



**2013/14
Annual Report**



中國投融資集團有限公司

China Investment and Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1226)



CONTENTS

	Pages
CORPORATE INFORMATION	2
STATEMENT FROM THE MANAGEMENT	3
BIOGRAPHICAL DETAILS OF DIRECTORS	6
DIRECTORS' REPORT	8
CORPORATE GOVERNANCE REPORT	14
INDEPENDENT AUDITORS' REPORT	20
CONSOLIDATED STATEMENT OF PROFIT OR LOSS	22
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	23
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	24
STATEMENT OF FINANCIAL POSITION	25
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	26
CONSOLIDATED STATEMENT OF CASH FLOWS	27
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	29
FIVE YEARS FINANCIAL SUMMARY	90



CORPORATE INFORMATION

STOCK CODE

1226

BOARD OF DIRECTORS

Executive Director

Mr. CHAN Cheong Yee

Non-Executive Directors

Mr. LIAO Jintian (*Chairman*)

Mr. ZHOU Weiquan (Duties, rights and position
suspended from 4 June 2014)

Mr. ZHOU Han Jie

Independent Non-Executive Directors

Mr. HA Tak Kong

Mr. LEUNG Kwong Kin

Mr. TSANG Hin Man Terence

AUDIT COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LEUNG Kwong Kin

Mr. TSANG Hin Man Terence

NOMINATION COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LIAO Jintian

Mr. TSANG Hin Man Terence

REMUNERATION COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LIAO Jintian

Mr. LEUNG Kwong Kin

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 03&05, 32/F, Sino Plaza

255-257 Gloucester Road

Causeway Bay, Hong Kong

AUDITORS

ELITE PARTNERS CPA LIMITED

Suites 2B-4A, 20th Floor, Tower 5

China Hong Kong City

33 Canton Road, Tsim Sha Tsui

Kowloon, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China

(Asia) Limited

INVESTMENT MANAGER

China Everbright Securities (HK) Limited

COMPANY SECRETARY

Mr. LI Chi Fai

AUTHORISED REPRESENTATIVES

Mr. CHAN Cheong Yee

Mr. LIAO Jintian

WEBSITE

<http://www.chnif.com>



STATEMENT FROM THE MANAGEMENT

STATEMENT FROM THE MANAGEMENT

The board (the “Board”) of directors (the “Directors”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL RESULTS

For the year ended 31 March 2014, the Group recorded an increase in gross proceeds from disposal of securities from approximately HK\$278,943,000 to approximately HK\$301,048,000, representing an increase of approximately 7.92%. The Group recorded an increase in revenue from approximately HK\$7,610,000 to approximately HK\$8,319,000, representing an increase of approximately 9.32%. The loss attributable to the owners of the Company for the year amounted to approximately HK\$93,562,000 as compared to the profit for last year amounted to approximately HK\$14,764,000. The audited consolidated net assets of the Group as of 31 March 2014 amounted to approximately HK\$448,503,000 (2013: approximately HK\$546,098,000). The net assets per share of the Group was amounted to approximately HK\$0.77 (2013: net assets per share was approximately HK\$0.94).

The negative effect on the results of the Group for the year ended 31 March 2014 is mainly attributable to the impairment loss will be fully provided for the principal amount of approximately HK\$80 million of the convertible bonds issued by Double Sky Holdings Limited during the year.

Investment Review

As at 31 March 2014, the Group’s major investments were as follows:

Investments	Description
Listed equities	HK\$9.6 million of a portfolio of listed shares in eight companies
Listed debt securities	HK\$14.3 million of bonds issued by one listed company
Unlisted debt securities	HK\$35.3 million of bonds issued by one unlisted company
Convertible bonds	HK\$158.9 million in three unlisted convertible bonds securities
Direct investment in unlisted equities	HK\$75.9 million in two direct investments in unlisted equities securities
Total	HK\$294 million



STATEMENT FROM THE MANAGEMENT

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China during the year. The investment portfolio of the Company is of approximately HK\$294 million. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

Price Risk

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss and AFS financial assets. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets at fair value through profit or loss were higher or lower by 5% as at 31 March 2014, the Group's loss for the year would decrease or increase by approximately HK\$480,000 (2013: HK\$673,000). If the price of the respective investments held by the Group as AFS financial assets were higher or lower by 5% as at 31 March 2014 (2013: 5%), the Group's equity as at 31 March 2014 would increase or decrease by approximately HK\$14,220,000 (2012: HK\$13,874,000).

Prospects

We expect the global market will continue to face greater challenges and full of uncertainty, developed economies are beginning to have signs of recovery, but the developing economies also have trends of adjustment. Meanwhile, China is also facing a slowdown in economic growth, economic structure has undergone significant changes during the transition from medium to long term, crisis and opportunities coexist.

The Directors will continue to take a prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the increasing influence of China against the global economy, the Group will still be based mainly on Chinese economy, the Group will continue to look for investment opportunities which offer outstanding returns under the acceptable risk in the portfolio of the Group.

The Company would consider investing in certain unlisted securities and listed securities with high potential in order to diversify further market risk.

Dividend

The Board has resolved not to recommend a payment of final dividend.

Liquidity and Financial Resources

As at 31 March 2014, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$59,269,000 (2013: approximately HK\$93,282,000), which was mainly placed in bank and other financial institution as deposits.

Gearing Ratio

As at 31 March 2014, no gearing ratio has been presented as no interest bearing debt existed.



STATEMENT FROM THE MANAGEMENT

Employees

During the year ended 31 March 2014, the Group had retained nine employees (2013: twelve employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to HK\$4,634,000 (2013: HK\$4,685,000). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

CHARGES ON ASSETS AND CONTINGENT LIABILITIES

Throughout the year ended 31 March 2014, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2014, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

AUDIT COMMITTEE

The Audit Committee of the Company had reviewed the consolidated results of the Group for the year ended 31 March 2014, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, financial reporting, the adequacy of resources, qualification and experience of staff.

The audit committee of the Group consists of three independent non-executive directors, namely Mr. HA Tak Kong, Mr. LEUNG Kwong Kin and Mr. TSANG Hin Man Terence.

By Order of the Board

China Investment and Finance Group Limited
CHAN Cheong Yee

Hong Kong, 26 June 2014



BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTOR

Mr. CHAN Cheong Yee (“Mr. CY Chan”), aged 50, was appointed as an executive Director on 8 March 2011. He is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. CY Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. CY Chan obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. CY Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules of Hong Kong Stock Exchanges.

Since June 2003, Mr. CY Chan joined China Innovation Investment Limited (stock code: 1217), an investment company listed on the Stock Exchange, as executive director. Mr. CY Chan was appointed as an independent non-executive director of Bingo Group Holdings Limited (stock code: 8220), a company listed on the Growth Enterprise Market of the Stock Exchange, in August 2007, and was re-designated as an executive director of Bingo Group Holdings Limited in April 2009. Mr. CY Chan was appointed as an independent non-executive director of Agritrade Resources Limited (stock code: 1131), a company listed on the Stock Exchange, in June 2010. Mr. CY Chan was appointed as an executive director of China Investment Development Limited (stock code: 204), an investment company listed on the Stock Exchange, in May 2012. Mr. CY Chan was appointed as an executive director of Capital VC Limited (stock code: 2324), an investment company listed on the Stock Exchange, in November 2012. Mr. CY Chan was appointed as an executive director of Alpha Returns Group PLC, an investment company listed on AIM of London Stock Exchange, in May 2013. Mr. CY Chan was also appointed as an executive director of China New Economy Fund Limited (stock code: 80), an investment company listed on the Stock Exchange, in June 2013.

NON-EXECUTIVE DIRECTORS

Mr. LIAO Jintian (“Mr. Liao”), aged 45, has been a non-executive Director since 23 March 2012. Mr. Liao is a council member of the China National Furniture Association (中國家具協會), an executive committee member of Shunde Gong Shan Lian (順德工商聯 (總商會)), a vice-president of Shunde Furniture Association (順德家具協會), a vice-president of Shunde Longjiang Chamber (順德龍江商會) and a director of the Longjiang Charity Association. Mr. Liao is also the executive director and legal representative of Guangdong Xie Feng Financial Guarantee Co., Ltd. (廣東協豐融資擔保有限公司), the chairman and legal representative of Guangdong Jingongzi Trading and Economic Development Co., Ltd. (廣東金公子經貿發展有限公司). Mr. Liao has over 10 years of experience in wide scope of businesses including trading, finance, property development and project investment.



BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. ZHOU Weiquan (“Mr. Zhou WQ”), aged 50, was appointed as a non-executive Director on 29 March 2012, is an executive director of China Packaging Federation (中國包裝聯合會); an executive director of the Commission of China Metal Container (中國金屬容器委員會); a member of the Standing Committee of Foshan City Industrial and Commercial Federation (佛山市工商聯合會); a vice-president of Foshan City Enterprises Federation (佛山市企業聯合會); a vice-president of Foshan City Entrepreneurs Federation (佛山市企業家協會); and the chairman of Dadi Weiye Group of Companies (大地偉業企業集團) and Dadi Weiye Group of Companies (大地偉業集團). Mr. Zhou WQ is also awarded for its excellent contractual spirit and credibility by the Guangdong Province Administration for Industry and Commerce Bureau with an “Guangdong Province Zhong He Tong Shou Xin Yong Award”; awarded with Shunde Lunjiao Road’s “The 2011 Best Ten Enterprises for Migrant Workers”.

Mr. ZHOU Han Jie (“Mr. Zhou HJ”), aged 41, has been a non-executive Director since 8 July 2013. Mr. Zhou HJ is the chairman of Guangdong Zhongtai Furniture Industries Limited (廣東中泰家具實業有限公司) and the vice president of Shunde Furniture Association (順德家具協會) since 2004. Mr. Zhou HJ has a significant influence in the furniture sales and manufacturing area. Mr. Zhou HJ also the director of Guangdong Mingde Financial Guarantee Company Limited (廣東明德融資擔保有限公司) and Fushan Zhengde Investment Limited (佛山正德投資有限公司). Mr. Zhou HJ has over three years of financial experience, specializing in corporate finance and investment. Mr. Zhou HJ also holds an EMBA degree from Zhongshan University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HA Tak Kong (“Mr. Ha”), aged 44, was appointed as an independent non-executive Director of the Group on 3 June 2004. Mr. Ha obtained a bachelor degree in accounting from the University of Hong Kong and is working as an accounting manager in an import and export trading firm. Mr. Ha is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. LEUNG Kwong Kin (“Mr. Leung”), aged 44, was appointed as an independent non-executive Director of the Company on 1 December 2010. Mr. Leung is a fellow member of The Association of Chartered Certified Accountants (“ACCA”) and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Mr. Leung holds a Bachelor Degree in Commerce Accounting from Curtin University of Technology, Australia; a Bachelor Degree in law from Peking University; and a Bachelor Degree in English Law from Manchester Metropolitan University. Mr. Leung has accumulated over 20 years of experience in auditing and taxation through his previous employments in various international accounting firms. Mr. Leung is a partner of Fan, Chan & Co., a Certified Public Accountants firm in Hong Kong.

Mr. TSANG Hi Man Terence (“Mr. Tsang”), aged 51, has been an independent nonexecutive Director since 1 April 2014. He was admitted as a solicitor in Hong Kong in 1993 and he is currently the sole proprietor of H. M. Tsang & Co. Mr. Tsang obtained a bachelor’s degree in science (BSc.) from the University College London, the University of London. He also holds a bachelor’s degree in law (LLB.) from the University of Westminster, United Kingdom. Mr. Tsang serves as an independent non-executive director in Lee & Man Handbags Holding Limited (Stock Code: 1488) and Differ Group Holding Company Limited (Stock Code: 8056).



DIRECTORS' REPORT

The Board presents their annual report and the audited financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of subsidiaries are securities trading, investment holding and rendering of consultancy service.

SEGMENT INFORMATION

For the year ended 31 March 2014 and 2013, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses. Details of the segment information are set out in note 9 to the consolidated financial statement.

MAJOR CUSTOMERS AND SUPPLIERS

As the Group's operation is investment holding, there was no information regarding major customers and suppliers as determined by the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 and the state of affairs of the Group as at that date are set out in the financial statements on pages 22 to 89. The Directors do not recommend the payment of a dividend for the year ended 31 March 2014 (2013: HK\$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 84 of this report and other details of the reserves of the Group is set out in note 29 to the consolidated financial statements.



DIRECTORS' REPORT

DISTRIBUTABLE RESERVES

Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account. The Company's reserves available for distribution comprise the share premium, accumulated profits and valuation reserve derived from the available-for-sale financial assets. In the opinion of the Board, the Company's reserves available for distribution to the shareholders at 31 March 2014 were HK\$Nil (2013: HK\$Nil).

DIRECTORS

The directors of the Group during the year and up to the date of this report are:

Executive Director

Mr. CHAN Cheong Yee

Non-Executive Directors

Mr. LIAO Jintian

Mr. ZHOU Weiquan (Duties, rights and position suspended from 4 June 2014)

Mr. ZHOU Han Jie (Appointed on 8 July 2013)

Independent Non-Executive Directors

Mr. CHEN Kaizhi (Not re-elected at the annual general meeting on 29 August 2013)

Mr. HA Tak Kong

Mr. LEUNG Kwong Kin

Mr. LO Chi Ming (Resigned on 17 April 2014)

Mr. TSANG Hin Man Terence (Appointed on 1 April 2014)

No director has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

In accordance with Article 88 of the Articles of Association of the Company, Mr. LIAO Jintian and Mr. ZHOU Weiquan shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.



DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 16 to the consolidated financial statements, no other contracts of significance in relation to the Group's business to which the Company or its subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2014, the interests and short positions of the directors and chief executives in the ordinary shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Directors	Number of Shares			Approximate percentage of shareholding
	Personal interest	Corporate interest	Total	
LIAO Jintian (<i>note 1</i>)	–	170,576,000	170,576,000	29.33%
ZHOU Weiquan (<i>note 2</i>)	–	170,576,000	170,576,000	29.33%
ZHOU Han Jie (<i>note 3</i>)	256,000	170,576,000	170,832,000	29.37%

Notes:

- (1) This represents interests held by Mr. LIAO Jintian, a non-executive Director, through Tycor Development Limited ("Tycor"), which holds 170,576,000 Shares of the Company. Mr. LIAO Jintian has approximately 11.68% interest in Tycor and is regarded as one of the parties acting in concert with Mr. ZHOU Weiquan and Mr. ZHOU Han Jie under the Takeovers Code. He is therefore deemed to be interested in 170,576,000 Shares of the Company.
- (2) This represents interests held by Mr. ZHOU Weiquan, a non-executive Director, through Tycor, which holds 170,576,000 Shares of the Company. Mr. ZHOU Weiquan has approximately 10.15% interest in Tycor and is regarded as one of the parties acting in concert with Mr. LIAO Jintian and Mr. ZHOU Han Jie under the Takeovers Code. He is therefore deemed to be interested in 170,576,000 Shares of the Company.
- (3) Mr. ZHOU Han Jie, a non-executive Director, is holding approximately 11.19% of the shareholding of Tycor and is regarded as one of the parties acting in concert with Mr. LIAO Jintian and Mr. ZHOU Weiquan under the Takeovers Code. Mr. ZHOU Han Jie also holds 256,000 Shares, representing approximately 0.04% of the total issued Shares of the Company as at 30 September 2013. Therefore Mr. ZHOU Han Jie is deemed to have interests in aggregate of 170,832,000 Shares, representing approximately 29.37% of the total issued Shares of the Company.



DIRECTORS' REPORT

Save as disclosed above, none of the directors and chief executives had any interests in equity or debt securities of the Company or of any of its associated corporations which were required to be notified to the Company and the Stock Exchange as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, to the best knowledge of the Board and chief executives of the Company, the following persons (other than any directors or chief executive of the Company) were substantial shareholders of the Company and had 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:

	Notes	Number of shares of the Company	Approximate percentage of shareholding
Tycor Development Limited	1	170,576,000	29.33%
Wei Zhuo Fu	2	40,928,000	7.04%

Notes:

- (1) Tycor is interested in 170,576,000 shares of the Company as at the Latest Practicable Date. Mr. LIAO Jintian, Mr. ZHOU Wei-quan and Mr. ZHOU Han Jie beneficially own approximately 11.68%, 10.15% and 11.19% of the shareholdings of Tycor respectively. The interests of Mr. LIAO Jintian, Mr. ZHOU Wei-quan and Mr. ZHOU Han Jie in the Company are stated under the section headed "Directors' and Chief Executives' Interests in Equity or Debt Securities".
- (2) Mr. Wei Zhuo Fu, is interested in 40,928,000 shares as at 31 March 2014. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Wei Zhuo Fu has no relationship with any Directors, senior management or other substantial or controlling Shareholders.

Save as disclosed above, the Company had not been notified of any other person (other than directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2014.



DIRECTORS' REPORT

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate.

CONNECTED AND CONTINUING CONNECTED TRANSACTIONS

Details of the connected and continuing connected transactions are set out in note 31 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save as disclosed in note 16 and 31 to the consolidated financial statements, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme are set out in note 32 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 March 2014.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2014, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

FIVE YEARS FINANCIAL SUMMARY

Details of the five years financial summary in relation to the Group's results and assets and liabilities are set out in page 90. This summary does not form part of the audited consolidated financial statements.



DIRECTORS' REPORT

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the 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.

AUDITORS

The consolidated financial statements for the years ended 31 March 2014 and 2013 were audited by Elite Partners CPA Limited ("Elite Partners") who will retire at the conclusion of the forthcoming annual general meeting and being eligible offer themselves for re-appointment.

A resolution for the re-appointment of Elite Partners as auditors of the Company will be proposed at the forthcoming annual general meeting of the Company.

By Order of the Board

CHAN Cheong Yee

Executive Director

Hong Kong, 26 June 2014



CORPORATE GOVERNANCE REPORT

The Company recognises that good corporate governance standards maintained throughout the Group serve as an effective risk management tool for the Company. The board of Directors of the Company (the “Board”) is committed to lead the Group growing in an efficient manner followed by corporate missions in terms of business strategies and improved operational planning and procedures which are enforced under high corporate governance standard.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Code”) throughout the year ended 31 March 2014, with deviations from code provisions A.4.1 of the Code that non-executive directors should be appointed for a specific term, subject to re-election.

None of the non-executive Directors of the Company were appointed for a specific term. Since all the Directors of the Company are subject to retirement by rotation according to the provisions under article 88 of the Articles of Association of the Company, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Group 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 the code for securities transactions by Directors of the Group. Having made specific enquiry of all Directors, the Group confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

Composition

The Board of the Group is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board comprises a total of seven Director, with one executive Director, three non-executive Directors and three independent non-executive Directors. One of the independent non-executive Directors, Mr. HA Tak Kong, has appropriate professional qualifications in accounting pursuant to Rule 3.10 of the Listing Rules. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Group is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. All Directors have access to the Group secretary for advise on the board procedures and regulatory matters. Any Director and member of audit committee of the Group may take independent professional advice if they so wish at the expense of the Group, as arranged by the Group secretary.

Function

In view of the simple structure of the Group, all significant decision making is carried out by the executive directors of the Group while the day-to-day investment decision is based on the professional recommendation of the investment manager. This constitutes a deviation from the code provision A.2.1 of the Code. However, the Board considers that this structure will not impair the balance of power and authority between the management of the Board and the management of its business.



CORPORATE GOVERNANCE REPORT

None of the existing non-executive Directors of the Group is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, one-third of the Directors of the Group (both executive and non-executive) are subject to retirement by rotation at each annual general meeting under the articles of association of the Group. As such, the Group considers that sufficient measures have been taken to ensure that the Group's corporate governance practices are similar to those in the Code. Under the articles of association of the Group, the chairman of the Board and/or the managing director and/or the deputy managing director of the Group are not subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. This constitutes a deviation from the code provision A.4.2 of the Code.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. During the year ended 31 March 2014, the Board convened a total of 17 meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Group. The individual attendance of each director is as follows:

Name of directors	Attendance
Executive Director	
Mr. CHAN Cheong Yee	17/17
Non-executive Directors	
Mr. LIAO Jintian	17/17
Mr. ZHOU Weiquan	2/17
Mr. ZHOU Han Jie (Appointed on 8 July 2013)	4/17
Independent Non-executive Directors	
Mr. CHEN Kaizhi (Not re-elected at the annual general meeting at 29 August 2013)	0/17
Mr. HA Tak Kong	6/17
Mr. LEUNG Kwong Kin	4/17
Mr. LO Chi Ming (Resigned on 17 April 2014)	6/17
Mr. TSANG Hin Man Terence (Appointed on 1 April 2014)	

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board as at 31 March 2014. All of them are free to exercise their individual judgments.

COMPANY SECRETARY

Mr. Li Chi Fai was appointed as the Company Secretary of the Company on 1 April 2013 and has day-to-day knowledge of the Group's affairs. In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.



CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company has a remuneration committee for determining the remuneration of the Directors. The members of the remuneration committee are: Mr. HA Tak Kong, Mr. LIAO Jintian, Mr. LEUNG Kwong Kin and Mr. LO Chi Ming (resigned on 17 April 2014). During the financial year ended 31 March 2014, the committee held 1 meeting to discuss remuneration related matters. The individual attendance of each member is as follows:

	Attendance
Mr. HA Tak Kong	1/1
Mr. LIAO Jintian	1/1
Mr. LEUNG Kwong Kin	0/1
Mr. LO Chi Ming (Resigned on 17 April 2014)	1/1

Mr. HA Tak Kong is the chairman of the remuneration committee. The remuneration committee is responsible for the following functions: determining the policy for remuneration of directors and senior management, assessing performance of executive directors, as well as determining the emolument policy of the Company. No director or any of his associated director, and executive is involved in deciding his own remuneration.

NOMINATION OF DIRECTORS

The Nomination Committee was set up in March 2012 and it comprises of two independent non-executive Directors including Mr. HA Tak Kong, Mr. LO Chi Ming (resigned on 17 April 2014) and Mr. TSANG Hin Man Terence (appointed on 29 April 2014), and one non-executive Director, Mr. LIAO Jintian. Mr. HA Tak Kong is the chairman of the Nomination Committee. During the financial year ended 31 March 2014, the committee held 1 meeting to discuss nomination related matters. The Individual attendance of each member is as follows:

	Attendance
Mr. HA Tak Kong	1/1
Mr. LIAO Jintian	1/1
Mr. LO Chi Ming (Resigned on 17 April 2014)	1/1
Mr. TSANG Hin Man Terence (Appointed on 29 April 2014)	0/1

The primary function of the Nomination Committee is to review the structure, size and composition of the Board annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy.



CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The audit committee comprises three independent non-executive Directors and Mr. HA Tak Kong serves as the chairman of the audit committee. No member of the audit committee is a member of the former or existing auditor of the Company. During the year ended 31 March 2014, the audit committee held 3 committee meetings. The attendance of each of the members is as follows:

	Attendance
Mr. HA Tak Kong	3/3
Mr. LEUNG Kwong Kin	2/3
Mr. LO Chi Ming (Resigned on 17 April 2014)	2/3
Mr. TSANG Hin Man Terence (Appointed on 29 April 2014)	1/3

Responsibilities of the audit committee include:

- (1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;
- (2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and
- (3) to review the interim and annual accounts. The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company for the year ended 31 March 2014.

AUDITORS' REMUNERATION

For the year ended 31 March 2014, services provided to the Group by its external auditors, Elite Partners CPA Limited, and the respective fees paid/payable are set out as follows:

	HK\$
Elite Partners CPA Limited	
– Audit services	350,000
	<hr/>
	350,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for the preparation of the consolidated financial statements of the Group and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of such consolidated financial statements. The statement of the external auditors of the Group, Elite Partners CPA Limited, with regard to their reporting responsibilities on the Group's consolidated financial statements is set out in the Independent Auditors' Report on pages 20 to 21.



CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Group and for reviewing its effectiveness, is committed to implementing an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed to safeguard assets against unauthorised use or disposition, to ensure the sufficient allocation of resources and manpower and the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and to ensure compliance with applicable law, rules and regulations. The procedures provide a reasonable but not absolute assurance and prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

The management of the Group has conducted a review on the Group's internal control and risk management system for the year ended 31 March 2014 with no material weakness found. The management will continue to improve and strengthen its control in order to enhance the corporate governance and safeguard the interest of its shareholders.

SHAREHOLDERS' RIGHTS

Procedures for convening an extraordinary general meeting and putting forward proposals at shareholders' meeting

The Company may also communicate with its Shareholders through extraordinary general meetings, if and when appropriate.

Pursuant to Article 58 of the articles of association of the Company, the Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 89 of the articles of association of the Company, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting.



CORPORATE GOVERNANCE REPORT

Procedures for Shareholders Putting Enquiries to the Board

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the registered office of the Company in Hong Kong.

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

COMMUNICATIONS WITH SHAREHOLDERS

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue does take place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. The directors and management of the Company are available to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual director. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as directors at annual general meetings, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

INDEPENDENT AUDITOR'S REPORT



**To the shareholders of
China Investment and Finance Group Limited**
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Investment and Finance Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 89, which comprise the consolidated and company statements of financial position as at 31 March 2014, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's 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 agreed term of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 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.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, 26 June 2014

Yip Kai Yin

Practising Certificate Number P05131

Suites 2B-4A, 20th Floor, Tower 5

China Hong Kong City,

33 Canton Road, Tsim Sha Tsui

Kowloon, Hong Kong



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Gross proceeds from disposal of securities		301,048	278,943
Revenue	8(a)	8,319	7,610
Net realised gain on disposal of financial assets held for trading		7,689	1,086
Net realised (loss)/gain on disposal of available-for-sale financial assets		(3,491)	6,039
Net unrealised loss on financial assets held for trading		(571)	(1,408)
Net unrealised loss on derivative financial instruments		(6,289)	(4,898)
Loss on derecognition of derivative financial instrument		(18,921)	–
Impairment loss on available-for-sale financial asset		(55,277)	–
Impairment loss on other receivables		(891)	–
Other income	8(b)	362	664
Administrative expenses		(24,264)	(23,688)
Loss from operations	10	(93,334)	(14,595)
Finance costs	11	(74)	–
Loss before tax		(93,408)	(14,595)
Income tax expense	12	(154)	(169)
Loss for the year		(93,562)	(14,764)
Loss attributable to shareholders of the Company	13	(93,562)	(14,764)
– Dividend	14	–	–
Loss per share			
– Basic, HK cents	15	(16.09)	(2.54)
– Diluted, HK cents	15	(16.09)	(2.54)



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 HK\$'000	2013 HK\$'000
Loss for the year	(93,562)	(14,764)
Other comprehensive income:		
<i>Items that may be reclassified to profit or loss:</i>		
Release of exchange reserve upon disposal of available-for-sale financial assets	–	241
Exchange gain on translation of foreign operations	315	882
	315	1,123
Net (loss)/gain arising on revaluation of available-for-sale financial assets	(1,770)	9,850
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	3,273	5,697
Release of investment revaluation reserve upon impairment of available-for-sale financial assets	(5,851)	–
	(4,348)	15,547
Other comprehensive (expense)/income for the year, net of tax	(4,033)	16,670
Total comprehensive (expense)/income for the year	(97,595)	1,906
Total comprehensive (expense)/income attributable to shareholders of the Company	(97,595)	1,906

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	17	31,521	32,588
Derivative financial instruments	20	624	–
Available-for-sale financial assets	19	269,899	277,473
		302,044	310,061
Current assets			
Derivative financial instruments	20	13,844	34,943
Financial assets held for trading	21	9,591	13,461
Prepayments, deposits and other receivables	23	64,464	95,358
Tax recoverable		37	–
Cash and cash equivalents	25	59,269	93,282
		147,205	237,044
Current liabilities			
Accruals		438	588
Current tax liabilities		308	419
		746	1,007
Net current assets		146,459	236,037
Net assets		448,503	546,098
Capital and reserves			
Share capital	27	116,316	116,316
Reserves	29	332,187	429,782
Total equity		448,503	546,098
Net assets value per share (in HK\$)	30	0.77	0.94

Approved and authorised for issue by the Board of Directors on 26 June 2014

CHAN Cheong Yee
DirectorLIAO Jintian
Director

**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2014

	Note	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment	17	1,443	1,023
Investment in subsidiaries	18	1	1
		<u>1,444</u>	<u>1,024</u>
Current assets			
Prepayments, deposits and other receivables	23	704	2,435
Amounts due from subsidiaries	24	390,012	487,631
Cash and cash equivalents	25	43,709	35,490
		<u>434,425</u>	<u>525,556</u>
Current liabilities			
Accruals		360	588
Amounts due to subsidiaries	26	5,443	4,202
		<u>5,803</u>	<u>4,790</u>
Net current assets		<u>428,622</u>	<u>520,766</u>
Net assets		<u>430,066</u>	<u>521,790</u>
Capital and reserves			
Share capital	27	116,316	116,316
Reserves	29	313,750	405,474
Total equity		<u>430,066</u>	<u>521,790</u>

Approved and authorised for issue by the Board of Directors on 26 June 2014

CHAN Cheong Yee
DirectorLIAO Jintian
Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2012 (restated)	116,316	486,186	(5,606)	(511)	(52,193)	544,192
Loss for the year	-	-	-	-	(14,764)	(14,764)
Release of exchange reserve upon disposal of available- for-sale financial assets	-	-	-	241	-	241
Exchange gain on translation of foreign operations	-	-	-	882	-	882
Net gain arising on revaluation of available-for-sale financial assets	-	-	9,850	-	-	9,850
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	5,697	-	-	5,697
Total comprehensive income	-	-	15,547	1,123	(14,764)	1,906
At 31 March 2013 and 1 April 2013	116,316	486,186	9,941	612	(66,957)	546,098
Loss for the year	-	-	-	-	(93,562)	(93,562)
Exchange gain on translation of foreign operations	-	-	-	315	-	315
Net loss arising on revaluation of available-for-sale financial assets	-	-	(1,770)	-	-	(1,770)
Release of investment revaluation reserve upon disposal of available-for-sale financial assets	-	-	3,273	-	-	3,273
Release of investment revaluation reserve upon impairment of available-for-sale financial assets	-	-	(5,851)	-	-	(5,851)
Total comprehensive expenses	-	-	(4,348)	315	(93,562)	(97,595)
At 31 March 2014	116,316	486,186	5,593	927	(160,519)	448,503

**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 tax	(93,408)	(14,595)
Adjustments for:		
Depreciation	2,574	1,969
Interest income	(7,757)	(7,411)
Dividend income	(562)	(199)
Loss from disposal of subsidiaries	–	1
Interest expenses	74	–
Net realised loss/(gain) on disposal of available-for-sale financial assets	3,491	(6,039)
Net realised gain on financial assets held for trading	(7,689)	(1,086)
Net unrealised loss on financial assets held for trading	571	1,408
Net unrealised loss on derivative financial instruments	6,289	4,898
Loss on derecognition of derivative financial instrument	18,921	–
Impairment loss on available-for-sale financial asset	55,277	–
Impairment loss on other receivables	891	–
Loss on disposal of PPE	614	–
Operating loss before working capital changes	(20,714)	(21,054)
Purchase of financial assets held for trading	(265,337)	(121,281)
Purchase of available-for-sale financial assets	(85,000)	(206,734)
Proceeds from disposal of financial assets held for trading	276,325	113,289
Proceeds from disposal of available-for-sale financial assets	24,723	267,054
Increase in other receivables, prepayments and deposits	31,578	(92,056)
Decrease in accruals	(150)	(1,077)
Cash used in operations	(38,575)	(61,859)
Interest paid	(74)	–
Tax paid	(302)	–
Net cash used in operating activities	(38,951)	(61,859)



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Cash flows from investing activities			
Interest received		6,181	7,695
Dividend received from financial assets held for trading		562	199
Purchase of property, plant and equipment		(1,841)	(2,526)
Net cash flow from disposal of subsidiaries	33	–	111,999
Net cash generated from investing activities		4,902	117,367
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at 1 April		93,282	37,662
Effect of foreign exchange rate changes, net		36	112
Cash and cash equivalents at 31 March		59,269	93,282
Analysis of balances of cash and cash equivalents			
Cash and bank balances		47,997	50,260
Deposits at other financial institution		11,272	43,022
		59,269	93,282



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is located at Units 03 & 05, 32/F, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the consolidated financial statements.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

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

Application of new and revised HKFRSs

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2013:

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

Except as described below, the application of the 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 and/or on the disclosures set out in these consolidated financial statements.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

Application of new and revised HKFRSs (Continued)

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* deal with consolidated financial statements and HK(SIC) Int-12 *Consolidation Special Entities*. HKFRS 10 changes the definition of control such that an investor has control investee when a) it has power over the investee, b) it is exposed, or has rights, to variable from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The application of HKFRS 10 has no material impact on the amounts reported in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**Application of new and revised HKFRSs (Continued)***Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed as the ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
Amendments to HKFRS 10 HKFRS 12 and HKAS 27	Investment Entities ¹
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations ⁶
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ⁶
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ³
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

³ Effective for annual periods beginning on or after 1 July 2014

⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

⁶ Effective for annual periods beginning on or after 1 January 2016



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

New and revised HKFRSs issued but not yet effective (Continued)

Except as described below, the directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group’s financial performance and positions and/or on the disclosures set out in these consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

New and revised HKFRSs issued but not yet effective (Continued)

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group’s financial assets (e.g. (i) the Group’s investments in unlisted equity securities, listed and unlisted debt securities that are currently classified as available-for-sale financial assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss; and (ii) unlisted convertible debt securities of which the host contract currently classified as available-for-sale financial assets while the embedded derivative currently classified as financial assets at fair value through profit or loss, may have to be measured at fair value at the end of subsequent reporting entirely, with changes in the fair value being recognised in profit or loss) Regarding the Group’s financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

If the Company is qualified as an investment entity under the amendments to HKFRS 10, instead of consolidating its subsidiaries, the Company may be required to measure its interests in subsidiaries at fair value through profit or loss. The directors of the Company are in the process of making an assessment of the impact of these amendments to the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the disclosure requirement of the Hong Kong Companies Ordinance.

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost, less any identified impairment loss.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Foreign currencies

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Borrowing costs

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

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method, at the following rates:

Building	5%
Leasehold improvement	Over the term of the lease
Office equipment	20%
Furniture and fittings	20%
Motor vehicle	30%

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'net unrealised gain or loss on financial asset at fair value through profit or loss' line item. Fair value is determined in the manner described in elsewhere in these notes to the consolidated financial statements.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL. The Group designated certain items, including unlisted equity securities, listed and unlisted debt securities and unlisted convertible debt securities, as AFS financial assets on initial recognition of those items.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of available-for-sale investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets (Continued)

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables, including deposits and other receivables are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

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

Impairment of financial assets

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

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including accrual are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition

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

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

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institution, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an entity's cash managements are also included as component of cash and cash equivalents.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

For the purposes of these financial statements, related parties include a person and entity as defined below:

- (i) A person or a close member of that person's family is related to the Group if that person:
 - (a) has control or joint control over the Group;
 - (b) has significant influence over the Group;
 - (c) is a member of the key management personnel of the Group or of a parent of the Group;
- (ii) An entity is related to the Group if any of the following conditions applies:
 - (a) 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);
 - (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member);
 - (c) both entities are joint ventures of a third entity;
 - (d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan;
 - (f) the entity is controlled or jointly controlled by a person identified in (i);
 - (g) a person identified in (i)(a) 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).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Classification of investments in unlisted equity securities and unlisted convertible debts securities

Certain investments in unlisted equity securities and unlisted convertible debts securities are not classified as an associate nor accounted for using equity method, even the Group owns or potentially owns more than 20% ownership interest in those investments. In the opinion of the directors, the Group has no significant influence over those investments since:

- the Group did not have any representative on the board of directors or equivalent governing body of those investments;
- the Group did not participate in policy-making processes, including participation in decisions about dividends or other distributions;
- the Group did not have any transactions with those investments;
- the Group did not interchange any managerial personnel with those investments; and
- the Group did not provide any technical information to those investments.

As the Group did not act to fulfill any one of the issues stated above, it does not consider as having significant influence on the investments. Hence, those investments are not considered as the Group's associated companies.

Key sources of estimation uncertainty

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Board of Directors of the Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent professional valuers to perform the valuation. The financial controller works closely with the independent professional valuers to establish the appropriate valuation techniques and inputs to the model. The financial controller reports the valuation findings to the Board of Directors of the Company to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 7 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of cash and cash equivalents and equity attributable to shareholders of the Company, comprising issued share capital and reserves.

The directors review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new shares issues as well as the issue of new debt. The Group's overall strategy remains unchanged throughout the year.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

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

	Financial assets at FVTPL HK'000	Loan and receivables HK'000	AFS financial assets HK'000	Other financial liabilities HK'000	Total HK'000
2014					
AFS financial assets	-	-	269,899	-	269,899
Financial assets held for trading	9,591	-	-	-	9,591
Derivative financial instruments	14,468	-	-	-	14,468
Other receivables, and deposits	-	64,312	-	-	64,312
Bank and cash balances	-	59,269	-	-	59,269
	24,059	123,581	269,899	-	417,539
Accruals	-	-	-	438	438
	Financial assets at FVTPL HK'000	Loan and receivables HK'000	AFS financial assets HK'000	Other financial liabilities HK'000	Total HK'000
2013					
AFS financial assets	-	-	277,473	-	277,473
Financial assets at FVTPL	13,461	-	-	-	13,461
Derivative financial instruments	34,943	-	-	-	34,943
Other receivables, and deposits	-	95,181	-	-	95,181
Bank and cash balances	-	93,282	-	-	93,282
	48,404	188,463	277,473	-	514,340
Accruals	-	-	-	588	588

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies

The Group's major financial instruments include equity and debt investments, embedded derivative, other receivables and accruals. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Foreign currency risk

The Group has following foreign currency assets which expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

	2014			2013		
	AFS financial assets HK\$'000	Other receivables HK\$'000	Cash and cash equivalents HK\$'000	AFS financial assets HK\$'000	Other receivables HK\$'000	Cash and cash equivalents HK\$'000
RMB	–	–	15,087	–	–	25,158
USD	14,274	61,400	8,562	45,400	91,400	33,458
	14,274	61,400	23,649	45,400	91,400	58,616

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB and USD.

The following table shows the sensitivity analysis of a 5% increase/decrease in RMB and USD against the HKD. A positive number below indicates an increase in profit or loss and equity where the HKD weakens 5% (2013: 5%) against RMB and USD. For a 5% (2013: 5%) strengthening of HKD against RMB and USD, an equal a opposite impact would exist on profit or loss and equity.

	2014		2013	
	Impact of RMB HK\$'000	Impact of USD HK\$'000	Impact of RMB HK\$'000	Impact of USD HK\$'000
Profit or loss	754	3,498	1,258	6,243
Equity	754	4,212	1,258	8,513



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (Continued)

Interest rate risk

The Group's fair value interest rate risk relates to debt investment carried at fixed rate included in AFS financial assets.

The Group's cash flow interest rate risk is mainly concentrated on the bank balances carried at floating interest rate.

The Group currently does not have a hedge policy against the interest rate exposure. However, the management monitors interest rate exposure and will consider the hedging significant interest rate exposure as needed.

Sensitivity analysis

Assuming the bank balance and debt securities at 31 March 2014 was outstanding for the whole year, if the interest rate was 50 basis points higher or lower and all other variables were held constant, the Group's:

- (i) loss for the year ended 31 March 2014 would decrease or increase approximately HK\$296,000 (2013: HK\$466,000). This is mainly attributable to the Group's exposure to floating interest rate on its bank balance; and
- (ii) other comprehensive income for the year ended 31 March 2014 would decrease or increase by approximately HK\$1,538,000 and HK\$1,614,000 respectively (2013: approximately HK\$2,312,000 and HK\$2,358,000). This is mainly as a result of the changes in the fair value of fixed rate debt instruments.

Equity price risk

The Group's equity price risk relates to equity price changes arising from listed securities held for trading stated in financial assets at FVTPL, unlisted equity securities included in AFS financial assets and unlisted convertible debt securities of which debt components included in AFS financial assets and embedded derivatives included in derivative financial instruments.

The Group's listed securities are listed on the Stock Exchange of Hong Kong. Decisions to buy and sell listed securities are rested with assigned investment managers and governed by specific investment guidelines.

The Group's unlisted securities are held for long term strategic purposes. Their performance is assessed periodically together with a review from the Group's investment manager.

Sensitivity analysis

- (i) If the price of the respective investments held by the Group as financial assets at FVTPL were higher or lower by 5% as at 31 March 2014 (2013: 5%), the Group's loss for the year ended 31 March 2014 would decrease or increase by approximately HK\$480,000 (2013: HK\$673,000).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (Continued)

Sensitivity analysis (Continued)

- (ii) If the price of the respective investments held by the Group as AFS financial assets were higher or lower by 5% as at 31 March 2014 (2013: 5%), the Group's other comprehensive income for the year ended 31 March 2014 would increase or decrease by approximately HK\$14,220,000 (2013: HK\$13,874,000).

Credit risk

As at 31 March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Cash and bank deposits are placed with financial institutions with sound credit ratings. Listed securities stated in financial assets held for trading are placed with custodian, which management believes its of higher credit quality. Given their high credit ratings, management does not expect any counterparty failing to meet its obligations.

The Group does not provide any financial guarantees which would expose the Group to credit risk.

In order to minimise the credit risk, the Group reviews the recoverable amount of each prepayment, deposit and other receivable and debt investment included in AFS financial assets at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amounts.

Collateral held as security and other credit enhancements

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for other receivables as disclosed in note 23. Credit risks associated with the other receivables are mitigated because the other receivables are secured by a forestry ownership certificate and personally guaranteed by three independent third parties. The carrying amount of the other receivables as at 31 March 2014 amounted to approximately HK\$61,400,000 (2013: 91,400,000). The Group is not permitted to sell or repledge the collateral in the absence of default by the counterparties.

In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objective and policies (Continued)

Liquidity risk

Liquidity risk is the risk that the Group are unable to meet their payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves, as well as continuously monitoring cash flow forecast and actual cash flows.

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents that is adequate in management discretion. In formulating their strategy, management would consider the financing of the Group's operations and the effects of fluctuation in operating and investing cash flows. As at 31 March 2014, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations and to raise funds through issue and allotment of new shares to meet its debt obligations and investment project opportunities as they fall due or arise.

The maturity profile of the Group's financial liabilities as at the end of reporting period is as follows:

	Weighted average effective interest rate %	Less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2014 HK\$'000
2014					
Accruals	N/A	438	–	438	438
	Weighted average effective interest rate %	Less than 1 year HK\$'000	More than 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31.3.2013 HK\$'000
2013					
Accruals	N/A	588	–	588	588

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

7. FAIR VALUE MEASUREMENT

- (i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*
At 31 March 2014, the Group had following financial instruments carried at fair value all of which are based on the Level 1, Level 2 and Level 3 of the fair value hierarchy:

	The Group	
	2014	2013
	HK\$'000	HK\$'000
Level 1:		
Financial assets at FVTPL		
– Financial assets held for trading	9,591	13,461
Level 2:		
AFS financial assets		
– Equity securities	–	20,124
– Debt securities	14,274	25,276
Level 3:		
Financial assets at FVTPL		
– Derivative financial instruments	14,468	34,943
AFS financial assets		
– Equity securities	75,864	81,919
– Debt securities	179,761	150,154
	293,958	325,877

There were no transfers among all Levels in both years.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. FAIR VALUE MEASUREMENT (Continued)

- (i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	31 March 2014 HK\$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
<i>Available-for-sales financial assets</i>						
Listed debt security	14,274	Level 2	Recent transaction price	N/A	N/A	N/A
Unlisted equity securities	75,864	Level 3	Discount cash flow	Free cash flow Discounted rate Discount for lack of marketability	N/A 14.18% 15.20%	The higher the free cash flow, the higher the fair value The higher the discount rate, the lower the fair value The higher the discount for lack of marketability, the lower fair value
Unlisted debt security	35,297	Level 3	Discount cash flow	Discounted rate	4.74%	The higher the discount rate, the lower the fair value
Unlisted convertible debt securities (debt component)	144,464	Level 3	Discount cash flow	Discounted rate	5.48% to 11.69%	The higher the discount rate, the lower the fair value



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. FAIR VALUE MEASUREMENT (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis
(Continued)

Financial assets	31 March 2014 HK\$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Range	Relationship of unobservable inputs to fair value
<i>Financial assets at fair value through profit or loss</i>						
Financial assets held for trading	9,591	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Derivative financial instruments	14,468	Level 3	Binomial Option Pricing Model	Value of conversion share Expected volatility	N/A 34.67% to 51.21%	The higher the value of conversion share, the higher the fair value The higher the expected volatility, the higher the fair value

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. FAIR VALUE MEASUREMENT (Continued)

- (i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

2014

Financial assets

	Derivative financial instruments Embedded derivative HK\$'000	Available-for-sale financial assets	
		Equity securities HK\$'000	Debt securities HK\$'000
At 1 April 2013	34,943	81,919	150,154
Total gains or losses			
in profit or loss	(25,210)	–	(55,277)
in other comprehensive income	–	(6,055)	4,619
Purchase	4,735	–	80,265
Disposal	–	–	–
At 31 March 2014	<u>14,468</u>	<u>75,864</u>	<u>179,761</u>
Total loss recognised in the consolidated statement of profit or loss relating to assets held at 31 March 2014	6,289	–	–

2013

Financial assets

	Derivative financial instruments Embedded derivative HK\$'000	Available-for-sale financial assets	
		Equity securities HK\$'000	Debt securities HK\$'000
At 1 April 2012	25,362	171,400	97,409
Total gains or losses			
in profit or loss	(4,898)	–	–
in other comprehensive income	–	2,119	9,224
Purchase	14,479	79,800	85,521
Disposal	–	(171,400)	(42,000)
At 31 March 2013	<u>34,943</u>	<u>81,919</u>	<u>150,154</u>
Total loss recognised in the consolidated statement of profit or loss relating to assets held at 31 March 2013	(4,898)	–	–

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

7. FAIR VALUE MEASUREMENT (Continued)

(ii) *Fair values of the Group's financial assets that are not measured at fair value*

The carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost are not materially different from their fair values as at 31 March 2014 and 2013 due to their short-term maturities.

8. REVENUE AND OTHER INCOME

An analysis of Group's revenue and other income are as follows:

	2014 HK\$'000	2013 HK\$'000
(a) Revenue:		
Dividend income from financial assets held for trading	562	199
Interest income from debt securities	7,470	7,359
Interest income from brokers' accounts	–	10
Interest income from bank accounts	287	42
	<hr/> 8,319	<hr/> 7,610
(b) Other income:		
Net foreign exchange gain	362	656
Sundry income	–	8
	<hr/> 362	<hr/> 664
	<hr/> 8,681	<hr/> 8,274



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. SEGMENT INFORMATION

For the years ended 31 March 2014 and 2013, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

Geographical information

The Group's revenue analysed by geographical location and information about its non-current assets (excluding available-for-sale investments and derivative financial instruments) by geographical location are detailed below:

	Revenue		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Hong Kong	8,319	7,610	1,443	302
PRC (not including Hong Kong)	–	–	30,078	32,286
	8,319	7,610	31,521	32,588

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

10. LOSS FROM OPERATIONS

	2014 HK\$'000	2013 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' remunerations		
– Fees	730	870
– Other remunerations	–	–
Total directors' remunerations	<u>730</u>	<u>870</u>
Staff costs		
– Salaries	4,634	4,606
– Provident fund contributions	95	79
Total staff costs (excluding directors' remunerations)	<u>4,729</u>	<u>4,685</u>
Auditors' remuneration	350	290
Depreciation	2,574	1,969
Investment manager's fee	960	2,387
Loss on disposal of property, plant and equipment	614	–
Operating lease payments in respect of office premise	<u>3,345</u>	<u>5,727</u>

11. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Margin financing interest wholly repayable within five year	<u>74</u>	<u>–</u>

12. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
Hong Kong Profits Tax:		
Provision for the year	176	169
Over-provision in respect of prior year	<u>(22)</u>	<u>–</u>
	<u>154</u>	<u>169</u>

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

12. INCOME TAX EXPENSE (Continued)

The tax charge for the year can be reconciled to the loss before tax using the statutory tax rate for the respective tax jurisdictions in which the Company and its subsidiaries are domiciled is:

	2014 HK\$'000	2013 HK\$'000
Loss before tax	(93,408)	(14,595)
Tax at the statutory tax rate	(15,412)	(2,408)
Tax effect of expenses not deductible for tax purpose	14,403	142
Tax effect of non-taxable revenues	(1,149)	(1,988)
Over provision in respect of prior years	(22)	–
Tax effect on temporary differences not recognised	104	(49)
Effect of different tax rates of subsidiaries operating in other jurisdiction	(183)	(164)
Tax effect of tax losses not recognised	2,413	4,636
Tax charge for the year	154	169

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profits for both years.

PRC subsidiary is subject to PRC Corporate Income Tax at 25% (2013: 25%).

Deferred tax assets are not recognised for tax losses carry forward due to uncertainty of realisation of the related tax benefit through the future taxable profits.

13. LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Loss attributable to shareholders of the Company includes a loss of approximately HK\$91,724,000 (2013: approximately HK\$19,864,000) which has been dealt with in the financial statements of the Company.

14. DIVIDEND

The directors do not recommend the payment of a dividend for the years ended 31 March 2014 and 2013.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders of the Company of approximately HK\$93,562,000 (2013: HK\$14,764,000) and the weighted average number of 581,580,000 (2013: 581,580,000) ordinary shares in issue during the year:

There were no potential dilutive shares for both years, therefore the basic and diluted loss per share are the same.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS**(a) Directors**

The aggregate amounts of emoluments payable by the Group during the years are as follows:

	2014	2013
	HK\$'000	HK\$'000
Fees		
Executive directors	290	360
Independent non-executive directors	440	510
	730	870

No directors waived any emoluments and no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2013: nil).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

(a) Directors (Continued)

The emoluments paid or payable to each of the eight (2013: ten) directors were as follows:

	Fees		2014	2013
	Executive directors	Independent non-executive directors	Total emoluments	Total emoluments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors				
Mr. CHAN Cheong Yee	290	–	290	260
Mr. SEE Lee Seng, Reason (Note i)	–	–	–	100
Mr. XIE Leshan (Note ii)	–	–	–	–
Mr. CHEN Yiquan (Note ii)	–	–	–	–
Sub-total	<u>290</u>	<u>–</u>	<u>290</u>	<u>360</u>
Independent non-executive directors				
Mr. HA Tak Kong	–	130	130	130
Mr. LO Chi Ming	–	130	130	130
Mr. LEUNG Kwong Kin	–	130	130	130
Mr. CHEN Kai Zhi (Note iii)	–	50	50	120
Sub-total	<u>–</u>	<u>440</u>	<u>440</u>	<u>510</u>
Non-executive directors				
Mr. LIAO Jin Tian	–	–	–	–
Mr. ZHOU Weiquan	–	–	–	–
Mr. ZHOU Han Jie (Note iv)	–	–	–	–
Sub-total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u>290</u>	<u>440</u>	<u>730</u>	<u>870</u>

Notes:

- (i) Resigned on 30 August 2012
- (ii) Removed on 14 September 2012
- (iii) Not re-elected at the annual general meeting on 29 August 2013
- (iv) Appointed on 8 July 2013

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)**(b) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include nil (2013: nil) director whose emoluments are reflected in the analysis presented above.

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group for the year as follows:

	2014	2013
	HK\$'000	HK\$'000
Basic salaries and other benefits	3,636	3,805
Contributions to retirements benefits scheme	51	41
	3,687	3,846

The number of the five highest paid individuals whose remuneration fell with the following band is as follows:

	2014	2013
HK\$Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$2,000,000	1	1

No emoluments were paid to these individuals as inducement to join or upon joining the Group as compensation for loss of office for the year (2013: Nil).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings improvement	Leasehold	Office	Furniture	Motor	Total
	HK\$'000	HK\$'000	equipment	and fittings	vehicle	HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
COST						
At 1 April 2012	32,880	–	35	–	–	32,915
Additions	1,284	672	–	165	405	2,526
Exchange realignment	837	–	–	–	–	837
At 31 March 2013 and 1 April 2013	35,001	672	35	165	405	36,278
Additions	–	1,807	34	–	–	1,841
Disposal	–	(672)	–	(165)	–	(837)
Exchange realignment	308	–	–	–	–	308
At 31 March 2014	35,309	1,807	69	–	405	37,590
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2012	1,645	–	9	–	–	1,654
Charge for the year	1,724	83	7	33	122	1,969
Exchange realignment	67	–	–	–	–	67
At 31 March 2013 and 1 April 2013	3,436	83	16	33	122	3,690
Charge for the year	1,766	645	11	30	122	2,574
Written back on disposal	–	(161)	–	(63)	–	(224)
Exchange realignment	29	–	–	–	–	29
At 31 March 2014	5,231	567	27	–	244	6,069
CARRYING AMOUNT						
At 31 March 2014	30,078	1,240	42	–	161	31,521
At 31 March 2013	31,565	589	19	132	283	32,588

The buildings are located outside Hong Kong under medium-term lease.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company

	Leasehold improvement HK\$'000	Office equipment HK\$'000	Furniture and fittings HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
COST					
At 1 April 2012	–	35	–	–	35
Additions	672	–	165	405	1,242
At 31 March 2013 and 1 April 2013	672	35	165	405	1,277
Additions	1,807	34	–	–	1,841
Disposal	(672)	–	(165)	–	(837)
At 31 March 2014	1,807	69	–	405	2,281
ACCUMULATED DEPRECIATION AND IMPAIRMENT					
At 1 April 2012	–	9	–	–	9
Charge for the year	83	7	33	122	245
At 31 March 2013 and 1 April 2013	83	16	33	122	254
Charge for the year	645	11	30	122	808
Written back on disposal	(161)	–	(63)	–	(224)
At 31 March 2014	567	27	–	244	838
CARRYING AMOUNT					
At 31 March 2014	1,240	42	–	161	1,443
At 31 March 2013	589	19	132	283	1,023



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. INVESTMENT IN SUBSIDIARIES

The Company

	2014 HK\$'000	2014 HK\$'000
Unlisted shares, at cost	1	1

Details of principal subsidiaries at 31 March 2014 are as follows:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Interest held		Principal activities
			2014	2013	
Directly hold:					
Profit Eternal Global Investments Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Champion Elite Holdings Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Baiye Global Limited	The British Virgin Islands	Ordinary shares US\$1	100%	–	Investment holding
Winki Limited	Hong Kong	Ordinary shares HK\$2	100%	100%	Investment holding
Qifeng Holdings Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
World Fame Investment Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Investment holding
Rich Fortune Investment Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Investment holding
China Investment and Financing Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Trading of security
Garron International Strategic Limited	Hong Kong	Ordinary shares HK\$100	100%	100%	Investment holding
Baiye Holding Limited	The British Virgin Islands	Ordinary shares US\$1	100%	–	Investment holding
Great Prospect Investment Development Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Investment holding
Novel Epoch Investments Limited	The British Virgin Islands	Ordinary shares US\$100	100%	100%	Trading of security
Eagle Gain Investments Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Trading of security
Indirectly hold:					
廣州凱潤企業管理服務有限公司	The People's Republic of China	Registered capital USD\$5,000,000	100%	100%	Consultancy service

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

18. INVESTMENT IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS**The Group**

Available-for-sale financial assets comprise of:

	2014 HK\$'000	2013 HK\$'000
Unlisted equity securities (note 1)	79,800	99,800
Fair value adjustment	(3,936)	2,243
	75,864	102,043
Listed debt securities (note 2)	18,720	26,934
Fair value adjustment	(4,446)	(1,658)
	14,274	25,276
Unlisted convertible debt securities (excluding fair value of embedded derivative) (note 3)	130,787	140,798
Fair value adjustment	13,677	9,356
	144,464	150,154
Unlisted debt security	35,000	–
Fair value adjustment	297	–
	35,297	–
Total	269,899	277,473

The above available-for-sale financial assets are measured at fair values at the end of reporting period. The information for the fair value measurement is disclosed in note 7(i) in these consolidated financial statements.

For unlisted equity instruments, there is no objective evidence of impairment as a significant or prolonged decline in fair value of the security below their costs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

For debt instruments, there is no objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and of which has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Note 1:

Unlisted equity securities

Name of investee companies	Place of incorporation/ establishment	Percentage of effective interest held		At cost		Fair value adjustment		At fair value		Net assets attributable to the investments	
				2014	2013	2014	2013	2014	2013	2014	2013
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forest Investment Company Limited (note a)	Hong Kong	29.00%	29.00%	34,800	34,800	1,500	2,552	36,300	37,352	40,219	42,789
Plexson Limited (note b)	Hong Kong	15.00%	15.00%	45,000	45,000	(5,436)	(433)	39,564	44,567	35,657	44,325
Profit Win Fund Limited (note c)	Bermuda	-	0%	-	20,000	-	124	-	20,124	-	20,124
				<u>79,800</u>	<u>99,800</u>	<u>(3,936)</u>	<u>2,243</u>	<u>75,864</u>	<u>102,043</u>		

Note 2:

Listed debt securities

Name of investee companies	Place of incorporation/ establishment	At cost		Fair value adjustment		At fair value		Bond interest income	
		2014	2013	2014	2013	2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hidili Industry International Development Limited (note d)	Cayman Islands	18,720	18,720	(4,446)	(1,556)	14,274	17,164	2,147	-
Winsway Coking Coal Holdings Limited (note e)	British Virgin Islands	-	8,214	-	(102)	-	8,112	453	-
		<u>18,720</u>	<u>26,934</u>	<u>(4,446)</u>	<u>(1,658)</u>	<u>14,274</u>	<u>25,276</u>	<u>2,600</u>	<u>-</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Note 3:

Unlisted convertible debt securities

Name of investee companies	Place of incorporation	At cost		Fair value adjustment		At fair value		Bond interest income	
		2014	2013	2014	2013	2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Double Sky Holdings Limited (note f)	Hong Kong	-	55,277	-	5,851	-	61,128	864	400
IGOSEATING Limited (note g)	Hong Kong	38,097	38,097	4,413	1,275	42,510	39,372	400	300
Yuet Join Industrial Limited (note h)	Hong Kong	47,424	47,424	2,332	2,230	49,756	49,654	2,637	-
Yiu Tec Metal Engineering Limited (note i)	Hong Kong	45,265	-	6,933	-	52,198	-	432	-
		130,786	140,798	13,678	9,356	144,464	150,154	4,333	700

Note 4:

Unlisted debt security

Name of investee company	Place of incorporation establishment	At cost		Fair value adjustment		At fair value		Bond interest income	
		2014	2013	2014	2013	2014	2013	2014	2013
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Full Ever Industrial Company Limited (note j)	Hong Kong	35,000	-	297	-	35,297	-	537	-



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes:

- (a) Forest Investment Company Limited (“Forest”), a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC. As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Forest. Accordingly, investment in Forest has been designated upon initial recognition as an available-for-sale financial asset.
- (b) Plexson Limited (“Plexson”), a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC. As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Plexson. Accordingly, investment in Plexson has been designated upon initial recognition as an available-for-sale financial asset.
- (c) Profit Win Fund Limited (“PWF”) is a closed-ended fund which primary objective is to achieve superior private equity return with a strong focus on Mainland lucrative high growth sector with the manager extensive and exclusive networking and project sourcing capability. The Group held 25,764 non-voting, profit-sharing share of PWF. In the opinion of directors, the Group did not own voting right of these shares.

During the year ended 31 March 2014, the Group had expressed its willingness of redemption to Profit Win Investment Management Limited for all 25,764 shares that the Group held. Upon the agreed redemption agreement, a loss of approximately HK\$94,000 was recognised in the profit or loss.

- (d) As at 31 March 2013, the Group held debt securities issued by Hidili Industry International Development Limited, a listed company in Hong Kong which is principally engaged in mining and sale of coke, raw coal and clean coal, with fixed coupon rate 8.63% and date of maturity on 11 April 2015.
- (e) As at 31 March 2013, the Group held debt securities issued by Winsway Coking Coal Holdings Limited, a listed company in Hong Kong which is principally engaged in the processing and trading of coking coal and related products, development of coal mills and production of coking coal, rendering of logistics services and investment holding in a jointly controlled entity developing coal mines, with fixed coupon rate 8.5% and date of maturity on 4 August 2016. The debt securities were listed in Singapore Exchange.

During the year ended 31 March 2014, the issuer repurchased the debt securities from the Group and a loss of approximately HK\$3,397,000 was recognised in the profit or loss.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

- (f) A 5-year convertible bond issued by Double Sky Holdings Limited (“Double Sky”), a private company with limited liability which business is principally engaged in food processing and related business in the PRC, was acquired at a face value of HK\$80,000,000 during the year ended 31 March 2012. The convertible bond carries fixed interest rate at 0.5% per annum, paid semi-annually, and 10% on earnings before interest and tax of Double Sky, paid semiannually, with date of maturity on 11 December 2016 and is guaranteed by a sole shareholder of Double Sky. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Double Sky. Accordingly, at initial recognition, the amounts of the consideration of HK\$80,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$55,277,000 and HK\$24,723,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

During the year, the Group recognised approximately HK\$864,000 (2013: HK\$400,000) as bond interest income from Double Sky. However, only bond interest of approximately HK106,000 was received. In view of the failure to pay the outstanding interest of approximately HK\$891,000 and issues disclosed in note 35(a), impairment loss on available-for-sale financial assets and other receivable of approximately HK\$55,277,000 and HK\$891,000 respectively was recognised in profit or loss for the year.

- (g) A 5-years convertible bond issued by IGOSeating Limited (“IGO”), a private company with limited liability which business is principally engaged in furniture related doings, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries fixed interest rate at 0.8% per annum, paid annually, with date of maturity on 11 December 2016 and is guaranteed by the beneficial owners of IGO. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at any time and from time to time before the maturity date.

As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of IGO. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$38,097,000 and HK\$11,903,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS (Continued)

Notes: (Continued)

- (h) A 3-year (extensible for 2 years) convertible bond issued by Yuet Join Industrial Limited ("Yuet Join"), a private company with limited liability which business is principally engaged in manufacturing of electronic generator and related business, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2013. The convertible bond carries at fixed interest rate at 5% per annum, paid semi-annually, with date of maturity on 10 March 2016 (extensible to 10 March 2018 upon the agreement by both parties) and is guaranteed by the shareholders of Yuet Join. The Group has the option to convert the convertible bond to 29.79% of the equity interest of the issuers at any time and from time to time before the maturity date.

As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Yuet Join. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$47,424,000 and HK\$2,576,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (i) A 2-year convertible bond issued by Yiu Tec Metal Engineering Limited ("Yiu Tec"), a private company with limited liability which business is principally engaged in the production of public shelter with high-difficult sheet metal, was acquired at a face value of HK\$50,000,000 during the year ended 31 March 2014. The convertible bond carries at fixed interest rate at 7.7% per annum, paid quarterly, with date of maturity on 17 February 2016, extensible for 3-year upon the agreement by both parties. The Group has the option to convert the convertible bond to not more than 30% of the equity interest of the issuers at six months before the maturity date.

As disclosed in note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Yiu Tec. Accordingly, at initial recognition, the amounts of the consideration of HK\$50,000,000 has been split between a debt component and embedded derivatives (i.e. conversion option) at the fair value of approximately HK\$45,265,000 and HK\$4,735,000 respectively. Subsequently, the Group accounted for the debt component as an available-for-sale financial asset and the embedded derivatives as a derivative financial instrument.

- (j) A 2-year bond issued by Full Ever Industrial Company Limited ("Full Ever"), a private company with limited liability which business is principally engaged in trading of knitted gloves, was acquired at a face value of HK\$35,000,000 during the year ended 31 March 2014. The bond carries fixed interest rate at 5% per annum, paid quarterly, with date of maturity on 8 December 2015, extensible for 3-year upon agreement by both parties.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

20. DERIVATIVE FINANCIAL INSTRUMENTS**The Group**

	2014	2013
	HK\$'000	HK\$'000
Embedded derivatives in convertible bonds	14,468	34,943
Analysed for reporting purposes as:		
Current assets	13,844	34,943
Non-current assets	624	–
	14,468	34,943

The amounts represent the fair value of the conversion option embedded in the convertible bonds as disclosed elsewhere in these notes to the consolidated financial statements.

The derivative financial instruments are measured at fair values at the end of reporting period. The information for the fair value measurement is disclosed in note 7(i) in these consolidated financial statements.

Net unrealised loss on derivative financial instruments of approximately HK\$6,289,000 (2013: gain of approximately HK\$4,898,000) had been recognised in profit or loss during the year.

As disclosed in note 35(a), the conversion option embedded in convertible bonds issued by Double Sky was lapsed and a loss of approximately HK\$18,921,000 was incurred in profit or loss during the year.

21. FINANCIAL ASSETS HELD FOR TRADING**The Group**

	2014	2013
	HK\$'000	HK\$'000
Listed equity securities in Hong Kong, at fair value	9,591	13,461

The fair values of these listed securities are determined based on the quoted market bid prices at the end of reporting period.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Details of listed equity investments as at 31 March 2014 are as follows:

Name of investee company	Place of incorporation	Number of share held	Percentage of interest held	Cost HK\$'000	Accumulated unrealised gain/(loss) HK\$'000	Market value HK\$'000	Net assets attributable to the investments HK\$'000	Dividend received during the year HK\$'000	Dividend cover
Hutchison Whampoa Limited ("HWL") (note a)	Hong Kong	30,000	Less than 0.01%	3,175	(94)	3,081	3,351	14	0.32
Beijing Jingcheng Machinery Electric Company Limited ("Beijing Jingcheng") (note b)	The People's Republic of China	160,000	0.04%	420	(71)	349	560	-	N/A
Ciam Group Limited ("Ciam Group") (note c)	Bermuda	110,000	0.01%	156	(7)	149	123	-	N/A
Century Sunshine Group Holdings Limited ("Century Sunshine") (note d)	Cayman Islands	700,000	0.03%	671	(27)	644	579	-	0.22
Inspur International Limited ("Inspur International") (note e)	Cayman Islands	690,000	0.08%	1,133	(112)	1,021	1,487	-	0.22
Guangzhou Baiyunshan Pharmaceutical Holdings Co., Ltd. ("Baiyunshan Pharmaceutical") (note f)	The People's Republic of China	30,000	Less than 0.01%	798	(9)	789	207	-	0.38
China Cinda Asset Management Co., Ltd ("China Cinda") (note g)	The People's Republic of China	500,000	Less than 0.01%	2,236	(36)	2,200	1,480	-	N/A
Poly Culture Group Corporation Limited ("Poly Culture") (note h)	The People's Republic of China	40,000	0.02%	1,577	(219)	1,358	472	-	N/A



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes:

A brief description of the business and financial information of the listed investee companies, based on their latest published annual report are as follows:

- (a) HWL is principally engaged in ports and related services, telecommunication, property and hotels, retail and manufacturing, and energy and infrastructure. The audited consolidated profit attributable to shareholders of HWL for the year ended 31 December 2013 was approximately HK\$31,112 million (Restated 2012: approximately HK\$25,897 million). At 31 December 2013, the audited consolidated net assets value of HWL was approximately HK\$476,232 million (Restated 2012: approximately HK\$438,541 million).
- (b) Beijing Jingcheng is principally engaged in development of cryogenic containers for storage, compressors and accessories, machinery equipment and electrical equipment, technical consultancy and services, import and export of commodities and technology and acting as import and export agency. The audited consolidated loss attributable to shareholders of Beijing Jingcheng for the year ended 31 December 2013 was approximately RMB108 million (2012: loss of approximately RMB124 million). At 31 December 2013, the audited consolidated net assets value of Beijing Jingcheng was approximately RMB1,164 million (2012: approximately RMB1,612 million).
- (c) Ciam Group is principally engaged in direct investments, including financing, securities trading and asset investment. The audited consolidated loss attributable to shareholders of Ciam Group for the year ended 31 December 2013 was approximately HK\$22 million (2012: loss of approximately HK\$15 million). At 31 December 2013, the audited consolidated net assets value of Ciam Group was approximately HK\$1,337 million (2012: approximately HK\$550 million).
- (d) Century Sunshine is principally engaged in the production of magnesium product and ecological fertiliser. The audited consolidated profit attributable to shareholders of Century Sunshine for the year ended 31 December 2013 was approximately HK\$230 million (2012: approximately HK\$130 million). At 31 December 2013, the audited consolidated net assets value of Century Sunshine was approximately HK\$2,153 million (2012: approximately HK\$1,770 million).
- (e) Inspur International is principally engaged in software development and provision of outsourcing software services. The audited consolidated profit attributable to shareholders of Inspur for the year ended 31 December 2013 was approximately HK\$118 million (2012: loss of approximately HK\$93 million). At 31 December 2013, the audited consolidated net assets value of Inspur International was approximately HK\$1,942 million (2012: approximately HK\$1,705 million).



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes: (Continued)

- (f) Baiyunshan Pharmaceutical is principally engaged in the research and development, manufacturing and sales of Chinese and western patent medicine, chemical active pharmaceutical ingredients (API), natural medicine, biological medicine and chemical API intermediates, wholesale, retail and import and export of pharmaceutical products and medical apparatus, and research and development, production and sales of great health products. The audited consolidated profit attributable to shareholders of Baiyunshan Pharmaceutical for the year ended 31 December 2013 was approximately RMB980 million (2012: approximately RMB729 million). At 31 December 2013, the audited consolidated net assets value of Baiyunshan Pharmaceutical was approximately RMB12,249 million (Restated 2012: approximately RMB9,394 million).
- (g) China Cinda is principally engaged in distressed asset management, financial investment, asset management and financial services. The audited consolidated profit attributable to shareholders of China Cinda for the year ended 31 December 2013 was approximately RMB9 million (2012: approximately RMB7 million). At 31 December 2013, the audited consolidated net assets value of China Cinda was approximately RMB83 million (2012: approximately RMB61 million).
- (h) Poly Culture is principally engaged in art business and auction, performance and theatre management and cinema investment and management. The audited consolidated profit attributable to shareholders of Poly Culture for the year ended 31 December 2013 was approximately RMB275 million (2012: approximately RMB242 million). At 31 December 2013, the audited consolidated net assets value of Poly Culture was approximately RMB1,534 million (2012: approximately RMB1,399 million).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Details of listed equity investments as at 31 March 2013 are as follows:

Name of investee company	Place of incorporation	Number of share held	Percentage of interest held	Cost HK\$'000	Accumulated unrealised gain/(loss) HK\$'000	Market value HK\$'000	Net assets	Dividend	Dividend cover
							attributable to the investments HK\$'000	received during the year HK\$'000	
China Everbright Limited ("China Everbright") (note i)	Hong Kong	100,000	Less than 0.01%	1,453	(221)	1,232	1,741	-	0.39
China Mobile Limited ("China Mobile") (note j)	Hong Kong	17,000	Less than 0.01%	1,443	(46)	1,397	755	-	0.43
China Pacific Insurance (Group) Company Limited ("China Pacific") (note k)	The People's Republic of China	20,000	Less than 0.01%	598	(87)	511	265	-	0.59
HSBC Holding plc. ("HSBC") (note l)	England	14,000	Less than 0.01%	1,194	(46)	1,148	1,082	27	0.61
Hutchison Whampoa Limited ("HWL") (note m)	Hong Kong	9,000	Less than 0.01%	749	(21)	728	926	-	0.34
Kingway Brewery Holdings Limited ("Kingway") (note n)	Bermuda	350,000	0.02%	1,286	(215)	1,071	604	-	N/A
Lianhua Supermarket Holding Company Limited ("Lianhua") (note o)	The People's Republic of China	80,000	Less than 0.01%	629	(134)	495	332	-	0.5



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Name of investee company	Place of incorporation	Number of share held	Percentage of interest held	Cost HK\$'000	Accumulated unrealised gain/(loss) HK\$'000	Market value HK\$'000	Net assets attributable to the investments HK\$'000	Dividend received during the year HK\$'000	Dividend cover
Longfor Properties Company Limited ("Longfor") (note p)	Cayman Islands	100,000	Less than 0.01%	1,396	(112)	1,284	739	-	0.17
Northeast Electric Development Company Limited ("Northeast Electric") (note q)	The People's Republic of China	232,000	0.03%	242	6	248	89	-	0.00
Tencent Holdings Limited ("Tencent") (note r)	Cayman Islands	21,000	Less than 0.01%	5,715	(533)	5,182	592	-	0.12

Notes:

A brief description of the business and financial information of the listed investee companies, based on their latest published annual report are as follows:

- (i) China Everbright is principally engaged in investment activities and the provision of financial services. The audited consolidated profit attributable to shareholders of China Everbright for the year ended 31 December 2012 was approximately HK\$1,142 million. At 31 December 2012, the audited consolidated net assets value of China Everbright was approximately HK\$29,956 million.
- (j) China Mobile is principally engaged in the provision of mobile telecommunications and related services in Mainland China and in Hong Kong. The audited consolidated profit attributable to shareholders of China Mobile for the year ended 31 December 2012 was approximately RMB129,274 million. At 31 December 2012, the audited consolidated net assets value of China Mobile was approximately RMB725,309 million.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes: (Continued)

- (k) China Pacific is principally engaged in property and casualty businesses, life insurance businesses, pension and annuity business, as well as asset management. The audited consolidated profit attributable to shareholders of China Pacific for the year ended 31 December 2012 was approximately RMB5,077 million. At 31 December 2012, the audited consolidated net assets value of China Pacific was approximately RMB97,569 million.
- (l) HSBC is principally engaged in the provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. The audited consolidated profit attributable to shareholders of HSBC for the year ended 31 December 2012 was approximately USD14,027 million. At 31 December 2012, the audited consolidated net assets value of HSBC was approximately USD183,129 million.
- (m) HWL is principally engaged in ports and related services, telecommunication, property and hotels, retail and manufacturing, and energy and infrastructure. The audited consolidated profit attributable to shareholders of HWL for the year ended 31 December 2012 was approximately HK\$26,128 million. At 31 December 2012, the audited consolidated net assets value of HWL was approximately HK\$438,592 million.
- (n) Kingway is principally engaged in the production, distribution and sale of beer. The audited consolidated loss attributable to the shareholders of Kingway for the year ended 31 December 2012 was approximately HK\$168 million. At 31 December 2012, the audited consolidated net assets value of Kingway was approximately HK\$2,952 million.
- (o) Lianhua is principally engaged in the operation of chain stores including supermarkets, hypermarkets and convenience stores primarily in the eastern region of the PRC. The audited consolidated profit attributable to the shareholders of Lianhua for the year ended 31 December 2012 was approximately RMB340 million. At 31 December 2012, the audited consolidated net assets value of Lianhua was approximately RMB3,769 million.
- (p) Longfor is principally engaged in the property development, property investment and property management businesses in China. The audited consolidated profit attributable to the shareholders of Longfor for the year ended 31 December 2012 was approximately RMB6,301 million. At 31 December 2012, the audited consolidated net assets value of Longfor was approximately RMB32,577 million.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes: (Continued)

- (q) Northeast Electric is principally engaged in the mechanical and electrical equipment manufacturing industry. The audited consolidated profit attributable to the shareholders of Northeast Electric for the year ended 31 December 2012 was approximately RMB11 million. At 31 December 2012, the audited consolidated net assets value of Northeast Electric was approximately RMB291 million.
- (r) Tencent is principally engaged in the provision of Internet value-added services, mobile and telecommunications value-added services, online advertising services and e-Commerce transactions services to user in the People's Republic of China. The audited consolidated profit attributable to the shareholders of Tencent for the year ended 31 December 2012 was approximately RMB12,732 million. At 31 December 2012, the audited consolidated net assets value of Tencent was approximately RMB42,148 million.

22. INVESTMENTS

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Group discloses its list of all investments with a value greater than 5 per cent of the Group's gross assets and at least the 10 largest investments as at 31 March 2014 and 2013 respectively as follows:

At 31 March 2014

Name of investee companies	Cost HK\$'000	Fair value HK\$'000	Dividend/ Interest received HK\$'000	Dividend cover
IGOSEATING Limited (note 19(g))	50,000	54,657	400	N/A
Yuet Join Industrial Limited (note 19(h))	50,000	51,452	2,637	N/A
Yiu Tec Metal Engineering Limited (note 19(i))	50,000	52,822	432	N/A
Plexson Limited (note 19(b))	45,000	39,564	–	–
Full Ever Industrial Company Limited (note 19(j))	35,000	35,297	537	N/A
Forest Investment Company Limited (note 19(a))	34,800	36,300	–	–
Hidili Industry International Development Limited (note 19(d))	18,720	14,274	2,174	N/A
Hutchison Whampoa Limited (note 21(a))	3,175	3,081	14	0.32
China Cinda Asset Management Company Limited (note 21(g))	2,236	2,200	–	N/A
Poly Culture Group Corporation Limited (note 21(h))	1,577	1,358	–	N/A

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

22. INVESTMENTS (Continued)

At 31 March 2013

Name of investee companies	Cost HK\$'000	Fair value HK\$'000	Dividend/ Interest received HK\$'000	Dividend cover
Double Sky Holding Limited	80,000	80,048	400	N/A
IGOSeating Limited	50,000	52,818	–	N/A
Yuet Join Industrial Limited	50,000	52,230	–	N/A
Plexson Limited	45,000	44,567	–	–
Forest Investment Company Limited	34,800	37,352	–	–
Hidili Industry International Development Limited	18,720	17,164	–	N/A
Winsway Coking Coal Holdings Limited	8,214	8,112	–	N/A
Tencent Holdings Limited	5,715	5,182	–	0.12
China Mobile Limited	1,443	1,397	–	0.43
Longfor Properties Company Limited	1,396	1,284	–	0.17



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group		The Company	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Interest receivable from debt securities	2,208	1,523	–	–
Other receivables	61,400	91,400	–	–
Deposits paid	704	2,258	704	2,258
Financial assets	64,312	95,181	704	2,258
Prepayments	152	177	–	177
	64,464	95,358	704	2,435

Other receivables represent the consideration receivable arising from the disposal of an available-for-sale financial asset, 21.66% equity interest of Ka Hang Development Limited. This was secured by a forestry ownership certificate owned by an independent third party, of which the forest is located at Mashi Village, Shixing Country, PRC, covering an area of approximately 3,506 acres of land, and personally guaranteed by three other independent third parties. As at the date of this report, settlement of approximately HK\$5,000,000 was made by Ka Hang Development Limited.

24. AMOUNTS DUE FROM SUBSIDIARIES

	2014 HK\$'000	2013 HK\$'000
Amounts due from subsidiaries	469,506	487,631
Less: Impairment	(79,494)	–
	390,012	487,631

The amounts due from subsidiaries are unsecured, interest-free and recoverable on demand.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

25. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	47,997	50,260	43,709	35,490
Deposits at other financial institution	11,272	43,022	–	–
	59,269	93,282	43,709	35,490

Included in cash and cash equivalents are approximately HK\$8,562,000 (2013: HK\$30,388,000) and HK\$15,087,000 (2013: HK\$24,917,000) and which are denominated in USD and RMB respectively, a currency other than the functional currency of the relevant group entity.

The effective interest rate of the deposits range from 0.01% to 0.5% (2013: 0.01% – 0.5%) per annum and all of them have a maturity within three months from initial inception.

26. AMOUNTS DUE TO SUBSIDIARIES

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

27. SHARE CAPITAL

	2014	2013
	HK\$'000	HK\$'000
<i>Authorised:</i>		
6,000,000,000 ordinary shares of HK\$0.20 each	1,200,000	1,200,000
<i>Issued and fully paid:</i>		
581,580,000 ordinary shares of HK\$0.20 each	116,316	116,316

28. SHARE OPTION SCHEME

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 29 August 2013 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company.

No share options were granted, lapsed or cancelled during the year ended 31 March 2014.

The exercise price is determined by the Board of Directors, and will not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

29. RESERVE**The Group**

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

The Company

	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2012	486,186	(60,848)	425,338
Loss and total comprehensive expenses for the year	—	(19,864)	(19,864)
At 31 March 2013 and 1 April 2013	486,186	(80,712)	405,474
Loss and total comprehensive expenses for the year	—	(91,724)	(91,724)
At 31 March 2014	486,186	(172,436)	313,750

30. NET ASSETS VALUE PER SHARE

Net assets value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$448,503,000 (2013: approximately HK\$546,098,000) by the number of shares in issue at 31 March 2014, being 581,580,000 (2013: 581,580,000).

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

31. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2014 and 2013, the Group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

	2014	2013
	HK\$'000	HK\$'000
Investment manager's fee paid to:		
Success Talent Investments Limited (note a)	–	2,000
China Everbright Securities (HK) Limited (note b)	960	387
	960	2,387
Broker fee paid to:		
China Everbright Securities (HK) Limited	1,350	570

Note:

- (a) The Company entered into an investment management agreement ("Previous Agreement") with Success Talent Investments Limited from 18 January 2011 to 31 May 2011 and renewed the Previous Agreement on 27 May 2011 for a period from 1 June 2011 to 31 March 2014 with effect from 1 June 2011. Success Talent Investments Limited was entitled to receive an investment management fee on a monthly basis at HK\$250,000. On 28 September 2012, the Company sent a written confirmation notice to Success Talent to terminate the Previous Agreement with effect from 30 November 2012.
- (b) The Company has entered into an investment management agreement ("Existing Agreement") with China Everbright Securities (HK) Limited ("EBSHK") on 6 November 2012, pursuant to which EBSHK agreed to provide investment management services to the Company for a period of three years from 6 November 2012.

EBSHK shall be deemed as a connected person of the Company pursuant to Rule 21.13 of the Listing Rules upon the Existing Agreement becoming effective. The maximum aggregate fee to be payable by the Company to EBSHK shall not exceed HK\$960,000 per annum.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

31. RELATED PARTY TRANSACTIONS (Continued)

Remuneration for key management personnel, including amounts paid to the Company's directors is as follows:

	2014 HK\$'000	2013 HK\$'000
Directors' fee	730	870

32. RETIREMENT BENEFITS SCHEME

The Group has participated in a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. Under the scheme, each of the Group (the employer) and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Scheme Ordinance. The contributions from each of the employer and employees are subject to a maximum contribution of HK\$1,250 per month and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contributions payable in the future years.

The total contributions charged to the consolidated statement of profit or loss for the year ended 31 March 2014 amounted to HK\$95,000 (2013: HK\$79,000), representing contributions payable to the Scheme by the Group in respect of the year ended 31 March 2014.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 March 2014

33. DISPOSAL OF SUBSIDIARIES

	2013 HK\$'000
Net assets disposed of:	
Available-for-sale financial assets	112,000
Cash and bank balances	1
Prepayments and other receivables	150
Accruals and other payables	(150)
	112,001
Loss on disposal	(1)
	112,000
Satisfied by cash	112,000

An analysis of the net cash and cash equivalent inflow in respect of the disposal of subsidiaries is as follows:

	2013 HK\$'000
Cash consideration	112,000
Cash and bank balances disposed of	(1)
	111,999
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	111,999

34. COMMITMENTS

At the end of reporting period, the Group had minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	2,320	3,400
More than one year but not exceeding five years	2,052	5,622
More than five years	–	820
	4,372	9,842



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. EVENTS AFTER THE REPORTING PERIOD

- (a) On 31 March 2014, World Fame Investment Limited (“World Fame”), a wholly-owned subsidiary of the Company, as the plaintiff filed legal proceedings against Double Sky Holdings Limited, Mr. Ying, 廣東愷撒威登食品科技有限公司 (Guangdong Kaisa Weideng Food Technology Company Limited) and 中山市樂邦巧克力食品有限公司 (Zhongshan Shi Lebang Chocolate Products Company Limited) as joint defendants to 佛山市中級人民法院 (Foshan Municipal Intermediate People’s Court) (the “Court”) for breach of a convertible bond subscription agreement dated 12 December 2011 (as supplemented by supplemental agreements dated 8 June 2012 and 27 September 2013 respectively). World Fame demanded immediate repayment of the total default sum of HK\$80,891,163 plus interest accrued from 31 March 2014 to the date of fully settlement of such amount. On 28 April 2014, upon application of World Fame, the Court took relevant preservation measures to seal up available/known assets of the joint defendants.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 28 April 2014.

- (b) On 6 June 2014, the Company received a High Court action issued on 5 June 2014 wherein Mr. Zhou Weiquan, a non-executive directors (duties, rights and position suspended from 4 June 2014) claims against the Company and other directors for inspection of documents and for obtaining copies of those documents from the Company.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 6 June 2014.

- (c) On 9 June 2014, the Company proposed issue of share by way of open offer of 290,790,000 ordinary share of HK\$0.20 each at a subscription price of HK\$0.20 per share on 9 June 2014 (the “Open Offer”). If the Open Offer completed, the issued share capital will be increased from approximately HK\$116,316,000 to HK\$174,474,000. These new shares rank pari passu in all respect with existing shares. Details of the Open Offers have been disclosed in the announcement dated on 9 June 2014. The net proceeds to be raised from the Open Offer will amount to approximately HK\$56,600,000 which will be used for future investments opportunities of the Group and general working capital of the Group.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. EVENTS AFTER THE REPORTING PERIOD (Continued)

- (d) On 16 June 2014, the Company received a letter with a sealed copy of an originating summons (the “1st Originating Summons”) issued on 12 June 2014 by Mr. Wei Zhuofu (the “Applicant”) in the Court of First Instance of the High Court of Hong Kong against (i) the Company as 1st defendant; and (ii) six Directors, namely, Mr. Chan Cheong Yee, Mr. Liao Jintian, Mr. Zhou Han Jie, Mr. Ha Tak Kong, Mr. Leung Kwong Kin and Mr. Tsang Hin Man Terrence as 2nd to 7th defendants, seeking a permanent injunction restraining the Company from proceeding with the Open Offer to existing Qualifying Shareholders of the Company. The Applicant alleged in the 1st Originating Summons that (i) the Open Offer constitutes a breach of directors’ fiduciary duty and duty of care and skill to the Company; and (ii) the Open Offer is made for improper purposes including the dilution of the Applicant’s shareholding in the Company. Hearing for the injunction application is scheduled on 11 July 2014.

On 17 June 2014, the Company received a letter with a copy of an interlocutory injunction (the “Interlocutory Application”) issued on 17 June 2014 by the Applicant in the Court against (i) the Company as 1st defendant; and (ii) six directors, namely, Mr. Chan Cheong Yee, Mr. Liao Jintian, Mr. Zhou Han Jie, Mr. Ha Tak Kong, Mr. Leung Kwong Kin and Mr. Tsang Hin Man Terrence as 2nd to 7th defendants, seeking an interlocutory injunction restraining the Company from proceeding with the Open Offer to existing Qualifying Shareholders of the Company. The Applicant alleged in the Injunction Application that the Open Offer is made for improper purposes including the dilution of the Applicant’s shareholding in the Company. The legal counsels of the Company attended the hearing for the Interlocutory Application on 19 June 2014. The Applicant’s case was dismissed by the High Court of Hong Kong and costs of the proceedings were awarded to all defendants.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 16 June 2014, 17 June 2014 and 19 June 2014 respectively.

- (e) On 25 June 2014, the Company received a letter with a sealed copy of an originating summons (the “2nd Originating Summons”) issued on 25 June 2014 by Mr. Zhou Wei-quan (the “Plaintiff”) in the Court of First Instance of the High Court of Hong Kong against (i) the Company as 1st defendant; and (ii) six directors as 2nd to 7th defendants, seeking the declaration of the suspension and/or removal of the Plaintiff as a director of Company is invalid, and the hearing is scheduled on 16 October 2014.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 25 June 2014.



FIVE YEARS FINANCIAL SUMMARY

Year ended 31 March 2014

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15 Summary
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	Year ended 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000
RESULTS					
Revenue	8,319	7,610	5,411	188	123
(Loss)/Profit before tax	(93,408)	(14,595)	610	(8,319)	(4,796)
Income tax expenses	(154)	(169)	(250)	–	–
(Loss)/Profit attributable to shareholders of the Company	(93,562)	(14,764)	360	(8,319)	(4,796)
(Loss)/Earnings per share – Basic and diluted (HK cents)	(16.09)	(2.54)	0.07	(9.95)	(6.97)

	At 31 March				
	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000 (Restated)	2011 HK\$'000	2010 HK\$'000
ASSETS AND LIABILITIES					
Non-current assets	302,044	310,061	473,706	652	22
Current assets	147,205	237,044	72,401	11,558	9,098
Current liabilities	(746)	(1,007)	(1,915)	(160)	(4,628)
Non-current liabilities	–	–	–	(16,000)	(8,132)
Shareholders' fund/ (Capital deficiency)	448,503	546,098	544,192	(3,950)	(3,640)