(L) SHAREHOLDERS' RIGHTS (continued)

Rights to put forward proposals at general meetings

Shareholders may put forward proposals at general meetings of the Company pursuant to the provisions of the Companies Act as follows:

Sections 79 and 80 of the Companies Act allow certain Shareholder(s) to requisition the Company to give notice to the Shareholders in respect of any resolution which is intended to be moved at an annual general meeting of the Company ("AGM") or circulate a statement in respect of any proposed resolution or business to be considered at a general meeting of the Company.

Under Section 79 of the Companies Act, at the expense of the requisitionists unless the Company otherwise resolves, it shall be the duty of the Company on the requisition in writing by such number of Shareholders:

- (a) to give to the Shareholders entitled to receive notice of the next AGM notice of any resolution which may properly be moved and is intended to be moved at that meeting.
- (b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The number of Shareholders necessary to make the above requisitions to the Company shall be:

- (aa) either any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or
- (bb) not less than one hundred Shareholders.

Notice of any such intended resolution shall be given, and any such statement shall be circulated, to Shareholders entitled to have notice of the meeting sent to them by serving a copy of the resolution or statement on each such Shareholder in any manner permitted for service of notice of the meeting, and notice of any such resolution shall be given to any other Shareholder by giving notice of the general effect of the resolution in any manner permitted for giving him notice of meetings of the Company, provided that the copy shall be served, or notice of the effect of the resolution shall be given, as the case may be, in the same manner and, so far as practicable, at the same time as notice of the meeting and, where it is not practicable for it to be served or given at that time, it shall be served or given as soon as practicable thereafter.

Section 80 of the Companies Act sets out the conditions to be met before the Company is bound to give notice of any resolution or to circulate any statement. Pursuant to Section 80 of the Companies Act, the Company shall not be bound under Section 79 to give notice of any resolution or to circulate any statement unless:

- (a) a copy of the requisition signed by the requisitionists, or two or more copies which between contain the signatures of all the requisitionists, is deposited at the registered office of the Company:
 - (i) in the case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and
 - (ii) in the case of any other requisition, not less than one week before the meeting; and
- (b) there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expense in giving effect thereto;

(L) SHAREHOLDERS' RIGHTS (continued)

Rights to put forward proposals at general meetings (continued)

provided that if, after a copy of the requisition requiring notice of a resolution has been deposited at the registered office of the Company, an AGM is called for a date six weeks or less after the copy has been deposited, the copy though not deposited within the abovementioned time shall be deemed to have been properly deposited for the purposes thereof.

Rights to put enquiries to the Board

Shareholders may at any time put enquiries to the Board. All enquiries shall be in writing and be sent by post to the principal place of business of the Company in Hong Kong at 12th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong.

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

(M) INVESTOR RELATIONS

To manage its relationship with its Shareholders and the investment community, the Company communicates through publication of announcements, circulars and annual and interim reports. Such information is disseminated through the Stock Exchange at its designated website (<http://www.hkexnews.hk>), and can also be accessed via the Company's website (<http://southeastgroup.todayir.com>). The Directors, company secretary and other appropriate members of the senior management will also respond to inquiries from the Shareholders and the investment community put to the Company in the manner as mentioned in paragraph (L) above.

During the year ended 31 March 2014, there was no change in the Company's constitutional documents.

INDEPENDENT AUDITORS' REPORT



East Asia Sentinel Limited **衛亞會計師事務所有限公司**

Certified Public Accountants

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www.EastAsiaSentinel.com

TO THE SHAREHOLDERS OF SOUTH EAST GROUP LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of South East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 28 to 77, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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, in accordance with section 90 of the Bermuda Companies Act 1981 of Bermuda and for no other purposes. 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 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 financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

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

East Asia Sentinel Limited

Certified Public Accountants

Winnie Yim Wing Yee

Director

Practising Certificate No. P05906

Hong Kong

Date: 20 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Turnover	6	817	732
Cost of properties sold		(500)	(354)
GROSS PROFIT		317	378
Fair value gains on investment properties	16	15,215	—
Other revenues	7	1,154	2,773
Selling and distribution costs		(26)	(16)
Administrative expenses		(16,632)	(16,407)
PROFIT/(LOSS) FROM OPERATIONS		28	(13,272)
Finance costs	8	(3,214)	(3,156)
LOSS BEFORE TAXATION	9	(3,186)	(16,428)
Taxation	10(a)	(3,804)	(429)
LOSS FOR THE YEAR		(6,990)	(16,857)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that may be reclassified subsequently to profit or loss:			
Translation differences		1,513	452
Change in fair value of available-for-sale financial assets		(1,224)	(1,175)
Other comprehensive income/(loss) for the year		289	(723)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(6,701)	(17,580)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company	11	(6,990)	(16,857)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Company		(6,701)	(17,580)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (cents)	12	(1.97)	(4.80)

The notes on pages 33 to 77 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	26	39
Goodwill	14	—	—
Investment properties	16	37,800	—
Available-for-sale financial assets	17	2,082	3,306
Total non-current assets		39,908	3,345
CURRENT ASSETS			
Held-to-maturity investments	18	780	780
Properties held for sale	19	—	22,318
Trade and other receivables	20	3,549	3,528
Cash and cash equivalents	21	27,151	39,855
Total current assets		31,480	66,481
CURRENT LIABILITIES			
Trade and other payables	22	1,859	2,815
Tax payable	10(b)	165	165
Convertible bond	23	2,040	2,040
Total current liabilities		4,064	5,020
NET CURRENT ASSETS		27,416	61,461
TOTAL ASSETS LESS CURRENT LIABILITIES		67,324	64,806
NON-CURRENT LIABILITIES			
Convertible bond	23	63,312	62,143
Deferred tax liability	24	3,834	—
Total non-current liabilities		67,146	62,143
NET ASSETS		178	2,663
EQUITY			
Equity attributable to owners of the Company:			
Share capital	25	36,496	35,126
Reserves	26	(36,318)	(32,463)
TOTAL EQUITY		178	2,663

Approved by the Board of Directors on 20 June 2014

YU Shengming
Director

MOCK Wai Yin
Director

The notes on pages 33 to 77 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	—	—
Interests in subsidiaries	15	14,251	53,775
Available-for-sale financial assets	17	1,898	3,122
Total non-current assets		16,149	56,897
CURRENT ASSETS			
Other receivables	20	1,791	1,767
Cash and cash equivalents	21	5,225	6,489
Total current assets		7,016	8,256
CURRENT LIABILITIES			
Other payables	22	1,076	2,162
Convertible bond	23	2,040	2,040
Total current liabilities		3,116	4,202
NET CURRENT ASSETS		3,900	4,054
TOTAL ASSETS LESS CURRENT LIABILITIES		20,049	60,951
NON-CURRENT LIABILITIES			
Convertible bond	23	63,312	62,143
NET LIABILITIES		(43,263)	(1,192)
EQUITY			
Share capital	25	36,496	35,126
Reserves	26(b)	(79,759)	(36,318)
TOTAL DEFICIT		(43,263)	(1,192)

Approved by the Board of Directors on 20 June 2014

YU Shengming
Director

MOCK Wai Yin
Director

The notes on pages 33 to 77 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK\$'000	Share premium HK\$'000 <small>Note 26(c)(i)</small>	Available-for-sale financial assets revaluation reserve HK\$'000 <small>Note 26(c)(ii)</small>	Equity component convertible bond HK\$'000 <small>Note 26(c)(iii)</small>	Exchange reserve HK\$'000 <small>Note 26(c)(iv)</small>	Contributed surplus reserve HK\$'000 <small>Note 26(c)(v)</small>	Employee share-based payment reserve HK\$'000 <small>Note 26(c)(vi)</small>	Accumulated losses HK\$'000	Total HK\$'000
FOR THE YEAR ENDED 31 MARCH 2013									
At 1 April 2012	35,126	11,337	(1,742)	5,888	15,106	131,166	1,897	(178,535)	20,243
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(16,857)	(16,857)
Other comprehensive (loss)/income:									
Change in fair value of available-for-sale financial assets	–	–	(1,175)	–	–	–	–	–	(1,175)
Translation differences	–	–	–	–	452	–	–	–	452
Total comprehensive (loss)/income for the year	–	–	(1,175)	–	452	–	–	(16,857)	(17,580)
Transactions with owners:									
Cancellation of share options	–	–	–	–	–	–	(359)	359	–
Total transactions with owners	–	–	–	–	–	–	(359)	359	–
At 31 March 2013	35,126	11,337	(2,917)	5,888	15,558	131,166	1,538	(195,033)	2,663
FOR THE YEAR ENDED 31 MARCH 2014									
At 1 April 2013	35,126	11,337	(2,917)	5,888	15,558	131,166	1,538	(195,033)	2,663
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(6,990)	(6,990)
Other comprehensive (loss)/income:									
Change in fair value of available-for-sale financial assets	–	–	(1,224)	–	–	–	–	–	(1,224)
Translation differences	–	–	–	–	1,513	–	–	–	1,513
Total comprehensive (loss)/income for the year	–	–	(1,224)	–	1,513	–	–	(6,990)	(6,701)
Transactions with owners:									
Exercise of share options	1,370	4,304	–	–	–	–	(1,458)	–	4,216
Cancellation of share options	–	–	–	–	–	–	(80)	80	–
Total transactions with owners	1,370	4,304	–	–	–	–	(1,538)	80	4,216
At 31 March 2014	36,496	15,641	(4,141)	5,888	17,071	131,166	–	(201,943)	178

The notes on pages 33 to 77 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
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(3,186)	(16,428)
Adjustments for:		
Depreciation	13	200
Recovery of trade receivables	(158)	(398)
Fair value gains on investment properties	(15,215)	—
Interest expenses	3,214	3,156
Interest income	(721)	(1,807)
Investment income	(111)	(134)
Operating loss before changes in working capital	(16,164)	(15,411)
(Increase)/Decrease in properties held for sale	(267)	117
Decrease in trade and other receivables	706	287
Increase/(Decrease) in trade and other payables	313	(371)
Cash used in operations	(15,412)	(15,378)
Income taxes paid	—	(54)
NET CASH USED IN OPERATING ACTIVITIES	(15,412)	(15,432)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	152	146
Investment income	111	134
NET CASH GENERATED FROM INVESTING ACTIVITIES	263	280
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,314)	(2,042)
Proceeds from issue of shares	4,216	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	902	(2,042)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,247)	(17,194)
Effect of foreign exchange rate changes	1,543	452
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	39,855	56,597
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	27,151	39,855
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,151	39,855
	27,151	39,855

The notes on pages 33 to 77 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 is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is 12th Floor, Entertainment Building, 30 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities and details of its subsidiaries are set out in Note 15 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Listing Rules and the disclosure requirements of the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and properties which are carried at their fair values.

These consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group's accounting policies. The area involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Amendments and interpretations to existing standards effective for the Group's annual financial year beginning on 1 April 2013 and relevant to the Group

The Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA in the current year:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 19 (2011)	Employee benefits
HKAS 27 (2011)	Separate financial statements
HKFRS 10	Consolidated financial statements
HKFRS 13	Fair value measurement
Amendments to HKFRS 7	Financial instruments: Disclosures — Offsetting financial assets and financial liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Amendments and interpretations to existing standards effective for the Group's annual financial year beginning on 1 April 2013 and relevant to the Group (continued)

Under HKAS 1 (Revised), "Presentation of financial statements", 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. Besides, HKAS 1 (Revised) requires additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKAS 19 (2011), "Employee benefits", was revised in June 2011. The changes on the Group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

HKFRS 10, "Consolidated financial statements", replaces the parts of HKAS 27 (Revised) "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK (SIC)-Int 12 "Consolidated — Special Purpose Entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios. The application of HKFRS 10 has had no significant impact on the financial results or position of the Group for the current and prior years.

HKFRS 13, "Fair value measurement", establishes a single source of guidance for, and disclosures about fair value measurements, and replaces those requirements previously included in various HKFRSs. In accordance with HKFRS 13, the Group has applied the new fair value measurements and disclosure requirements. Other than the additional disclosures, the application of this standard does not have a material impact on the Group's consolidated financial statements.

Amendment to HKFRS 7, "Financial instruments: Disclosures — Offsetting financial assets and financial liabilities", requires new disclosure requirements which focus on quantitative information about recognised financial instruments that are offset in the statement of financial position, as well as those recognised financial instruments that are subject to master netting or similar arrangements irrespective of whether they are offset.

Except as described above, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

Up to the date of issue of these consolidated financial statements, the HKICPA have issued a number of new standards, amendments and interpretations to existing standards which are effective for the Group's financial period beginning on 1 April 2014, and which have not been early adopted in preparing these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, "Financial instruments"	To be confirmed
Amendments to HKAS 36, "Recoverable amount disclosures for non-financial assets"	1 January 2014
Amendments to HKFRS 9 and HKFRS 7, "Mandatory effective date of HKFRS 9 and transition disclosures"	1 January 2015

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and amended in October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application.

Amendments to HKAS 36, "Recoverable amount disclosures for non-financial assets", removed certain disclosures of the recoverable amount of cash generating units which had been included in HKAS 36 by the issue of HKFRS 13. The amendment is not mandatory for the Group until 1 April 2014.

The Group is in the process of assessing the impact of these new and revised standards, amendments and interpretations to existing standards and does not expect that there will be a material impact on the consolidation financial statements of the Group.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March with the exception of those excluded from consolidation as disclosed in Note 33 to the consolidated financial statements.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, and unrealised gains or losses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the consideration transferred over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, liabilities and contingent liabilities assumed as at the date of acquisition.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying amount of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources to, and assessing performance of, the Group's various lines of business and geographical locations.

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 the products and services, the nature of the production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entities operate (the "functional currency"), which include HK\$ and Renminbi ("RMB").

As the Company is listed in Hong Kong, for the convenience of the users of these consolidated financial statements, the results and financial position of the Group are expressed in HK\$, the presentation currency for the consolidated financial statements.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss and other comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated statement of profit or loss and other comprehensive income, and other changes in carrying amount are recognised in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated statement of profit or loss and other comprehensive income as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale revaluation reserve in equity.

(iii) Group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;
- income and expenses for each reporting period presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the consolidated statement of profit or loss and other comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

— Furniture and fixtures	5 years
— Computer equipment	3 years
— Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other revenue in the consolidated statement of profit or loss and other comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

(f) Investment properties

Investment properties are land and buildings held for long-term rental yields and for capital appreciation and is not occupied by the Group. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value representing open market value determined at each reporting date by external independent valuer. Gains or losses arising from changes in fair value of the investment property are included in the consolidated statement of profit or loss within other income/expenses for the period in which they arise.

If a property held for sale becomes an investment property, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in the consolidated statement of profit or loss and other comprehensive income.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in the consolidated statement of profit or loss and other comprehensive income.

(g) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment testing of investments in subsidiaries and an associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(h) Properties held for sale

Properties are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and sale is considered highly probable. They are stated at the lower of cost and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments and on a trade date basis.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the statement of profit or loss and other comprehensive income.

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

(i) Loans and receivables

Loans and receivables including cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. The effective interest amortisation is included in finance income in the consolidated statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the consolidated statement of profit or loss and other comprehensive income.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets in listed and unlisted equity securities that are either designated as available-for-sale or are not classified in any of the other categories. At each financial reporting period end subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income with other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income and removed from the available-for-sale financial assets revaluation reserve.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of profit or loss and other comprehensive income as part of other income when the Group's right to receive payments is established.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial instruments (continued)

(iii) Held-to-maturity investments

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

(iv) Other financial liabilities

Financial liabilities including trade and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

(j) Cash and cash equivalents

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

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(l) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation where, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(m) Income tax

The tax expense for the year comprises current income tax and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting period end in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax (continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the reporting period end and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reverse of the temporary differences is controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(n) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group operates a defined contribution retirement scheme under a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Group's contributions to the MPF scheme are based on a fixed percentage of the employees' relevant income per month.

In accordance with the PRC regulations, the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies ("PRC plan").

The Group has no further payment obligations once the contributions have been paid to the MPF scheme and PRC plan. The Group's contributions to the MPF scheme and PRC plan are recognised as employee benefit expense in the consolidated statement of profit or loss and other comprehensive income when they are due.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee benefits (continued)

(iv) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(o) Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Sales of properties held for sale

Sales of properties held for sale is recognised when the significant risks and rewards of ownership of properties are transferred to the purchasers.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment are established.

Rental income

Rental income is recognised on time proportion basis over the term of leases.

Sundry income

Sundry income is recognised on an accrual basis.

(p) Operating leases (As a lessee)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expensed in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Related parties

A related party is a person or entity that is 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 of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of the parent of the Group.
- (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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (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).

(r) Convertible bond

The component of a convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transactions cost. On issuance of a convertible bond, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Convertible bond (continued)

If the conversion option of a convertible bond exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bond is measured at fair value using the Black-Sholes model and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bond based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

(s) Events after the end of the reporting period

Events after the end of the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements if material.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated income tax

The Group is subject to taxation mainly in the PRC. Significant estimates are required in determining the amount of the provision for tax and the timing of payment of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

(b) Land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimate according to its understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the disposal of its investment properties. The Group has not finalised its LAT calculation and payments with the tax authorities for the investment properties. The final outcome could be different from the amounts that were initially recorded, and any differences will have impact on the land appreciation tax expense and the related provision in the period in which the differences realise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(c) Estimation of realisability of deferred tax assets

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences arising from depreciation of fixed assets. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised. Management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

As at 31 March 2014, the Group has unused tax losses of HK\$37,732,000 (2013: HK\$39,138,000) that are available for offsetting against future taxable profits. Deferred tax asset arising from the unused tax losses has not been recognised in the consolidated financial statements as, in the opinion of the management, it is not probable to determine whether sufficient future profits will be available to utilise the tax losses.

(d) Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2014 was HK\$37,800,000. Further details, including the key assumptions used for fair value measurements and a sensitivity analysis, are given in Note 16 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. TURNOVER

The Group's turnover consists of sales of properties and rental income of investment properties, which are set out below:

	2014 HK\$'000	2013 HK\$'000
Sales of properties held for sale	401	732
Rental income of investment properties (Note)	416	—
Total	817	732

Note: The Group reclassified the properties held for sale to investment properties during the year. Rental income of HK\$416,000 was generated from investment properties for the year ended 31 March 2014 while rental income of HK\$248,000 was generated from properties held for sale and recognised in other revenues in previous year which included in Note 7.

7. OTHER REVENUES

	2014 HK\$'000	2013 HK\$'000
Interest income	721	1,807
Investment income	111	134
Recovery of trade receivables	158	398
Rental income	63	248
Non-refundable deposit	5	—
Exchange gain	86	174
Sundry income	10	12
Total	1,154	2,773

8. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest expenses on convertible bond	3,209	3,154
Others	5	2
Total	3,214	3,156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging:

	2014 HK\$'000	2013 HK\$'000
Auditors' remuneration		
– Current year	250	240
– Under-provision for prior year	25	24
	275	264
Cost of properties sold	500	354
Depreciation	13	200
Operating lease payments	5,067	4,957
Staff costs (excluding directors' remuneration)		
– Salaries and allowances	3,860	3,927
– Retirement benefits scheme contributions	132	161

10. TAXATION

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2014 HK\$'000	2013 HK\$'000
The PRC Enterprise Income Tax		
– Provision for the year	–	429
– Deferred taxation	3,804	–
Total	3,804	429

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2013: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC, Enterprise Income Tax rate, of 25% (2013: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

(b) At the end of the reporting period, the Group had the following income tax payable and prepayment:

	2014 HK\$'000	2013 HK\$'000
The PRC Enterprise Income Tax		
– Tax payable	(383)	(378)
– Tax prepayment	218	213
Tax payable	(165)	(165)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. TAXATION (continued)

- (c) Reconciliation between tax expenses and loss before taxation of the Group at the applicable tax rates are as follows:

	2014 HK\$'000	2013 HK\$'000
Loss before taxation	(3,186)	(16,428)
Tax calculated at the applicable tax rates	751	(2,586)
Tax effect of non-deductible expenses	193	207
Tax effect of non-taxable income	(39)	(43)
Tax loss not recognised	2,899	2,851
Total tax expenses	3,804	429

- (d) At the end of the reporting period, the Group has unused tax losses of HK\$37,732,000 (2013: HK\$39,138,000) that are available for offsetting against future taxable profits. These tax losses have no expiry dates except for the tax losses of HK\$1,505,000 (2013: HK\$2,910,000) which will expire at various dates up to and including year of 2019 (2013: year of 2018). Deferred tax asset arising from the unused tax losses has not been recognised in the consolidated financial statements as, in the opinion of the Directors, it is not probable to determine whether sufficient future profits will be available to utilise the tax losses.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company includes a loss of HK\$45,063,000 (2013: loss of HK\$17,891,000) dealt with in the financial statements of the Company.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year of HK\$6,990,000 (2013: loss of HK\$16,857,000) and on the weighted average of 355,091,521 (2013: 351,258,880) ordinary shares in issue during the year. No diluted loss per share has been presented as the exercise of the convertible bond would result in a decrease in loss per share for the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2014 and 31 March 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST				
At 1 April 2012	125	2	1,918	2,045
Exchange adjustment	1	—	3	4
At 31 March 2013	126	2	1,921	2,049
Disposals	—	—	(1,580)	(1,580)
Exchange adjustment	3	—	8	11
At 31 March 2014	129	2	349	480
ACCUMULATED DEPRECIATION				
At 1 April 2012	116	2	1,689	1,807
Charge for the year	1	1	198	200
Exchange adjustment	—	(1)	4	3
At 31 March 2013	117	2	1,891	2,010
Charge for the year	—	—	13	13
Eliminated on disposals	—	—	(1,580)	(1,580)
Exchange adjustment	3	—	8	11
At 31 March 2014	120	2	332	454
NET BOOK VALUE				
At 31 March 2014	9	—	17	26
At 31 March 2013	9	—	30	39

Depreciation expenses of HK\$13,000 (2013: HK\$200,000) has been charged in administrative expenses.

Company

	Motor vehicle HK\$'000
COST	
At 1 April 2012, 31 March 2013	1,580
Disposals	(1,580)
At 31 March 2014	—
ACCUMULATED DEPRECIATION	
At 1 April 2012	1,422
Charge for the year	158
At 31 March 2013	1,580
Charge for the year	—
Eliminated on disposals	(1,580)
At 31 March 2014	—
NET BOOK VALUE	
At 31 March 2014	—
At 31 March 2013	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

14. GOODWILL

HK\$'000

COST	
At 1 April 2012, 31 March 2013 and 31 March 2014	25
<hr style="border-top: 1px dashed black;"/>	
ACCUMULATED IMPAIRMENT LOSS	
At 1 April 2012, 31 March 2013 and 31 March 2014	(25)
<hr style="border-top: 1px dashed black;"/>	
CARRYING AMOUNT	
At 31 March 2014	—
<hr/>	
At 31 March 2013	—

Goodwill represents the excess of the cost of acquisition over the net fair value of the Group's acquisition of 100% interest in Ricco Mining Investment Limited together with its wholly own subsidiary Excel Profit International Investment Limited (collectively, the "Ricco Mining Group") in 2010. The carrying amount of goodwill was allocated to the cash-generating unit ("CGU") of the Group's operations other than property development in the PRC.

The recoverable amounts of the relevant CGU have been determined on the basis of value-in-use calculations. For the purpose of impairment testing, the recoverable amount of the CGU is determined based on its fair value less cost to sell or value-in-use calculations. The key assumption has been determined by the Group's management based on the future income generated from the Ricco Mining Group. The directors are of the opinion that full impairment of goodwill is required.

15. INTERESTS IN SUBSIDIARIES

	2014	2013
	HK\$'000	HK\$'000
Unlisted shares, at cost	52,925	52,925
Amounts due from subsidiaries (Note (a))	132,009	132,039
Less: Provision for impairment (Note (b))	(170,683)	(131,189)
	14,251	53,775

Notes:

- (a) The amounts due are unsecured, interest-free and no fixed terms of repayment.
- (b) An impairment was recognised during the years ended 31 March 2014 and 31 March 2013 due to the repeated losses of these subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. INTERESTS IN SUBSIDIARIES (continued)

The following is a summary of the principal subsidiaries of the Company that, in the opinion of the directors, were significant in relation to the results of the year or formed a portion of the net assets of the Group as at 31 March 2014 and 31 March 2013:

Direct subsidiaries	Place of incorporation/ operation	Issued and paid-up capital/ registered capital	Percentage of equity interests attributable to the Company		Principal activities
			2014	2013	
Benelux Property Development (Shanghai) Limited	The PRC	US\$5,000,000	100%	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	100 ordinary shares of HK\$1 each	100%	100%	Investment holding
Sunshine Universal Development Limited	The British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Inactive
Happy Universal Investment Limited	The British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Investment holding
South East Property (Shandong) Limited	The PRC	RMB15,000,000	100%	100%	Property development
Perfect Gold Investments Limited	Hong Kong	2 ordinary shares of HK\$1 each	100%	100%	Inactive
Ricco Mining Investment Limited	Hong Kong	1 ordinary share of HK\$1 each	100%	100%	Inactive
Indirect subsidiaries	Place of incorporation/ operation	Issued and paid-up capital/ registered capital	Effective equity interest		Principal activities
			2014	2013	
Shanghai Kaiyuen Computer Company Limited (Note)	The PRC	RMB500,000	100%	100%	Inactive
Excel Profit International Investment Limited	The British Virgin Islands	1 ordinary share of US\$1 each	100%	100%	Inactive

None of the subsidiaries had issued any debt securities at 31 March 2014 or at any time during the year.

Note: The capital of the subsidiary is held by two staff members of the subsidiary for and on behalf of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. INVESTMENT PROPERTIES

	2014 HK\$'000	2013 HK\$'000
Group		
At 1 April	—	—
Reclassification from properties held for sale	21,922	—
Fair value gains	15,215	—
Exchange difference	663	—
At 31 March	37,800	—

The Group reclassified the properties held for sale to investment properties during the year. At the end of the reporting period, the Group measures its investment properties at fair value. The fair value of the Group's investment properties as at 31 March 2014 has been determined on the basis of valuation carried out by Savills Valuation and Professional Services Limited, an independent firm of professional valuer by using an income capitalisation approach. The revaluation gains or losses were included in the consolidated statement of profit or loss and other comprehensive income.

Investment properties are situated in the PRC for rental purpose under short term leases.

(a) Valuation techniques

Valuation was based on income capitalisation approach which takes into account the rental incomes of tenancies and reversionary market rents.

(b) Information about fair value measurement

Fair value hierarchy

The different levels of fair value have been defined in Note 36(f) of the consolidated financial statements.

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2014 using			Total HK\$'000	
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000		
	—	—	37,800		37,800
	Investment properties in the PRC	—	—		37,800

There were no transfers between level 1,2 and 3 during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. INVESTMENT PROPERTIES (continued)

(c) Valuation processes of the Group

The Group's investment properties were valued at 31 March 2014 by the independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The management reviews the valuations performed by the independent valuers for financial reporting purposes at least once every six months, in line with the Group's interim and annual reporting dates. As at 31 March 2014, the fair values of the properties have been determined by Savills Valuation and Professional Services Limited.

At each financial year end, the management:

- verifies all major inputs to the independent valuation report;
- assess property valuations movements when compared to the prior year valuation report;
- holds discussions with the independent valuer.

The following table gives information about how the fair values of the investment properties are determined:

Investment properties held by the Group	Valuation technique	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs for fair value
Investment properties in the PRC	Income capitalisation approach	Market rent per month (per square meter)	RMB17.3-RMB31.4 per square meter	the higher market rent, the higher fair value
		Capitalisation rate (%)	6% per annum	the higher capitalisation rate, the lower fair value

- (d) The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income:

	2014 HK\$'000	2013 HK\$'000
Group		
Fair value gains on investment properties	15,215	—
Rental income of investment properties	416	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. INVESTMENT PROPERTIES (continued)

(e) The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2014 HK\$'000	2013 HK\$'000
Group		
Not later than one year	22	—
Within the second to fifth year inclusive	—	—
	22	—

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 HK\$'000	2013 HK\$'000
Group		
Listed equity investments in Hong Kong, at fair value (Note (a))	1,898	3,122
Unlisted equity investments, at cost (Note (b))	1,950	1,950
Less: Impairment loss (Note (b))	(1,766)	(1,766)
	2,082	3,306
Company		
Listed equity investments in Hong Kong, at fair value (Note (a))	1,898	3,122

All available-for-sale financial assets are held with the intention for a continuing strategic or long-term purpose.

Notes:

- (a) The fair value of listed shares is based on quoted market price.
- (b) Unlisted equity investments are measured at cost less impairment at the end of the reporting period on account that there is no quoted market price in an active market for the shares and the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be reliably measured. The directors conduct a regular review of the investee companies' operating results and financial position and consider that no adjustment on the impairment loss of HK\$1,766,000 that has recognised in 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. HELD-TO-MATURITY INVESTMENTS

	2014 HK\$'000	2013 HK\$'000
Group		
Promissory note	780	780

The promissory note represents an unlisted security which bears interest at 5% per annum and was initially due to mature in March 2008. The maturity date has been extended repeatedly until 15 December 2014.

The carrying amounts of held-to-maturity investments are denominated in United States dollars.

There were no gains or losses realised on the disposal of held-to-maturity investments for the year ended 31 March 2014 and 31 March 2013.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of held-to-maturity investments.

19. PROPERTIES HELD FOR SALE

Properties held for sale are developed commercial properties in the PRC. During the year, the Group's properties held for sale were reclassified to investment properties. The movements are as follows:

	2014 HK\$'000	2013 HK\$'000
Group		
At 1 April	22,318	22,435
Cost of properties sold	(396)	(354)
Reclassification to investment properties (Note 16)	(21,922)	—
Exchange difference	—	237
At 31 March	—	22,318

The particulars of the properties held for sale during the year are as follows:

Project name	Approximate site area Sq.m.	Completed GFA Sq.m.	Land use	Development status	Interest held by Group
山東鄒平縣 經濟開發區	10,292	16,558	Commercial	Completed construction	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. TRADE AND OTHER RECEIVABLES

	2014 HK\$'000	2013 HK\$'000
Group		
Trade receivables	1,076	1,206
Less: Provision for impairment	(1,076)	(1,206)
Trade receivables, net of provision	—	—
Deposits and other receivables	3,104	3,042
Maximum exposure to credit risk	3,104	3,042
Prepayments	445	486
	3,549	3,528
Company		
Deposits and other receivables	1,347	1,272
Prepayments	444	495
	1,791	1,767

The carrying amounts of trade and other receivables approximated their fair values as at 31 March 2014 and 31 March 2013. The Group does not hold any collateral over these balances.

All trade receivables before provision for impairment of the Group were aged over twelve months based on the invoice issue date.

The movements on the provision for impairment of trade receivables were as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 April	1,206	1,590
Recovery of trade receivables	(158)	(398)
Exchange difference	28	14
At 31 March	1,076	1,206

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the provision account are impaired when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of the Group's trade and other receivables were denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Group		
Renminbi	1,757	1,760
Hong Kong dollars	1,792	1,768
	3,549	3,528

The carrying amounts of the Company's deposits and other receivables, prepayments approximated their fair values as at 31 March 2014 and 31 March 2013 and were denominated in Hong Kong dollars.

21. CASH AND CASH EQUIVALENTS

	2014 HK\$'000	2013 HK\$'000
Group		
Cash and bank balances	27,151	39,855
Maximum exposure to credit risk	27,079	39,813
Company		
Cash and bank balances	5,225	6,489
Maximum exposure to credit risk	5,222	6,485

The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Group		
Renminbi	26,633	37,038
Hong Kong dollars	337	2,674
Others	181	143
	27,151	39,855
Company		
Renminbi	4,742	3,710
Hong Kong dollars	301	2,636
United States dollars	182	143
	5,225	6,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

22. TRADE AND OTHER PAYABLES

	2014 HK\$'000	2013 HK\$'000
Group		
Trade payables	334	326
Other payables and accruals	1,525	2,489
	1,859	2,815
Company		
Other payables and accruals	1,076	2,162

The carrying amounts of the Group's trade and other payables approximated their fair values as at 31 March 2014 and 31 March 2013 were denominated in the following currencies:

	2014 HK\$'000	2013 HK\$'000
Group		
Hong Kong dollars	1,078	2,164
Renminbi	781	651
	1,859	2,815

The carrying amounts of the Company's other payables and accruals approximated their fair values as at 31 March 2014 and 31 March 2013 and were denominated in Hong Kong dollars.

All trade payables of the Group were aged over twelve months based on the invoice issue date.

23. CONVERTIBLE BOND

On 7 May 2008, the Company issued a convertible bond at a coupon rate of 2.5% per annum, with a nominal value of HK\$68,000,000 (the "Convertible Bond"). The Convertible Bond is convertible at the option of the bondholders into ordinary shares of the Company at a price of HK\$1.03 per share on or before 7 May 2011 (the "Maturity Date"). If not converted, the Convertible Bond is redeemable at the nominal value of HK\$68,000,000 on the Maturity Date.

On 9 March 2011, the Company entered into a deed of amendment (the "Deed of Amendment") with the bondholder of the Convertible Bond to revise the coupon rate to 3% per annum with the conversion price at HK\$0.418 per share and the Maturity Date extended to 7 May 2016.

The Deed of Amendment was approved by the Company's shareholders pursuant to a special general meeting held on 18 April 2011.

The Convertible Bond was transferred from Loyal Delight Group Limited to Viva Shine Limited on 20 December 2013. It was then deposited and transferred to Kingston Securities Limited on 23 December 2013 without change in beneficial ownership.

The fair value of the liability component of the Convertible Bond is estimated at the issuance date using an equivalent market interest rate for a similar liability without a conversion option. The effective interest rate of the liability component on initial recognised is 5% per annum. The residual amount is assigned in the equity component of the Convertible Bond and is included in shareholder's equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

23. CONVERTIBLE BOND (continued)

The Convertible Bond issued has been split as to the liability and equity component and movement of the Convertible Bond is as follows:

	2014 HK\$'000	2013 HK\$'000
Group and Company		
Nominal value of the Convertible Bond	68,000	68,000
Equity component	(5,888)	(5,888)
Liability component		
– Liability component	62,112	62,112
– Interest expenses	3,240	2,071
Total liability component	65,352	64,183
Analysis into		
– Current liabilities	2,040	2,040
– Non-current liabilities	63,312	62,143
	65,352	64,183

24. DEFERRED TAX LIABILITY

Deferred tax liability is recognised for the temporary difference on recognition of fair value gain of investment properties. The movement on the deferred tax liability is as follows:

	2014 HK\$'000	2013 HK\$'000
At 1 April	–	–
Charged for the year	3,804	–
Exchange difference	30	–
At 31 March	3,834	–

25. SHARE CAPITAL

	Number of shares		Share capital	
	2014 '000	2013 '000	2014 HK\$'000	2013 HK\$'000
Ordinary shares of HK\$0.10 each				
Authorised:				
Balance at the beginning and at the end of the year	4,000,000	4,000,000	400,000	400,000
Issued and fully paid:				
Balance at the beginning of the year	351,259	351,259	35,126	35,126
Share options exercised	13,697	–	1,370	–
Balance at the end of the year	364,956	351,259	36,496	35,126

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. RESERVES

(a) Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of the consolidated financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to reserve funds which are restricted as to use.

(b) Company

	Share premium HK\$'000 Note 26(c)(i)	Available-for-sale financial assets revaluation reserve HK\$'000 Note 26(c)(ii)	Equity component convertible bond HK\$'000 Note 26(c)(iii)	Contributed surplus reserve HK\$'000 Note 26(c)(v)	Employee share-based payment reserve HK\$'000 Note 26(c)(vi)	Accumulated losses HK\$'000	Total HK\$'000
FOR THE YEAR ENDED 31 MARCH 2013							
At 1 April 2012	11,337	(1,742)	5,888	157,955	1,897	(192,587)	(17,252)
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(17,891)	(17,891)
Other comprehensive loss:							
Change in fair value of available-for-sale financial assets	–	(1,175)	–	–	–	–	(1,175)
Total comprehensive loss for the year	–	(1,175)	–	–	–	(17,891)	(19,066)
Transactions with owners:							
Cancellation of share options	–	–	–	–	(359)	359	–
Total transactions with owners	–	–	–	–	(359)	359	–
At 31 March 2013	11,337	(2,917)	5,888	157,955	1,538	(210,119)	(36,318)

FOR THE YEAR ENDED 31 MARCH 2014							
At 1 April 2013	11,337	(2,917)	5,888	157,955	1,538	(210,119)	(36,318)
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(45,063)	(45,063)
Other comprehensive loss:							
Change in fair value of available-for-sale financial assets	–	(1,224)	–	–	–	–	(1,224)
Total comprehensive loss for the year	–	(1,224)	–	–	–	(45,063)	(46,287)
Transactions with owners:							
Exercise of share options	4,304	–	–	–	(1,458)	–	2,846
Cancellation of share options	–	–	–	–	(80)	80	–
Total transactions with owners	4,304	–	–	–	(1,538)	80	2,846
At 31 March 2014	15,641	(4,141)	5,888	157,955	–	(255,102)	(79,759)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. RESERVES (continued)

(c) Nature and purpose of reserves

(i) *Share premium*

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) *Available-for-sale financial assets revaluation reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 4(i)(ii) and Note 17 to the consolidated financial statements.

(iii) *Equity component convertible bond*

The capital reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in Note 23 to the consolidated financial statements.

(iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of the Group. The reserve is dealt with in accordance with the accounting policies set out in Note 4(d) to the consolidated financial statements.

(v) *Contributed surplus reserve*

The amount arose from the capital reduction, cancellation of share premium and part of which has been set-off against the accumulated losses of the Company as at 31 March 2003 pursuant to the capital re-organisation.

Under the Companies Act 1981 of Bermuda, the Company may make distributions to its owners out of the contributed surplus reserve under certain circumstances.

(vi) *Employee share-based payment reserve*

The employee share-based payment reserve comprised the fair value of share options granted which were yet to be exercised, as further explained in the accounting policy for share-based payment transactions in Note 4(n)(iv) to the consolidated financial statements.

27. SHARE OPTION SCHEME

The Company adopted a share option scheme on 7 November 2003 (the "Scheme"), which was subsequently terminated pursuant to a resolution passed by the Company's shareholders on 7 August 2013. A new share option scheme (the "New Scheme") in place of the Scheme was adopted pursuant to such resolution with effect from 7 August 2013 for a period of 10 years. The following is a summary of the Scheme:

(a) Purpose

The purpose of the Scheme is to provide incentives or rewards to certain eligible participants for their contribution or potential contribution to the growth and development of the Company.

(b) Participants

Eligible participants of the Scheme include employees or officers (including executive directors), non-executive directors (including independent non-executive directors), suppliers, customers, consultants or advisors, and securities holders of the Company, as to be determined by the Board at its absolute discretion within the categories.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. SHARE OPTION SCHEME (continued)

(c) Total number of shares available for issue

The maximum numbers of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at 7 November 2003, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Scheme.

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted under the Scheme and any other share option schemes of the Company to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates must not exceed 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK\$5 million, within any 12-month period up to and including the date of such grant.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(e) Option period

The option period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The Scheme itself does not specify any minimum holding period.

(g) Payment on acceptance of the option

HK\$10 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 28 days from the date of grant.

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the higher of: (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares for the five business days immediately preceding the date of grant; and (iii) the par value of a share.

(i) Remaining life of the Scheme

The life of the Scheme is 10 years commencing on the adoption date and expired on 6 November 2013 unless otherwise terminated by resolution of shareholders in general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. SHARE OPTION SCHEME (continued)

(j) Estimated fair value of share options

The estimated fair value of the share options granted to employees on 18 December 2003 and 9 March 2011 are measured based on Binomial Lattice Model. The variables input into the model are as follows:

Fair value of share options and assumptions:

	2011	2003
Fair value at measurement date	HK\$0.12	HK\$0.08
Share price	HK\$0.38	HK\$0.11
Exercise price	HK\$0.39	HK\$0.106
Expected volatility	91.21%	104.9%
Option life	3 years	12 years
Expected dividends	0%	0%
Risk-free interest rate	1.09%	4.375%

The Company did not grant any share options that no share options expense was recognised during the year (2013: nil).

The share options exercised during the year resulted in the issue of 13,697,000 (2013: Nil) new ordinary shares of the Company and an increase in issued share capital of HK\$1,370,000 (2013: Nil) and a share premium of HK\$4,304,000 (2013: Nil).

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The following share options are outstanding under the Scheme during the year:

	2014		2013	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At 1 April	0.3117	14,389	0.2866	17,694
Movements during the year:				
— Exercised	0.1060	(3,965)	—	—
— Exercised	0.3900	(9,732)	—	—
— Cancelled	0.3900	(692)	0.1770	(3,305)
At 31 March	—	—	0.3117	14,389

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. SHARE OPTION SCHEME (continued)

(j) Estimated fair value of share options (continued)

There are no outstanding share options as at the end of the reporting period and the exercise prices and exercise periods of the share options outstanding in prior year are as follows:

2013	Number of options '000	Exercise price per share HK\$	Exercisable period
	3,965	0.106	18-Dec-2005 to 17-Dec-2015
	10,424	0.390	09-Mar-2011 to 08-Mar-2014
	<u>14,389</u>		
Weighted average exercise price per share		<u>0.3117</u>	

A summary of the principal terms of the rules of the New Scheme are disclosed in the Company's circular dated 9 July 2013.

No share options have been granted, exercised, cancelled or lapsed under the New Scheme since its adoption on 7 August 2013.

28. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-equity ratio. For this purpose the Group defines net debt as total liabilities less cash and cash equivalents.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. In view of the amount of cash and cash equivalents as compared to the total debts for the years ended 31 March 2014 and 31 March 2013, the directors did not find it necessary to restructure its share capital or adjust its total debts of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. CAPITAL RISK MANAGEMENT (continued)

The net debt-to-equity ratio as at the end of the reporting period is as follows:

Group

	2014 HK\$'000	2013 HK\$'000
LIABILITIES		
Trade and other payables	1,859	2,815
Convertible bond	65,352	64,183
Total debts	67,211	66,998
Less: Cash and cash equivalents	(27,151)	(39,855)
Net debt	40,060	27,143
Total equity	178	2,663
Net debt-to-equity ratio (times)	225	10

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirement. As such, the directors do not have a separate capital risk management strategy for the Company. The net debt-to-equity ratio relating to the Company is not separately disclosed.

29. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The aggregate amounts of emoluments of the directors disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and the Listing Rules are as follows:

	2014 HK\$'000	2013 HK\$'000
Fees — Executive Directors	240	—
— Non-Executive Directors	214	240
— Independent Non-Executive Directors	311	360
Salaries, allowances and benefits in kind	3,405	2,730
Retirement benefits scheme contributions	26	30
	4,196	3,360

The number of directors whose emoluments fall within the following bands are as follows:

	Number of directors	
	2014	2013
Up to HK\$1,000,000	11	5
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of each director, on a named basis, for the year ended 31 March 2014 and 31 March 2013 were set out below:

2014	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
appointed on 20 December 2013:				
YU Shengming	120	—	—	120
MOCK Wai Yin	—	120	4	124
CHAN Chi Yuen	120	—	—	120
resigned on 20 December 2013:				
WU Siu Chung	—	1,200	11	1,211
CHEN Xiaoping	—	2,085	11	2,096
Non-Executive Directors				
appointed on 20 December 2013:				
CHEN Xiaoping	30	—	—	30
resigned on 20 December 2013:				
Eduard William Rudolf Helmuth WILL	90	—	—	90
resigned on 14 January 2014:				
CHEN Yuan Shou, Budiman	94	—	—	94
Independent Non-Executive Directors				
appointed on 7 October 2013:				
LING Kit Wah, Joseph	58	—	—	58
appointed on 20 December 2013:				
NG Kwok Wai	30	—	—	30
LEE Chi Wah	30	—	—	30
resigned on 8 May 2013:				
David R. PETERSON	13	—	—	13
resigned on 20 December 2013:				
LO Yuk Lam	90	—	—	90
WONG Kam Wah	90	—	—	90
	765	3,405	26	4,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

2013

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive Directors				
WU Siu Chung	—	1,560	15	1,575
CHEN Xiaoping	—	1,170	15	1,185
Non-Executive Directors				
CHEN Yuan Shou, Budiman	120	—	—	120
Eduard William Rudolf Helmuth WILL	120	—	—	120
Independent Non-Executive Directors				
LO Yuk Lam	120	—	—	120
WONG Kam Wah	120	—	—	120
David R. PETERSON	120	—	—	120
	600	2,730	30	3,360

For the years ended 31 March 2014 and 31 March 2013, there was no arrangement under which a director waived or agreed to waive any remuneration. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

In addition, the directors are entitled to the following share option scheme:

Participants	Date of Grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				At 1 April 2013	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2014
Directors								
WU Siu Chung (resigned on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	3,000,000	–	(3,000,000)	–	–
CHEN Xiaoping (re-designated from executive to non-executive director on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	–	(2,500,000)	–	–
Eduard William Rudolf Helmuth WILL (resigned on 20 December 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	2,500,000	–	(2,500,000)	–	–
CHEN Yuan Shou, Budiman (resigned on 14 January 2014)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	3,305,000 346,000	– –	(3,305,000) –	– (346,000)	– –
				3,651,000	–	(3,305,000)	(346,000)	–
LO Yuk Lam (resigned on 20 December 2013)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	– –	(330,000) (346,000)	– –	– –
				676,000	–	(676,000)	–	–
WONG Kam Wah (resigned on 20 December 2013)	18/12/2003 09/03/2011	18/12/2005 - 17/12/2015 09/03/2011 - 08/03/2014	0.106 0.390	330,000 346,000	– –	(330,000) (346,000)	– –	– –
				676,000	–	(676,000)	–	–
David R. PETERSON (resigned on 8 May 2013)	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	(346,000)	–
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	1,040,000	–	(1,040,000)	–	–
Total				14,389,000	–	(13,697,000)	(692,000)	–

The five individuals whose emoluments are the highest in the Group for the year included two (2013: two) directors whose emoluments have already been disclosed in the analysis presented above.

The emoluments of the remaining three (2013: three) highest paid employees fall into the following bands:

	Number of individuals	
	2014	2013
Up to HK\$1,000,000	3	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The details of the emoluments payable to the remaining three (2013: three) non-director, highest paid employees were as follows:

	2014 HK\$'000	2013 HK\$'000
Salaries, allowances and benefits in kind	1,554	1,597
Retirement benefits scheme contributions	44	43
	1,598	1,640

30. RETIREMENT BENEFITS SCHEMES

	2014 HK\$'000	2013 HK\$'000
Group		
Retirement benefits scheme contributions	158	191
Company		
Retirement benefits scheme contributions	127	164

The Group operates a defined contribution retirement scheme under a mandatory provident fund scheme (the "MPF Scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Group's contributions to the MPF Scheme are based on a fixed percentage of the employees' relevant income per month.

In accordance with the PRC regulations, the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies.

31. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 March 2014 and 31 March 2013.

32. OPERATING LEASE ARRANGEMENT

At 31 March 2014 and 31 March 2013, the Group had the total future minimum lease payments under non-cancellable operating leases with respect of office premises as follows:

	2014 HK\$'000	2013 HK\$'000
Group		
Not later than one year	5,647	2,735
Within the second to fifth year inclusive	3,217	—
	8,864	2,735
Company		
Not later than one year	5,299	2,567
Within the second to fifth year inclusive	3,091	—
	8,390	2,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. COMPANIES EXCLUDED FROM CONSOLIDATION

As reported in previous years, a claim was brought in July 1998 against Benelux Manufacturing Limited (In Liquidation) ("BML"), a company in which the Company has a direct wholly owned interest but not treated as a subsidiary, by its sub-contractor, Shenzhen Benelux Enterprise Co., Limited ("SBEC"), alleging that BML was liable for the payment of approximately HK\$38 million, comprising charges in connection with the processing and assembling work rendered by SBEC and the breach of an alleged loan agreement relating to certain alleged letters of credit. SBEC further alleged that the Company had granted a guarantee to SBEC in respect of the alleged BML's indebtedness to SBEC (the "Purported Guarantee") in/around January 1999. Notwithstanding the allegation, SBEC has not initiated any proceedings against the Company based on the Purported Guarantee. BML was put into compulsory liquidation on 28 April 2000.

The directors have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impaired control by the Company over BML's assets and operations, the directors have decided to exclude BML and the interest of BML from the consolidated financial statements from the date of appointment of the provisional liquidators since 2000.

Details of the companies excluded from consolidation as at 31 March 2014 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest held before liquidation	Principal activity
Direct interest:				
Benelux Manufacturing Limited (Note 1)	Hong Kong	Ordinary HK\$100 Non-voting deferred HK\$5,000,000	100%	In liquidation
Indirect interest:				
Prime Standard Limited (Note 2)	Hong Kong	Ordinary HK\$100,000	90%	Ceased operations
P.T. Beneluxindo (Note 3)	Indonesia	Ordinary US\$10,000,000	100%	Ceased operations

Notes:

1. Benelux Manufacturing Limited (In Liquidation) ("BML") is excluded from consolidation because severe restrictions which significantly impaired control by the Group over BML's assets and operations.
2. Prime Standard Limited ("PSL") which is a subsidiary of BML, is excluded from consolidation because the Group's control over PSL has been significantly impaired following the appointment of provisional liquidators to BML.
3. P.T. Beneluxindo ("PTB") which is a wholly owned subsidiary of BML, is excluded from consolidation because the Group's control over PTB has been significantly impaired following the appointment of provisional liquidators to BML.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. COMPANIES EXCLUDED FROM CONSOLIDATION (continued)

The net losses of companies not consolidated attributable to the Group are:

	2014 HK\$'000	Previous years since acquisition HK\$'000
Dealt with in the consolidated financial statements of the Group	Nil	(46,232)
Not dealt with in the consolidated financial statements of the Group	Nil	(244,391)

34. RELATED PARTY TRANSACTIONS

Other than those disclosed in the notes elsewhere to the consolidated financial statements, the Group received from Ricco Capital (Holdings) Limited ("Ricco"), a company wholly owned by the former chairman of the Group, administrative services fees income for the provision of registered office address, in a total amount of HK\$9,000 (2013: HK\$12,000) during the year.

35. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Company's executive directors. The Group's principal activity is property development and property leasing in the PRC. The executive directors regard it as a single business segment and no segment information is presented.

At the end of the reporting period, non-current assets included property, plant and equipment and investment properties with carrying amount of HK\$37,826,000 (2013: property, plant and equipment with carrying amount of HK\$39,000) located in the PRC.

36. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments comprise trade and other receivables, cash and cash equivalents, available-for-sale financial assets, held-to-maturity investments, trade and other payables and interest-bearing borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk, interest rate risk, currency risk and equity price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, held-to-maturity investments and cash at banks.

The Group has no significant concentration of credit risk. In respect of trade receivables, credit is offered to customers following financial assessment and an established payment record. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers. General credit terms are payment by the end of the month following the month in which sales took place. The Group will make specific provision for those balances which cannot be recovered. The management will monitor the outstanding receivables and follow up the collections. In the opinion of the directors, the default credit risk of the Group is considered to be low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

36. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

In respect of other receivables and held-to-maturity investments, the directors are of the opinion that the credit risk is low because there is no past default history.

The credit risk on liquid funds are limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies and are the PRC large state-controlled banks. As such, no significant credit risk is anticipated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long terms.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group and the Company can be required to pay:

Group

	2014			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	In two to three years HK\$'000
Trade and other payables	1,859	1,859	1,859	—
Convertible bond	65,352	72,287	2,040	70,247
	67,211	74,146	3,899	70,247

	2013			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	In two to four years HK\$'000
Trade and other payables	2,815	2,815	2,815	—
Convertible bond	64,183	74,327	2,040	72,287
	66,998	77,142	4,855	72,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

36. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Company

	2014			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	In two to three years HK\$'000
Other payables	1,076	1,076	1,076	—
Convertible bond	65,352	72,287	2,040	70,247
	66,428	73,363	3,116	70,247

	2013			
	Carrying amount HK\$'000	Total contractual undiscounted cash flow HK\$'000	Within one year or on demand HK\$'000	In two to four years HK\$'000
Other payables	2,162	2,162	2,162	—
Convertible bond	64,183	74,327	2,040	72,287
	66,345	76,489	4,202	72,287

(c) Interest rate risk

Other than the cash at banks which carry interest at prevailing market interest rates, the Group has no other significant interest-bearing assets or liabilities. The interest rate risk mainly arises from interest-bearing bank deposits.

At 31 March 2014, if interest rates on interest-bearing bank deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, post-tax loss for the year would have been HK\$226,000/HK\$226,000 (2013: HK\$332,000/HK\$332,000) higher/lower, as a result of higher/lower interest income on bank deposits.

The Group does not expose to any significant fair value interest rate risk.

(d) Currency risk

Foreign exchange risk arises when future commercial transactions, assets and liabilities are denominated in a currency that is not the functional currency of the entities. The majority of the Group's transactions and balances are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Company and its subsidiaries respectively.

At 31 March 2014, if Renminbi had strengthen/weaken by 5% (2013: 5%) against the Hong Kong dollars with all other variable held constant, loss for the year would have been HK\$198,000/HK\$198,000 (2013: HK\$155,000/HK\$155,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi — denominated net assets, representing trade and other receivables, cash and cash equivalents and trade and other payables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

36. FINANCIAL RISK MANAGEMENT (continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group and the Company is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets as at 31 March 2014. The Group's and the Company's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year are as follows:

	At 31 March 2014	High/low 2014	At 31 March 2013	High/low 2013
Hong Kong — Hang Seng Index	22,151	24,039/ 19,814	22,300	23,822/ 18,186

The following table demonstrates the sensitivity to every 5% (2013: 5%) change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the available-for-sale financial assets of the Group and the Company, the impact is on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which might have impact on the consolidated statement of profit or loss and other comprehensive income.

	Carrying amount of equity investments HK\$'000	Increase/ (decrease) in equity in HK\$'000
2014		
Available-for-sale financial assets listed in Hong Kong:	1,898	95/(95)
2013		
Available-for-sale financial assets listed in Hong Kong:	3,122	156/(156)

(f) Fair value

The carrying amounts less impairment provision of trade and other receivables, trade and other payables, available-for-sale financial assets, as well as amounts due from/to subsidiaries and a non-controlling interest of a subsidiary, are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the effect of discounting will be immaterial.

The fair value of derivatives embedded in the convertible bond is measured using Binomial Lattice Model in which all significant inputs are directly or indirectly based on observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

36. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value (continued)

The following table presents the carrying amounts of financial instruments measured at fair value at the end of the reporting period across the three levels of their value hierarchy defined in HKFRS 7, "Financial Instruments: Disclosures", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	Note	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Group and Company					
For the year ended 31 March 2014					
Available-for-sale financial assets	17	1,898	—	—	1,898
For the year ended 31 March 2013					
Available-for-sale financial assets	17	3,122	—	—	3,122

37. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save disclosed elsewhere in the consolidated financial statements, there is no significant event that took place after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. FINANCIAL INSTRUMENTS — BY CATEGORY

	2014 HK\$'000	2013 HK\$'000
Group		
Financial assets — Loans and receivables		
Trade and other receivables	3,104	3,042
Cash and cash equivalents	27,151	39,855
	30,255	42,897
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	2,082	3,306
Financial assets — Held-to-maturity investments		
Held-to-maturity investments	780	780
Financial liabilities — Other financial liabilities		
Trade and other payables	1,859	2,815
Convertible bond	65,352	64,183
	67,211	66,998

	2014 HK\$'000	2013 HK\$'000
Company		
Financial assets — Loans and receivables		
Other receivables	1,347	1,272
Cash and cash equivalents	5,225	6,489
	6,572	7,761
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	1,898	3,122
Financial liabilities — Other financial liabilities		
Other payables	1,076	2,162
Convertible bond	65,352	64,183
	66,428	66,345

39. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 June 2014.

FINANCIAL SUMMARY

For the year ended 31 March

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Results					
Turnover	244	1,383	940	732	817
Loss before taxation	(13,059)	(19,859)	(16,717)	(16,428)	(3,186)
Taxation	(8)	(15)	(147)	(429)	(3,804)
Loss after taxation	(13,067)	(19,874)	(16,864)	(16,857)	(6,990)
Loss attributable to owners of the Company	(13,067)	(19,874)	(16,864)	(16,857)	(6,990)

At 31 March

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Assets and liabilities					
Total assets	114,441	99,459	86,498	69,826	71,388
Total liabilities	(69,353)	(70,776)	(66,255)	(67,163)	(71,210)
Total equity	45,088	28,683	20,243	2,663	178