China Environmental Energy Investment Limited

中國環保能源投資有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 986)

Sustainability

through Resource Recycling

ANNUAL REPORT | 2014

*For identification purposes only

Contents

Corporate Information

Executive Directors

Ms. Chen Tong *(Chairman and Chief Executive Officer)*
Ms. Chan Ching Ho, Kitty
Mr. Xiang Liang
Ms. Li Lin

Non-executive Directors

Ms. Yao Zhengwei
Mr. Wang Zhenghua
Mr. Liang Jian Hua (Resigned on 20 January 2014)

Independent Non-executive Directors

Mr. Ong King Keung
Mr. Tse Kwong Chan
Ms. Zhou Jue
Ms. Kwok Wing Kiu (Resigned on 20 January 2014)

Company Secretary

Mr. Leung Chi Wing, Billy (Appointed on 20 January 2014)
Ms. Tam Hang Yin (Resigned on 20 January 2014)

Audit Committee

Mr. Ong King Keung *(Chairman)*
Mr. Tse Kwong Chan
Ms. Zhou Jue

Remuneration Committee

Mr. Tse Kwong Chan *(Chairman)*
Ms. Chan Ching Ho, Kitty
Ms. Zhou Jue

Nomination Committee

Mr. Ong King Keung *(Chairman)*
Mr. Tse Kwong Chan
Ms. Chan Ching Ho, Kitty

Auditor

CCTH CPA Limited
Certified Public Accountants
Unit 5-6, 7/F, Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsim Sha Tsui
Kowloon
Hong Kong

Legal Advisor

Li, Wong, Lam & W.I. Cheung
22/F, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Room 2211, 22/F, Lippo Centre
Tower Two, 89 Queensway
Hong Kong

Principal Bankers

DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China Limited
Wing Lung Bank Ltd.

Principal Share Registrar and Transfer Office

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Website

http://www.986.com.hk

Stock Code

986

Chairman's Statement and Management Discussion & Analysis

I would like to report to the shareholders the annual report of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014.

BUSINESS REVIEW AND PROSPECTS

On 28 March 2013, the Company has entered into a sale and purchase agreement to dispose of the entire equity interests in Nam Hing (B.V.I.) Limited and its subsidiaries (altogether the "Disposed Group"), mainly engaged in trading and manufacturing of printed circuit boards and trading of industrial laminates (the "Disposal"). The Disposal was completed on 10 April 2013. The principal activities of the Group become recycling of waste paper, scrap metal and consumable wastes subsequent to the completion of the Disposal.

The turnover of the Group from continuing operations for the year ended 31 March 2014 was HK$59,808,000, representing a 39.98% decrease as compared with HK$99,655,000 of the previous year. Gross profit from continuing operations was RMB4,262,166 equivalent to HK$5,404,000 (2013: RMB952,000 equivalent to HK$1,181,000) and gross margin was 9.04% (2013: 1.19%). The increase in gross profit was attributable to the written down of inventories amounted to HK$5,937,000 in the previous year and the increase in sale price of the recycling paper. Operating loss from continuing operations after tax of the Group was HK$1,449,697,000 which included a loss of HK$1,202,602,000 on change in fair value of financial liabilities designated at fair value through profit or loss caused by significant increases in the Company's share price as at dates of conversion of convertible notes as compared to share price at beginning of the year (2013: loss of HK$40,583,000) and impairment loss of HK$17,257,000 on investment in electric car battery business (2013: HK$47,616,000), impairment loss of HK$133,162,000 on goodwill arising from acquisition of recycling business (2013: HK$203,849,000) and impairment loss recognised in respect of other receivables amounting to HK$46,059,000 (2013: HK$35,555,000). The above said impairment loss recognised in respect of receivables included an amount of HK$35,515,000 belonged a party who has an outstanding amount of RMB42,452,719 due to a subsidiary, Suzhou Baina Renewable Resources Co., Ltd, as at 31 March 2014 which is secured by the pledge of 13.3% equity interests in Ideal Market Holdings Limited, a subsidiary of the Company, held by a minority shareholder. Due to the reduction of the underlying value of recycling business, the said outstanding amount could not be fully covered by the security of pledge of shares and then be impaired.

Selling, distribution expenses and administrative expenses from continuing operations were HK$28,957,000 (2013: HK$41,214,000). The decrease in the expenses was attributable to the reduction of transportation costs and professional fees in the current year.

Recycling business

Since the Company's acquisition of its recycling business, the turnover of recycling business decreased year by year and fell short of the forecast made at 31 March 2012. This deteriorating performance was attributable to (i) excess production in the paper manufacturing industry; (ii) doldrums of paper manufacturing business due to the slowdown of the People's Republic of China ("PRC") national marco economic; and (iii) international protectionism, for example, countervailing and anti-dumping, against the development of recycling paper business in the PRC. The continuous rise in the costs of raw materials, minimum wage rate and manufacturing overheads have a serious impact on the Group's business performance.

Pursuant to the sale and purchase agreement dated 9 May 2011, the Company acquired all indebtedness, obligations and liabilities due, owing or incurred by Ideal Market Holdings Limited ("Ideal Market") and its subsidiaries and shares of 80% of the issued share capital of Ideal Market (the "Acquisition"). Ideal Market indirectly holds Suzhou Baina Renewable Resources Co., Ltd, which is principally engaged in the recycling business of waste paper, scrap metal and consumable wastes. The vendors of the Acquisition have provided the Company with the profit guarantee, such that the actual amount of net profits after taxation of Ideal Market group for the period from 1 April 2011 to 31 March 2012, as shown in the accountants' reports of Ideal Market group prepared in accordance with HKFRSs, shall not be less than RMB55 million (the "Profit Guarantee"). On 22 February 2013, the board of directors of the Company (the "Board") announced that from the audited consolidated financial statements of Ideal Market group for the year ended 31 March 2012, the net profit after taxation for the 12-month period ended 31 March 2012 was RMB11,239,190, which was less than the Profit Guarantee. A total audited shortfall of RMB43,760,810 was noted. As such, in May 2013, the Company repurchased at HK$1 the contingency note with a principal amount of HK$41,373,857, being part of the consideration of the Acquisition; and the remaining balance of the contingency note with a principal amount of HK$10,626,143, being another part of the consideration of the Acquisition, has been released to the vendors. The consideration of the Acquisition after adjustment as a result of the shortfall of the Profit Guarantee was approximately HK$808.6 million.

For the year ended 31 March 2014, the Company recognized an impairment loss on goodwill of HK$133 million for the recycling business (the "Impairment Loss"), representing 9.36% of the Company's net loss. Based on the market research conducted by the Company, due to a gradual upward trend in price of imported waste paper, China's import of waste paper decreased by 2.8% in 2013 than that in previous year. Imported waste paper as a proportion of total waste paper consumption has been declining as well, primarily because of the hike in prices of imported waste paper. The Company forecasted that the demand for recycle paper might not be as robust as expected when compared to valuation as at 31 March 2013. Also, the financial performance of recycling paper business for the year ended 31 March 2014 was not as good as estimated. As a consequence, the valuation assumptions and the cash flow projection have been adjusted to reflect a more conservative expectation of the Company, leading to the Impairment Loss.

Based on the historical performance and high operating costs of Ideal Market, as well as the Company's experience in the recycling industry, the management of the Company was of the view that the recycling business of Ideal Market would be eliminated by other market players and new entrants. The intense competition would probably decrease the Company's margin and market share in this business, and it is foreseeable that there would be numerous uncertainties regarding the prospect of the business after 20 years. To take a conservative basis for the annual impairment test assessment as at 31 March 2014, the Company assumed that the recycling business of Ideal Market could continue for 20 years in the financial projection, rather than continues perpetually, and believed that such assumption was fair and reasonable. Moreover, due to significant decrease in actual revenue for the years ended 31 March 2012 to 31 March 2014, financial forecast for the year ending 31 December 2014, as the initial year of the projection, has been adjusted downwards.

The Impairment Loss for the year ended 31 March 2014 is calculated based on the recoverable amount of the cash-generating units of the recycling business undertaken by Ideal Market. The recoverable amount has been determined based on a value in use calculation with reference to the business valuation performed by valuer which is independent from the Group. That calculation uses cash flow projection based on financial budgets approved by the directors covering a twenty-year period, with growth rates of 15% per annum for the first year, 18% per annum for the second year, 20% per annum for the third to tenth years, 15% per annum for the eleventh to fourteenth years, 10% per annum for the fifteenth to seventeenth years and 3% per annum for the remaining three years, and at a discount rate of 15.42% in considering the economic conditions of the market.

The valuation of the recycling business for the year ended 31 March 2014 was conducted by discounted cash flow ("DCF") method, which is the same as that for the years ended 31 March 2012 and 31 March 2013. The Company believes that the drop in valuation is caused by, among others, intense competition with new entrants, a decreased demand and consumption of waste paper, and actual financial performance of the Group.

Electric car battery business

On 16 July 2010, the Company entered into an agreement pursuant to which the Company conditionally agreed to acquire 9.9% of the issued share capital of Swift Profit International Limited ("Swift Profit") at a consideration of HK$170,000,000. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles. Swift Profit is a company incorporated in the British Virgin Islands with limited liability. Swift Profit directly holds 100% of the equity interest in Well Dragon (China) Limited, a company incorporated in Hong Kong and which in turn holds 100% of the equity interest in 象山佳龍能源科技有限公司, a wholly foreign owned enterprise established under the laws of the PRC and is principally engaged in the business of sub-licensing the patent to other factories for the manufacturing of the multi-element polymer batteries for electric vehicles in the PRC.

The Board used its best endeavor to source new projects with such potential to increase the Group's profitability and believed that the business of manufacturing electric vehicles has ample growth opportunities due to (i) limited oil supply but with increasing worldwide demand; and (ii) support from government policy, e.g. US government. In order to capture the growth in the manufacturing of electric vehicles, the Company tried to obtain the technology of the production of battery.

Under the business model of Swift Profit, 象山佳龍能源科技有限公司 received a royalty fee of 12% from the manufacturer of multi-element polymer batteries namely Zhongsheng Dongli New Energy Investment Limited ("Zhongsheng") on sale of multi-element polymer batteries to the market without bearing any production cost or capital expenditure. Zhongsheng has generated revenue of approximately HK$21 million in the first quarter of 2011. The Board was of the view that the electric car battery business would be developed into a sustainable income source for the Group as at the year ended 31 March 2011.

For the year ended 31 March 2012, due to the change in industry environment and prospect related to electric cars and batteries for electric cars, as well as the increase in costs of operation and there have been negative incidents, which raised consumers' concerns about the quality, safety and potential problems on electric cars and batteries for electric cars, affecting both domestic and global market and demand for electric cars. In March 2012, A123 Systems Inc., an United States-based developer and manufacturer of advanced lithium iron phosphate batteries, discovered a problem in certain prismatic cells at its Livonia facility and announced it would replace the faulty batteries shipped to five customers, including Fisker Automotive. In addition, an e6 battery-electric car produced by China's best-known electric car manufacturer, the Shenzhen-based BYD, was involved in a fatal car fire accident. Despite the BYD's electric car technology has been found to be safe, the incident put consumers on doubts that fire may have been caused by the batteries exploding or the leaking of electrolyte liquid. On the other hand, due to the inflation in China, there has been an increase in costs of raw materials, labor and manufacturing overheads in the production of electric car batteries. All these have negative impacts on the profit margin and affect the performance of the electric car battery business.

Because the market demand continued to be weaken and the increasing costs of raw materials, labor and manufacturing overheads, as informed by the management of Zhongsheng, Zhongsheng has temporarily stopped the production of multi-element polymer batteries and waiting for the improvement of quality, safety and durability of the multi-element polymer batteries by Swift Profit.

The carrying value of the business was reduced by HK$44,888,000 to HK$128,000,000 as at 31 March 2012 by reference to a business valuation as valued by a professional valuer.

For the year ended 31 March 2013, safety on electric cars and batteries for electric cars was still a concern for consumers, the competition in electric car market in China became fiercer, excessive production in the market then pushed the prices of both electric cars and batteries for electric cars down. The Company forecasted that the demand for electric car batteries might not be as robust as expected, such that the growth of the business might be restrained. Moreover, as Swift Profit had not yet been certified as advanced and new technology enterprise, preferential tax rate in China was not obtained. Then carrying value of the business was further reduced by HK$47,616,000 to HK$82,081,000 as at 31 March 2013 by reference to a business valuation as valued by a professional valuer.

Zhongsheng has remained suspension of the production of multi-element polymer batteries. Swift Profit had intended to improve the batteries with high safety battery set design, high insulation-resistant, protection of over recharging, good battery voltage and temperature control, higher battery efficiency and longer life and would launch new products into the market in the fourth quarter of 2013.

Due to delay of the launch of new products into the market by Swift Profit, the carrying value of the business was reduced by HK$16,081,000 to HK$66,000,000 as at 30 September 2013 by reference to a business valuation as valued by a professional valuer.

On 4 June 2014, the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Lucky East International Limited (the "Purchaser"), pursuant to which the Purchaser has agreed to acquire and the Company has agreed to sell the sale shares of 9.9% of the entire issued share capital of Swift Profit, at a consideration of HK$66,000,000 which shall be settled by three instalments ("Disposal of Swift Profit"). The first instalment in the sum of HK$3,300,000 was paid within 7 days after date of signing the Sale and Purchase Agreement; the second instalment in the sum of HK$3,300,000 shall be paid on 30 June 2014; and the third instalment in the sum of HK$59,400,000 shall be paid on the first business day following the fulfillment of the condition or on or before 31 December 2014 (or such other dates as the Company and the Purchaser may agree in writing).

Given an intense competition in the industry environment and a less robust demand related to electric cars and batteries, the unsatisfactory performance of Swift Profit and continuing loss making by Swift Profit, the directors believe that it is in the interest of the Company as a whole to re-allocate the management and the Group's financial resources to strengthen remaining business of waste paper recycling after the completion of the Disposal of Swift Profit.

The Board intends to apply the net proceeds from the disposal of Swift Profit of approximately HK$65.9 million for the repayment of debts owed by the Company, working capital of the remaining Group and/or for financing future investment opportunities.

Printed circuit boards and industrial laminates business

As mentioned above, on 28 March 2013, the Company entered into a sale and purchase agreement to dispose of the Disposed Group to Nature Ample Limited at a consideration of HK$2,000,000. Given the unsatisfactory performance of the Disposed Group and continuing loss made by the Disposed Group, the directors believe that it was in the interest of the Company and the shareholders of the Company as a whole to reallocate the Group's financial resources and human resources to strengthen the remaining recycling business after completing the Disposal. The Group recorded a gain on the Disposal amounting to HK$25,946,000 for the year under view and the Board would utilize the net proceeds from the Disposal as general working capital of the Group. The Disposal was completed on 10 April 2013 and the Disposed Group has ceased to be the Company's subsidiaries thereafter.

Acquisition

On 20 January 2014, the Company entered into the sale and purchase agreement with Fortune Glow Limited pursuant to which the Company has conditionally agreed to acquire for and Fortune Glow Limited has conditionally agreed to dispose of the sales shares, representing 10% equity interest in Pure Power Holdings Limited which principally engaged in the exploration and exploitation of natural resources in the United States of America, for the consideration of HK$125,000,000 which was settled as to HK$123,200,000 by way of delivery of the promissory notes and as to HK$1,800,000 by way of delivery of the convertible bonds. The acquisition was completed on 29 April 2014.

Outlook

In view of the deteriorating performance of the remaining business of the Group, the Group has been exploring and pondering ways to strength the source of income and improve the financial position including but not limited to acquisition of 10% of the issued share capital of Pure Power Holdings Limited which principally engaged in the exploration and exploitation of natural resources in the United States of America on 29 April 2014 and acquisition of 9.9% of the issued share capital of Starfame Investment Limited which is principally engaged in wholesale and distribution products encompassing various aspects of production and livelihood on 20 May 2014.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group's total restricted bank deposits, cash and bank balances amounted to HK$22,370,000 (2013: HK$3,603,000). Total bank loans, other borrowings, unconvertible bond, financial liabilities designated at fair value through profit or loss and promissory notes payable amounted to HK$101,029,000 as at 31 March 2014 (2013: HK$301,864,000). The Group's gearing ratio, which is net debt divided by equity attributable to owners of the Group plus net debt, decreased from 0.68 as at 31 March 2013 to 0.49 as at 31 March 2014. Net debt included bank and other borrowings, trade and bills payable, other payables and accruals, promissory notes payable, unconvertible bonds, financial liabilities designated at fair value through profit or loss and obligation under finance leases less restricted bank deposits, cash and bank balances. As at 31 March 2014, the Group had a current ratio of 0.28 (2013: 0.26) and net current liabilities of HK$124,058,000 (2013: HK$270,604,000).

As at 31 March 2014, the outstanding amount due from the Company in form of promissory notes was HK$5,000,000 (2013: HK$122,000,000). During the year, an aggregate principal value of HK$117,000,000 of the promissory notes had been repaid.

As at 31 March 2014, the Company did not have any outstanding redeemable convertible notes due in November 2013 (2013: HK$58,000,000) and 8% coupon convertible notes due in April 2014 (2013: HK$95,000,000). During the year under review, due to the failure to meet the Profit Guarantee (details of the Profit Guarantee are set out in the Company's circular dated 23 September 2011) by Lucky Start Holdings Limited, All Prosper Group Limited, Triumph Return Holdings Limited and Jia Sheng Holdings Limited (the "Vendors"), the Company has repurchased at HK$1 from the Vendors with a principal amount of HK$41,373,857 redeemable convertible notes in May 2013. During the year ended 31 March 2014, an aggregate principal value of HK$10,626,143 redeemable convertible notes at the conversion price of HK$11.35 had been converted into 936,223 ordinary shares of HK$0.01 each and an aggregate principal value of HK$6,000,000 had been converted into 2,114,164 ordinary shares of HK$0.0025 each at the conversion price of HK$2.838.

During the year ended 31 March 2014, an aggregate principal value of HK$95,000,000 8% coupon convertible notes had been converted into 641,891,888 ordinary shares.

CAPITAL STRUCTURE

On 17 July 2013, the Company passed a shareholders' resolution to subdivide each existing issued and unissued share of par value of HK$0.01 in the share capital of the Company into four subdivided shares of par value of HK$0.0025 each.

On 22 August 2013, the Company entered into the subscription agreement with Ms. Yang Yunan ("Ms. Yang") pursuant to which Ms. Yang has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 12,800,000 new subdivided shares in cash at the subscription price of HK$1.13 per subscription share. The subscription was completed on 28 August 2013. The net proceeds, after deduction of relevant expenses, from the subscription are approximately HK$14.36 million. The Company utilized approximately HK$12 million of the net proceeds of the subscription for the repayment of debts owed by the Company and the balances for the working capital of the Group.

On 18 November 2013, the Company entered into the placing agreement with Emperor Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agree to place, on behalf of the Company, up to 83,563,934 placing shares, on a best efforts basis, to the placees at the placing price of HK$2.01 per placing shares. On 16 December 2013, the placing agent has placed 45,680,000 placing shares of the Company to not less than six placees. The gross proceeds received by the Company from the placing are approximately HK$91.82 million and the net proceeds after deducting the placing commission and other related expenses are approximately HK$89.75 million. The net proceeds are used for the repayment of debts owed by the Company and working capital of the Group.

On 4 February 2014, the Company passed a shareholders' resolution to subdivide each existing issued and unissued share of par value of HK$0.0025 in the share capital of the Company into five subdivided shares of par value of HK$0.0005 each.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong and Mainland China, with revenues and expenditures denominated in Renminbi. During the year, the Group did not enter into any derivative contracts aimed at minimizing exchange rate risks, but the Group will continue to review its foreign exchange exposure regularly and might consider using financial instruments to hedge against foreign exchange exposure at appropriate times.

EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the end of the reporting period:

(a) On 22 April 2014, the Company has given a written notice to the vendors to terminate the memorandum of understanding dated 22 October 2012 in respect of possible acquisition of Altman Investment Limited and its subsidiaries which principally engage in energy conservation and development of new energy.

(b) On 12 May 2014, the Company and Main Global Group Limited entered into the agreement pursuant to which Main Global Group Limited conditionally agreed to sell and the Company conditionally agreed to acquire the sale shares, representing 9.9% equity interest in Starfame Investments Limited which is principally engaged in wholesale and distribution products encompassing various aspect of production and livelihood, for a consideration of HK$30,000,000 which was settled by way of the issue of the Promissory Note. The acquisition was completed on 20 May 2014.

(c) On 27 May 2014, the Company entered into a placing agreement with the placing agent, Tanrich Securities Company Limited pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 180,000,000 new shares in the Company at the price of HK$0.107 per share. The placing was completed on 3 June 2014 and the Company issued 180,000,000 new shares for a consideration of HK$19,260,000 (before expenses).

(d) On 4 June 2014, the Company has entered into an agreement with a third party for the disposal of the Group's available-for-sale investment for a consideration of HK$66,000,000 which is payable by the purchaser in cash.

(e) On 19 June 2014, the Company entered into a loan agreement with a third party, under which a loan facility of HK$200,000,000 was granted to the Company. The loan is unsecured, carries interest at 20% per annum and is repayable on the business day falling on twelve months from the date of the first drawdown of any amount of the loan.

CONTINGENT LIABILITIES

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

CAPITAL COMMITMENTS

Except for the acquisition of 10% equity interest in Pure Power Holdings Limited as detailed in the section "Acquisition" above and contracted, but not provided for yacht of HK$4,000,000, the Group had no material capital commitments as at 31 March 2014 and 31 March 2013.

PLEDGE OF ASSETS

As at 31 March 2014, the 80% equity interest in a subsidiary, Ideal Market Holdings Limited, held by the Company was pledged to secure a loan of HK$68,000,000 granted to the Group (31 March 2013: no pledge of assets).

LITIGATION

The Company announced that a writ of summons (the "Writ") was issued in the Court of First Instance of the High Court of Hong Kong by First Federal Capital Limited ("FDCL") against the Company and it was served on the Company by FDCL's legal adviser on 8 July 2013. In the statement of claim under the Writ, FDCL claims as the holder in due course or, alternatively, the holder for value of a promissory note with principal amount of HK$5,000,000 issued by the Company (the "Promissory Note") and claims for the principal amount of HK$5,000,000 under the Promissory Note, together with interest and costs.

The Promissory Note was issued by the Company to All Prosper Group Limited (the "Note Holder") and was due on 31 January 2013. The Company has been in negotiation with the Note Holder for extension of the maturity date for the Promissory Note but as there has been dispute between the Note Holder with FDCL on the ownership of the Promissory Note, the negotiation for extension is pending. FDCL has through its legal adviser requested the Company to register a transfer of the Promissory Note from the Note Holder to FDCL but has not delivered all necessary documents as requested by the Company and as required under the terms and conditions of the Promissory Note. The Company considered that the registration of the transfer of the Promissory Note shall only be made upon strict compliance with the terms and conditions of the Promissory Note for the interest of the Company. The Company has made enquiry to the Note Holder on the transfer of the Promissory Note to FDCL and was informed that the Note Holder has all along been the registered holder of the Promissory Note and has not effected any transfer of the Promissory Note. The Company has instructed legal adviser to contest the claim and to handle all other legal issues arising with FDCL in connection with the dispute.

The Company will keep the shareholders of the Company and potential investors informed of any further material developments in connection with the above action by way of further announcement(s) as and when appropriate.

DIVIDEND

No dividend for the year ended 31 March 2014 (2013: nil) is recommended by the Board.

EMPLOYMENT, TRAINING AND REMUNERATION POLICY

During the year under review, the Group continued to strengthen its staff quality through staff development and training programmes. The Group had approximately 35 employees as at 31 March 2014 (2013: 230). Remunerations are commensurate with the nature of job, staff experience and market conditions.

APPRECIATION

On behalf of the Board, I would like to express my sincere appreciation to all management and staff for their diligence and continuing support.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong, 27 June 2014

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate governance in maintaining its corporate transparency and accountability. The Board sets appropriate policies and implements corporate governance practices in accordance with the needs of the Group's business.

The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the Board, during the year ended 31 March 2014, the Company has complied with the code provisions set out in the CG Code, except for the code provisions A.2.1, A.4.1 and E.1.2. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviations are summarized below.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and oversees the Group's business, strategic decisions and performances in the attainment of the objectives of ensuring effective functioning and growth of the Group and enhancing value to investors. All the directors carry out their duties in good faith and act in the interests of the Group.

All directors have timely access to all relevant information as well as the advices and services of the Company Secretary and senior management, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

A. THE BOARD (continued)

A1. Responsibilities and Delegation (continued)

The Executive Committee and the senior management are delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The Board comprises the following directors as at 31 March 2014:

Executive directors:

Ms. Chen Tong *(Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee)*
Ms. Chan Ching Ho, Kitty *(Member of the Executive Committee, the Remuneration Committee and the Nomination Committee)*
Mr. Xiang Liang *(Member of the Executive Committee)*
Ms. Li Lin *(Member of the Executive Committee)*

Non-executive directors:

Ms. Yao Zhengwei
Mr. Wang Zhenghua

Independent non-executive directors:

Mr. Ong King Keung *(Chairman of both the Audit Committee and the Nomination Committee)*
Mr. Tse Kwong Chan *(Chairman of the Remuneration Committee, Member of both the Audit Committee and the Nomination Committee)*
Ms. Zhou Jue *(Member of both the Audit Committee and the Remuneration Committee)*

Throughout the year ended 31 March 2014, the Board has met the requirements of Listing Rules 3.10 and 3.10A of having at least three independent non-executive directors (representing at least one third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

A. THE BOARD (continued)

A2. Board Composition (continued)

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. The independent non-executive directors bring different business and financial expertise, experiences and independent judgement to the Board and they are invited to serve on the Board committees of the Company. Through participating in Board meetings and taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

The Company also recognized and embraced the benefits of having a diverse Board to the quality of its performance. The Board will take into account a number of measurable objectives to achieve its diversity, including but not limited to gender, age, cultural and educational background, or professional experience. Such objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

The biographical details of the directors of the Company are set out under "Brief Biographical Details in respect of Directors" in this annual report. None of the members of the Board is related to one another.

The Company has received written annual confirmation from each independent non-executive director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in light of the independence guidelines set out in the Listing Rules.

A3. Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Ms. Chen Tong ("Ms. Chen") currently holds the positions of Chairman and Chief Executive Officer of the Company. Ms. Chen has extensive experience in management and over 30 years' business experience. The Board believes that it is in the interests of the Group to have an executive Chairman with in-depth management experiences to guide discussion among Board members on the Group's development and planning, as well as to execute business strategies of the Group.

A. THE BOARD (continued)

A3. Chairman and Chief Executive (continued)

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive in the same person will not impair the balance of power and authority between the Board and the management of the Company. All directors are experienced businessmen or professionals and they meet regularly to review the Group's performance. For decisions which may have significant effect on the Group's business, attendance of all directors in a Board meeting is secured as far as possible. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

A4. Appointment and Re-election of Directors

The procedures and process of appointment, re-election and removal of directors are laid down in the Company's Bye-laws (the "Bye-laws"). According to the Bye-laws, one-third of the directors for the time being (if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting provided that every director shall be subject to retirement at an annual general meeting at least once every three years. In addition, any new director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting after appointment. The retiring directors are eligible for re-election by the shareholders at the respective general meetings.

The code provision A.4.1 of the CG Code stipulates that non-executive directors of a listed issuer should be appointed for a specific term, subject to re-election. Mr. Ong King Keung is engaged for a term of 1 year, which is automatically renewable for successive term of one year upon the expiry of the then current term; whereas the other non-executive directors of the Company, namely Ms. Yao Zhengwei, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Ms. Zhou Jue, are not appointed for a specific term. However, all of the Company's non-executive directors are subject to retirement by rotation and re-election by shareholders at the annual general meeting pursuant to the Bye-laws provisions as mentioned above. Accordingly, the Board considers that the Company meets the objective of the code provision A.4.1.

At the forthcoming annual general meeting of the Company (the "2014 AGM"), Ms. Chan Ching Ho, Kitty, Ms. Yao Zhengwei and Ms. Zhou Jue shall retire by rotation. All of the above 3 retiring directors, being eligible, will offer themselves for re-election at the 2014 AGM. The Board and the Nomination Committee recommended the re-appointment of these retiring directors standing for re-election at the 2014 AGM. The Company's circular, sent together with this annual report, contains detailed information of these directors pursuant to the requirements of the Listing Rules.

A. THE BOARD (continued)

A5. Induction and Continuing Development for Directors

Each newly appointed director receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing directors are continually updated with legal and regulatory developments, and the business and market changes to refresh their knowledge and to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference.

During the year ended 31 March 2014, the directors have participated training as follows:

- All directors (being Ms. Chen Tong, Ms. Chan Ching Ho, Kitty, Mr. Xiang Liang, Ms. Li Lin, Ms. Yao Zhengwei, Mr. Wang Zhenghua, Mr. Ong King Keung, Mr. Tse Kwong Chan, Ms. Zhou Jue, Mr. Liang Jian Hua,and Ms. Kwok Wing Kiu) received regular briefings and updates from the Company Secretary on the Group's business, operations and corporate governance matters.

- Ms. Chen Tong, Ms. Chan Ching Ho, Kitty and Mr. Ong King Keung attended seminars, which are relevant to their duties and responsibilities, organized by professional firms/institutions.

- Ms. Chen Tong, Ms. Li Lin, Ms. Xiang Liang, Ms. Yao Zhengwei, Mr. Wang Zhenghua, Mr. Tse Kwong Chan and Ms. Zhou Jue studied publications, books and other reading materials in relation to financial reporting, investment, business management or corporate management.

A. THE BOARD (continued)

A6. Directors' Attendance Records

The attendance records of each director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 March 2014 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**	**Special General Meeting**
Executive directors:						
Ms. Chen Tong	19/19	N/A	N/A	N/A	0/1	1/3
Ms. Chan Ching Ho, Kitty	19/19	N/A	1/1	1/1	1/1	2/3
Mr. Xiang Liang	16/19	N/A	N/A	N/A	0/1	0/3
Ms. Li Lin	10/19	N/A	N/A	N/A	0/1	0/3
Non-executive directors:						
Ms. Yao Zhengwei	13/19	N/A	N/A	N/A	0/1	0/3
Mr. Wang Zhenghua	13/19	N/A	N/A	N/A	0/1	0/3
Mr. Liang Jian Hua (Note 1)	0/16	N/A	N/A	N/A	0/1	0/1
Independent non-executive directors:						
Mr. Ong King Keung	12/19	2/2	N/A	1/1	0/1	0/3
Mr. Tse Kwong Chan	17/19	2/2	1/1	1/1	1/1	0/3
Ms. Zhou Jue	15/19	0/2	0/1	N/A	0/1	0/3
Ms. Kwok Wing Kiu (Note 2)	0/16	0/2	0/1	0/1	0/1	0/1

Notes:

1. Mr. Liang Jian Hua resigned as a non-executive director of the Company on 20 January 2014. Before his resignation, 16 Board meetings, 1 annual general meeting and 1 special general meeting were held during the year ended 31 March 2014.

2. Ms. Kwok Wing Kiu resigned as an independent non-executive director and a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company on 20 January 2014. Before her resignation, 16 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting, 1 Remuneration Committee meeting, 1 annual general meeting and 1 special general meeting were held during the year ended 31 March 2014.

In addition, the Chairman of the Board also held a meeting with the independent non-executive directors without the presence of executive directors during the year under review.

A. THE BOARD (continued)

A7. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code"). Each director has been given a copy of the Own Code. Having made specific enquiry of all the Company's directors, they have complied with the Own Code throughout the year ended 31 March 2014.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

A8. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

During the year under review, the Board has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices in response to the implementation of the CG Code, (ii) reviewed and monitored the training and continuous professional development of directors and senior management, (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements, (iv) reviewed and monitored the compliance of the Own Code and the Employee Written Guidelines, and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

A9. Directors' Insurance

The Company has arranged appropriate insurance cover in respect of the legal action against the directors.

B. BOARD COMMITTEES

The Board has four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Ms. Chen Tong, acting as the chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decisions. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

B2. Remuneration Committee

On 20 January 2014, Ms. Kwok Wing Kiu resigned as an independent non-executive director and a member of the Remuneration Committee of the Company. At other times during the year ended 31 March 2014, the other members of the Remuneration Committee were Ms. Chan Ching Ho, Kitty, the Company's executive director, and Mr. Tse Kwong Chan and Ms. Zhou Jue, the Company's independent non-executive directors. The majority of the Remuneration Committee members are independent non-executive directors. The chairman of the Remuneration Committee is Mr. Tse Kwong Chan.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure, and the remuneration packages of executive directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted) and the remuneration of non-executive directors. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

B. BOARD COMMITTEES (continued)

B2. Remuneration Committee (continued)

During the year under review, the Remuneration Committee has reviewed the remuneration policy and structure of the Group and made recommendation to the Board.

The attendance records of each Committee member at the Remuneration Committee meeting held during the year ended 31 March 2014 are set out in section A6 above.

The senior management of the Company are the directors of the Company. Details of the remuneration of each director of the Company for the year ended 31 March 2014 are set out in Note 12 to the consolidated financial statements contained in this annual report.

B3. Audit Committee

On 20 January 2014, Ms. Kwok Wing Kiu resigned as an independent non-executive director and a member of the Audit Committee of the Company. At other times during the year ended 31 March 2014, the other members of the Audit Committee were the three independent non-executive directors, namely Mr. Ong King Keung, Mr. Tse Kwong Chan and Ms. Zhou Jue. The chairman of the Audit Committee is Mr. Ong King Keung. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditors and making the relevant recommendation to the Board; and reviewing the Company's financial reporting system, internal control system and risk management system.

During the year under review, the Audit Committee has performed the following major works:

– Made recommendation on the re-appointment of the external auditor.

– Reviewed and discussed the annual financial statements, results announcement and report for the year ended 31 March 2013, the related accounting principles and practices adopted by the Group and the relevant audit findings, the major audit issues reported by the auditor and the internal control of the Group.

B. BOARD COMMITTEES (continued)

B3. Audit Committee (continued)

– Reviewed and discussed the interim financial statements, results announcement and report for the six months ended 30 September 2013, the related accounting principles and practices adopted by the Group and the relevant audit findings.

The attendance records of each Committee member at the Audit Committee meetings held during the year ended 31 March 2014 are set out in section A6 above.

The external auditor attended one of the above meetings to discuss with the Audit Committee members on issues arising from the audit and financial reporting matters.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditors.

B4. Nomination Committee

On 20 January 2014, Ms. Kwok Wing Kiu resigned as an independent non-executive director and a member of the Nomination Committee of the Company. At other times during the year ended 31 March 2014, the other members of the Nomination Committee were Ms. Chan Ching Ho, Kitty, the Company's executive director, and Mr. Ong King Keung and Mr. Tse Kwong Chan, the Company's independent non-executive directors. The majority of the Nomination Committee members are independent non-executive directors. The chairman of the Nomination Committee is Mr. Ong King Keung.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular, the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, integrity, experience, skills, professional knowledge and the amount of time and effort that a candidate will devote to carry out his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

B. BOARD COMMITTEES (continued)

B4. Nomination Committee (continued)

During the year under review, the Nomination Committee has reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group; recommendation of the re-election of the retiring directors standing for re-election at the Company's annual general meeting held on 2 September 2013 (the "2013 AGM"); and assessment of the independence of all the Company's then independent non-executive directors.

The attendance records of each Committee member at the Nomination Committee meeting held during the year ended 31 March 2014 are set out in section A6 above.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2014. The management has provided such explanation and information to the Board as necessary to enable the Board to assess the financial information and position of the Group.

As set out in Note 2 to the consolidated financial statements in this annual report ("Note 2"), the Group and the Company, as at 31 March 2014, had net current liabilities of approximately HK$124,058,000 and HK$66,652,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the fundings as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future.

Notwithstanding the conditions described above and in the Independent Auditor's Report, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group, as detailed in Note 2, will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due in the next year from the date of approval of these consolidated financial statements, after taking into consideration of several measures and arrangements made subsequent to the reporting date as detailed in Note 2.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS (continued)

In light of the measures and arrangements implemented to date, the directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

D. INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. COMPANY SECRETARY

On 20 January 2014, Ms. Tam Hang Yin ("Ms. Tam") resigned and Mr. Leung Chi Wing, Billy ("Mr. Leung") was appointed as the Company Secretary of the Company. Both Mr. Leung and Ms. Tam have fulfilled the requirements of the Listing Rules and have taken the required hours of relevant professional training during the year under review.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their reporting responsibilities on the Company's financial statements for the year ended 31 March 2014 is set out in the section headed "Independent Auditor's Report" in this annual report.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION (continued)

The fees paid/payable to CCTH CPA Limited, the Company's external auditor, in respect of audit services and non-audit services for the year ended 31 March 2014 are analyzed below:

Type of services provided by the external auditor	Fees paid/payable (HK$)
Audit services – Annual audit for the year ended 31 March 2014	820,000
Non-audit services	Nil
TOTAL:	820,000

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparency and timely disclosure of its corporate information, which enables shareholders and investors to make the best investment decision.

The Company maintains a website at www.986.com.hk, as a communication platform with shareholders and investors, where information and updates on the Company's financial information and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company as follows:

Address: Room 2211, 22/F, Lippo Centre, Tower Two, 89 Queensway, Hong Kong
Fax no.: (852) 2536 0289

Inquiries are dealt with in an informative and timely manner.

Besides, shareholders' meetings provide an opportunity for communication between the Board and the shareholders. Board members and appropriate senior staff of the Group are available at the meeting to answer any questions raised by shareholders.

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS (continued)

Code provision E.1.2 of the CG Code stipulates that the chairman of a listed issuer should attend the issuer's annual general meeting. Ms. Chen Tong, the Chairman of the Company, was unable to attend the 2013 AGM due to another business engagement. In view of her absence, Ms. Chen had arranged for Ms. Chan Ching Ho, Kitty, the executive director of the Company who is well versed in the Group's business activities and operations, to attend and chair the meeting and communicate with the shareholders. The Company Secretary and other senior staff were also available to answer questions from shareholders at that meeting.

H. SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings pursuant to the Companies Act 1981 of Bermuda and the Bye-laws as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company may request the Board to convene a special general meeting pursuant to Bye-law 58 of the Bye-laws by sending a written requisition to the Board or the Company Secretary at the Company's principal place of business in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) Shareholder(s) representing not less than one-twentieth of the total voting rights at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda, by sending a written requisition to the Board or the Company Secretary at the Company's registered office/principal place of business in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in case of any other requisition, not less than one week before the meeting).

H. SHAREHOLDER RIGHTS (continued)

(3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's principal place of business in Hong Kong, or the office of the Company's branch share registrar at least 7 days prior to the date of the general meeting. Where the notices are submitted after the dispatch of the notice of the general meeting, the period for lodgement of such notices should commence on the day after the dispatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholder(s) must provide their full name, contact details and identification, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of shareholder(s) may be disclosed as required by law.

During the year under review, the Company has not made any changes to the Bye-laws. Shareholders may refer to the Bye-laws for further details of their rights.

As announced in the Company's announcement dated 18 July 2014, the Board proposed to seek the approval of shareholders of certain amendments to the Bye-laws at the 2014 AGM in order to enable the Company to send or supply corporate communications within the meaning ascribed to it by the Listing Rules to the shareholders by electronic means pursuant to Rule 2.07A of the Listing Rules. The Company's circular, sent together with this annual report, contains detailed information of the proposed amendments.

All resolutions put forward at shareholders' meetings of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results shall be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.986.com.hk) after a shareholders' meeting.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its principal subsidiaries are set out in Note 48 to the consolidated financial statements.

RESULTS

The Group's loss for the year ended 31 March 2014 and the state of affairs of the Group at that date are set out in the financial statements on pages 42 to 150.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**61,658**	143,086	178,822	58,818	69,042
(Loss)/Profit before tax	**(1,423,229)**	(394,598)	9,221	568	(39,591)
Tax	**316**	3,367	(330)	(4,012)	(372)
(Loss)/Profit for the year	**(1,422,913)**	(391,231)	8,891	(3,444)	(39,963)

SUMMARY OF FINANCIAL INFORMATION (continued)

	At 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	**19,639**	24,246	46,619	18,898	67,199
Investment properties	**–**	–	10,150	9,380	6,960
Prepaid land lease payments	**–**	–	1,063	1,052	14,800
Goodwill	**185,838**	319,000	522,849	–	–
Intangible assets	**32,178**	36,479	39,728	–	–
Available-for-sale investment	**64,954**	82,081	128,000	172,888	–
Amount due from a minority shareholder	**–**	–	13,300	–	–
Total non-current assets	**302,609**	461,806	761,709	202,218	88,959
Current assets	**49,254**	93,662	243,345	172,404	93,219
Current liabilities	**(173,312)**	(364,266)	(471,660)	(97,432)	(126,790)
Net current (liabilities)/assets	**(124,058)**	(270,604)	(228,315)	74,972	(33,571)
Total assets less current liabilities	**178,551**	191,202	533,394	277,190	55,388
Unconvertible bonds	**(20,168)**	(20,000)	–	–	–
Bank and other borrowings	**–**	–	–	–	(11,543)
Finance lease payables	**–**	–	(414)	–	–
Deferred tax liabilities	**(8,070)**	(9,224)	(11,891)	–	–
Net assets	**150,313**	161,978	521,089	277,190	43,845

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the Group's property, plant and equipment and investment property during the year are set out in Notes 19 and 20 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in Notes 35 and 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DONATIONS

No donations was made by the Group during the year ended 31 March 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the Company does not have any reserves available for cash distribution and/or distribution in specie. In addition, the Company's share premium account in the amount of HK$1,931,981,000 may be distributed in the form of fully paid bonus shares.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the sales attributable to the Group's five largest customers accounted for more than 97% of the total sales for the year and sales to the largest customer included therein amounted to approximately 59%.

In the year under review, the purchases attributable to the Group's five largest suppliers accounted for approximately 76% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 60%.

None of the directors of the Company or any of their close associates or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers or customers.

DIRECTORS

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

Executive directors:

Ms. Chen Tong
Ms. Chan Ching Ho, Kitty
Mr. Xiang Liang
Ms. Li Lin

Non-executive directors:

Ms. Yao Zhengwei
Mr. Wang Zhenghua
Mr. Liang Jian Hua (Resigned on 20 January 2014)

Independent non-executive directors:

Mr. Ong King Keung
Mr. Tse Kwong Chan
Ms. Zhou Jue
Ms. Kwok Wing Kiu (Resigned on 20 January 2014)

In accordance with Bye-law 87 of the Bye-laws, Ms. Chan Ching Ho, Kitty, Ms. Yao Zhengwei and Ms. Zhou Jue shall retire from office as directors of the Company by rotation at the forthcoming annual general meeting of the Company. The above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS

Executive directors:

Ms. Chen Tong ("Ms. Chen"), aged 50, is the Chairman of the Board, the Chief Executive Officer, the Chairman of the Executive Committee and an executive director of the Company. She joined the Group in December 2010. Ms. Chen graduated from Tongji University in 2002 with a bachelor's degree in administrative management. She is currently the vice general manager of a logistic company in the PRC. She has over 11 years experience in the banking industry and is an economist.

Ms. Chan Ching Ho, Kitty ("Ms. Chan"), aged 58, is an executive director and a member of the Executive Committee, Remuneration Committee and Nomination Committee of the Company. She joined the Group in March 2010. Ms. Chan holds (i) a certificate in real estate agency practice from School of Professional and Continuing Education, the University of Hong Kong; (ii) a professional diploma in estate and facilities management from the Hong Kong Productivity Council; and (iii) a certificate course for management and instructors in security and property management from Hong Kong College of Technology. Prior to joining the Board, Ms. Chan has around 30 years experience in sales and marketing and property management in Hong Kong.

Mr. Xiang Liang ("Mr. Xiang"), aged 45, is an executive director and a member of the Executive Committee of the Company. He joined the Group in March 2010. Mr. Xiang holds a degree in accounting and finance from Shanghai TV University (now known as "Shanghai Open University") and is a banker of Hongkou Qu, Shanghai Branch, China Construction Bank for more than 20 years.

Ms. Li Lin ("Ms. Li"), aged 26, was appointed as an executive director and a member of the Executive Committee of the Company with effect from 1 December 2012. Ms. Li obtained her Bachelor of Engineering Degree specialized in greening and environmental protection from Shanghai Institute of Business & Technology in the PRC in 2011. She joined Suzhou Baina Renewable Resources Co., Ltd., a principal indirectly owned subsidiary of the Company in the PRC, as the head of Operations Department since 2011.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

Non-executive directors:

Ms. Yao Zhengwei ("Ms. Yao"), aged 28, is a non-executive director of the Company. She joined the Company in January 2011. Ms. Yao graduated in Shanghai Jiao Tong University and is now working in the investment division of a fund management company.

Mr. Wang Zhenghua ("Mr. Wang"), aged 32, is a non-executive director of the Company. He joined the Company in June 2011. He graduated from University of Shanghai for Science and Technology in 2006 with a Bachelor's degree in marketing. Mr. Wang has been working in the field of sales, marketing and communications in the PRC for 7 years.

Independent non-executive directors:

Mr. Ong King Keung ("Mr. Ong"), aged 38, was appointed as an independent non-executive director of the Company and the Chairman of both the Audit Committee and the Nomination Committee of the Company with effect from 1 March 2013. Mr. Ong is currently the chief financial officer and company secretary of Wonderful Sky Financial Group Holdings Limited (stock code: 1260) whose shares are listed on the Main Board of the Stock Exchange. He is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He holds a bachelor's degree in Accountancy from The Hong Kong Polytechnic University and a master degree in Corporate Finance from the City University of Hong Kong. He has ample experience in auditing, financial management and initial public offering. Mr. Ong is an independent non-executive director of China Water Affairs Group Limited (stock code: 855) whose shares are listed on the Main Board of the Stock Exchange.

BRIEF BIOGRAPHICAL DETAILS IN RESPECT OF DIRECTORS (continued)

Independent non-executive directors: (continued)

Ms. Zhou Jue ("Ms. Zhou"), aged 28, is an independent non-executive director of the Company. She is also a member of both the Audit Committee and the Remuneration Committee of the Company. She joined the Company in December 2010. Ms. Zhou studied corporate management in Shanghai Maritime University. She is currently an investment consultant in an investment management company and she has experience in hotel management.

Mr. Tse Kwong Chan ("Mr. Tse"), aged 44, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and the Nomination Committee of the Company. He joined the Company in March 2011. He graduated from Dawson College, Canada with a degree majoring in Mathematics in 1991. Mr. Tse has over 21 years of working experience in the area of sales and marketing and management.

Save as disclosed herein, there is no other relationship between each of the directors as required to be disclosed under the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' REMUNERATION

The remuneration of directors is transacted and voted by the shareholders at annual general meeting as ordinary business during which the Board is authorized to fix the remuneration of directors. The remuneration payable to directors is then determined by the Board with reference to directors' duties, responsibilities and performance and results of the Group and the recommendations of the Nomination Committee subject to the Bye-laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors of the Company nor their respective close associates had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the directors nor their respective close associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's businesses pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV or the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

During the year under review, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or their close associates, to acquire such benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 March 2014, the following party had interests of 5% or more of the issued shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in issued ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares interested	Percentage+ of the Company's issued share capital
Guan Tie Liang	Joint interests#	278,850,000△	6.01%

The joint interests of Guan Tie Liang represent interests jointly held with the following parties: 歐陽弟 for 2,600,000 shares, 孫玉 for 390,000 shares, 曾華仙 for 1,300,000 shares, 王雪灣 for 1,300,000 shares, 堯中文 for 260,000 shares, 李清選 for 1,300,000 shares, 羅敏靈 for 15,600,000 shares, 王鵬 for 1,040,000 shares, 陳菊芳 for 3,900,000 shares, 黃仁學 for 3,900,000 shares, 王瑜 for 650,000 shares, 邱文斌 for 2,600,000 shares, 趙春蘭 for 1,300,000 shares, 蔡長蓉 for 130,000 shares, 楊惠茹 for 3,250,000 shares, 楊軍 for 650,000 shares and 王定慶 for 15,600,000 shares.

△ The number of shares has been adjusted due to the Company's subdivision of shares on 5 February 2014.

+ The percentage represents the number of ordinary shares involved divided by the number of the Company's issued shares as at 31 March 2014. As at 31 March 2014, the number of issued shares of the Company was 4,639,048,900 shares of HK$0.0005 each.

Save as disclosed above, as at 31 March 2014, no person had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 44 to the consolidated financial statements do not fall under the definitions of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules. No disclosure requirement is needed accordingly.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is a sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events of the Group after the reporting period are set out in Note 50 to the consolidated financial statements.

AUDITOR

SHINEWING (HK) CPA Limited had acted as the auditor of the Company for the year ended 31 March 2010. SHINEWING (HK) CPA Limited has tendered its resignation as auditor of the Company with effect from 14 April 2011. CCTH CPA Limited has been appointed as auditor of the Company with effect from 15 April 2011 to fill the casual vacancy following the resignation of SHINEWING (HK) CPA Limited.

The consolidated financial statements of the Company for the years ended 31 March 2011, 2012, 2013 and 2014 were audited by CCTH CPA Limited who will retire at the conclusion of the forthcoming annual general meeting and, being eligible, will offer itself for re-appointment. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCTH CPA Limited as the auditor of the Company.

ON BEHALF OF THE BOARD

Ms. Chen Tong
Chairman

Hong Kong
27 June 2014

CCTH CPA LIMITED
中正天恆會計師有限公司

TO THE SHAREHOLDERS OF CHINA ENVIRONMENTAL ENERGY INVESTMENT LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Environmental Energy Investment Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 150, which comprise the consolidated statement of financial position as at 31 March 2014, 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 these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by 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 that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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 the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements regarding the adoption of going concern basis on which the consolidated financial statements have been prepared. As at 31 March 2014, the Group and the Company had net current liabilities of approximately HK$124,058,000 and HK$66,652,000 respectively.

The conditions set out in Note 2 to the consolidated financial statements indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to obtain the fundings as referred to in Note 2 for financing the working capital and financial commitments of the Group and the Company for the foreseeable future.

CCTH CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2014

Lee Chi Hang
Practising certificate number P01957
Unit 5-6, 7-F., Greenfield Tower, Concordia Plaza,
1 Science Museum Road, Tsim Sha Tsui
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing Operations			
Turnover	6	**59,808**	99,655
Cost of sales		**(54,404)**	(98,474)
Gross profit		**5,404**	1,181
Investment and other income	8	**1,343**	5,997
Other gains and losses	9	**(1,402,896)**	(330,830)
Selling and distribution expenses		**(3,738)**	(10,771)
Administrative expenses		**(25,219)**	(30,443)
Finance costs	10	**(24,907)**	(15,821)
Loss before taxation	11	**(1,450,013)**	(380,687)
Taxation	14	**316**	3,395
Loss for the year from continuing operations		**(1,449,697)**	(377,292)
Discontinued Operations			
Gain/(loss) for the year from discontinued operations	15	**26,784**	(13,939)
Loss for the year		**(1,422,913)**	(391,231)
Loss for the year		**(1,422,913)**	(391,231)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations			
Exchange differences arising during the year		**(2,484)**	3,374
Reclassification adjustments relating to foreign operations disposed of during the year		**(26,624)**	(6,341)
Total comprehensive income for the year		**(1,452,021)**	(394,198)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Loss for the year from continuing operations attributable to:			
Owners of the Company		**(1,441,391)**	(364,881)
Non-controlling interests		**(8,306)**	(12,411)
		(1,449,697)	(377,292)
Loss for the year from continuing and discontinued operations attributable to:			
Owners of the Company		**(1,414,607)**	(378,820)
Non-controlling interests		**(8,306)**	(12,411)
		(1,422,913)	(391,231)
Total comprehensive income attributable to:			
Owners of the Company		**(1,443,838)**	(381,787)
Non-controlling interests		**(8,183)**	(12,411)
		(1,452,021)	(394,198)
Loss Per Share	18		
From continuing and discontinued operations			
Basic		**HK$(0.56)**	HK$(0.48)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**HK$(0.57)**	HK$(0.46)
Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	19	**19,639**	24,246
Goodwill	22	**185,838**	319,000
Intangible assets	23	**32,178**	36,479
Available-for-sale investment	24	**64,954**	82,081
		302,609	461,806
Current assets			
Inventories	25	**372**	657
Trade and bills receivables	26	**3,944**	2,215
Other receivables, prepayments and deposits paid	27	**22,568**	57,632
Restricted bank deposits	28	**11,767**	–
Bank balances and cash	28	**10,603**	3,603
		49,254	64,107
Assets classified as held for sale	16	**–**	29,555
		49,254	93,662
Current liabilities			
Trade and bills payables	29	**22,887**	4,113
Other payables and accruals	30	**47,570**	29,366
Promissory notes payable	31	**5,000**	122,000
Bank and other borrowings	32	**75,861**	26,200
Financial liabilities designated at fair value through profit or loss	33	**–**	133,664
Tax payable		**21,994**	21,205
		173,312	336,548
Liabilities directly associated with assets classified as held for sale	16	**–**	27,718
		173,312	364,266

Consolidated Statement of Financial Position

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Net current liabilities		**(124,058)**	(270,604)
		178,551	191,202
Capital and reserves			
Share capital	35	**2,320**	554
Share premium and reserves		**151,117**	156,365
Equity attributable to owners of the Company		**153,437**	156,919
Non-controlling interests		**(3,124)**	5,059
Total equity		**150,313**	161,978
Non-current liabilities			
Unconvertible bonds	37	**20,168**	20,000
Deferred tax liabilities	38	**8,070**	9,224
		28,238	29,224
		178,551	191,202

The consolidated financial statements on pages 42 to 150 were approved and authorised for issue by the board of directors on 27 June 2014 and are signed on its behalf by:

Chen Tong
Director

Chan Ching Ho, Kitty
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2014

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Exchange reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2012	9,234	469,584	2,031	35,501	464	(13,195)	503,619	17,470	521,089
Loss for the year	–	–	–	–	–	(378,820)	(378,820)	(12,411)	(391,231)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	–	–	–	(2,967)	–	–	(2,967)	–	(2,967)
Total comprehensive income for the year	–	–	–	(2,967)	–	(378,820)	(381,787)	(12,411)	(394,198)
Issue of shares on conversion of convertible notes	11,133	12,201	–	–	–	–	23,334	–	23,334
Reduction of share capital	(19,960)	–	19,960	–	–	–	–	–	–
Transferred to accumulated losses	–	–	(19,960)	–	–	19,960	–	–	–
Issue of shares upon placement of shares	81	4,536	–	–	–	–	4,617	–	4,617
Issue of shares upon subscription of shares	66	7,806	–	–	–	–	7,872	–	7,872
Share issue expenses	–	(736)	–	–	–	–	(736)	–	(736)
At 31 March 2013 and 1 April 2013	554	493,391	2,031	32,534	464	(372,055)	156,919	5,059	161,978
Loss for the year	–	–	–	–	–	(1,414,607)	(1,414,607)	(8,306)	(1,422,913)
Other comprehensive income									
Exchange difference arising on translation of foreign operations	–	–	–	(29,231)	–	–	(29,231)	123	(29,108)
Total comprehensive income for the year	–	–	–	(29,231)	–	(1,414,607)	(1,443,838)	(8,183)	(1,452,021)
Issue of shares on conversion of convertible notes	1,620	1,334,646	–	–	–	–	1,336,266	–	1,336,266
Issue of shares upon subscription of shares	32	14,432	–	–	–	–	14,464	–	14,464
Issue of shares upon placement of shares	114	91,703	–	–	–	–	91,817	–	91,817
Share issue expenses	–	(2,191)	–	–	–	–	(2,191)	–	(2,191)
At 31 March 2014	2,320	1,931,981	2,031	3,303	464	(1,786,662)	153,437	(3,124)	150,313

Note: The contributed surplus of the Group at 31 March 2014 and 31 March 2013 represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the group reorganisation in 1994 over the nominal value of the Company's shares issued in exchange therefor.

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from operating activities			
Loss for the year		**(1,422,913)**	(391,231)
Adjustments for:			
Tax credit recognised in profit or loss	14	**(316)**	(3,367)
Finance costs		**24,907**	16,089
Interest on financial liabilities designated at fair value through profit or loss		**8,056**	–
Depreciation of property, plant and equipment		**5,668**	8,634
Amortisation of intangible assets		**4,311**	4,216
Amortisation of prepaid lease payments		**–**	33
Loss on disposal of property, plant and equipment		**8,362**	64
Loss on change in fair value of financial liabilities designated at fair value through profit or loss		**1,202,602**	40,583
Impairment loss recognised on goodwill		**133,162**	203,849
Impairment loss recognised in respect of available-for-sale investment		**17,257**	47,616
Impairment loss recognised in respect of			
– trade receivables		**200**	6,188
– other receivables		**46,059**	35,555
Impairment loss recognised on property, plant and equipment		**1,474**	–
Impairment loss recognised on the Disposed Group	15	**–**	24,644
Write down of inventories		**–**	5,937
Bank interest income		**(42)**	(568)
Imputed interest income		**–**	(306)
Reversal of impairments loss on other receivables		**(11,439)**	–
Gain on disposal of the Disposed Group	15	**(25,946)**	–
Profit for the year from discontinued businesses	15	**(838)**	–
(Gain)/loss on early repayment of promissory notes payable		**(4,411)**	489
Gain on redemption of financial liabilities designated at fair value through profit or loss		**–**	(4,502)
Increase in fair value of investment property		**–**	(5,670)
Net foreign exchange gains		**(2,809)**	(6,414)
Operating cash flows before movements in working capital		**(16,656)**	(18,161)
Decrease in amount due from a minority shareholder		**–**	1,928
Decrease in inventories		**288**	6,636
(Increase)/decrease in trade and bills receivables		**(1,962)**	21,575
Decrease in other receivables, prepayments and deposits paid		**869**	9,636
Increase/(decrease) in trade and bills payables		**19,084**	(76,238)
Increase/(decrease) in other payables and accruals		**8,345**	(3,860)
Net cash generated from/(used in) operations		**9,968**	(58,484)
Income tax paid		**–**	(377)
Net cash generated from/(used in) operating activities		**9,968**	(58,861)

Consolidated Statement of Cash Flows

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(10,700)**	(407)
Proceeds from disposal of property, plant and equipment		**–**	21
Disposal of subsidiaries	41	**(6,128)**	–
Deposit received on disposal of subsidiaries		**–**	1,000
Bank interest received		**42**	568
Increase in restricted bank deposits		**(11,767)**	–
Decrease in pledged bank deposits		**–**	24,604
Net cash (used in)/generated from investing activities		**(28,553)**	25,786
Cash flows from financing activities			
Proceeds from issue of new shares		**106,281**	12,489
Share issue expenses		**(2,191)**	(736)
Proceeds from bank and other borrowings		**74,600**	25,792
Repayments of bank and other borrowings		**(24,939)**	(21,971)
Repayments of promissory notes payable		**(114,000)**	(138,000)
Proceeds from issue of convertible notes		**–**	95,000
Proceeds from issue of unconvertible bonds		**–**	20,000
Expenses on issue of unconvertible bonds		**–**	(600)
Decrease in advances from banks on Factored Receivables		**–**	(1,126)
Repayments of obligations under finance leases		**–**	(112)
Interest paid		**(21,175)**	(15,428)
Net cash generated from/(used in) financing activities		**18,576**	(24,692)
Net decrease in cash and cash equivalents		**(9)**	(57,767)
Cash and cash equivalents at beginning of the year		**10,731**	67,856
Effects of exchange rate changes		**(119)**	642
Cash and cash equivalents at end of the year		**10,603**	10,731
Cash and cash equivalents at end of the year, represented by:			
Bank balances and cash shown in consolidated statement of financial position		**10,603**	3,603
Bank balances and cash included in assets classified as held for sale		**–**	7,531
Bank overdrafts included in liabilities associated with assets classified as held for sale		**–**	(403)
		10,603	10,731

Notes to Consolidated Financial Statements

For the year ended 31 March 2014

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section of "Corporate Information" in the annual report.

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are set out in Note 48. The Company together with its subsidiaries are referred to as the Group.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollar ("HK$") as the directors consider that HK$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the Stock Exchange.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors have considered the future liquidity of the Group. As at 31 March 2014, the Group and the Company had net current liabilities of approximately HK$124,058,000 and HK$66,652,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's and the Company's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due in the next year from the date of approval of these consolidated financial statements, after taking into consideration of several measures and arrangements made subsequent to the reporting date as detailed below:

(a) On 27 May 2014, the Company entered into a placing agreement with the placing agent, Tanrich Securities Company Limited, pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 180,000,000 new shares in the Company at the price of HK$0.107 per share. The placing was completed on 3 June 2014 and the Company issued 180,000,000 new shares for a consideration of HK$19,260,000 (before expenses).

(b) On 4 June 2014, the Company entered into an agreement with a third party for the disposal of the Group's available-for-sale investment for a consideration of HK$66,000,000 which is payable by the purchaser in cash.

(c) On 19 June 2014, the Company entered into a loan agreement with an independent third party under which a loan facility of HK$200,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 20% per annum and repayable on the business day falling on twelve months from the date of the first drawdown of any amount of the loan. Up to the date of approval of these consolidated financial statements, this loan facility was not utilised by the Company.

In light of the measures and arrangements implemented to date, the directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of approval of these consolidated financial statements after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the production facilities and development of its businesses. Accordingly, the directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised HKFRSs applied in the current year

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

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
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associate and Joint Ventures
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 effect on the amounts reported in the Group's 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).

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs applied in the current year (continued)

HKFRS 13 "Fair Value Measurement" *(continued)*

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Except as aforementioned, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

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 consolidated statement of comprehensive income is renamed as the consolidated statement of profit or loss and other comprehensive income. 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.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue 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[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations[6]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
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]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[6]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
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

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

[4] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

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

[6] Effective for annual period beginning on or after 1 January 2016

HKFRS 9 Financial Instruments

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

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 Financial Instruments *(continued)*

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 value 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 and loss, HKFRS 9 requires that 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 and 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 fair value of the financial liability designated as fair value through profit or loss was presented in profit and loss.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have significant impacts on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets and liabilities, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised HKFRSs in issue but not yet effective will have no material impact on the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for investment property and certain financial instruments, which are measured at fair value, 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of preparation (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

– has power over the investee;

– is exposed, or has rights, to variable returns from its involvement with the investee; and

– has the ability to use its power to affect its returns.

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

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 and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, 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.

Business combinations

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date; and

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's relevant cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is an indication that the unit may be impaired. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On the disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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 and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

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

(iii) Rental income is recognised in accordance with the Group's accounting policy for operating lease (see accounting policy on leasing below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Deposits and instalments received from customers prior to meeting the above criteria on revenue recognition are included in other payables and accruals under current liabilities.

Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. 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.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less impairment loss, if any. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss for the period in which the property is derecognised.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy below in respect of impairment losses on tangible and intangible assets other than goodwill).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets and disposal group are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sell.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

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 cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) 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 FVTPL are recognised immediately in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets comprise of available-for-sale investments and loans and receivables. 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 financial asset 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 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 assets, 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.

Available-for-sale investments

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

The available-for-sale investments, which represent equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Loans and receivables

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

Impairment loss on 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 impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

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

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

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

***Financial assets** (continued)*

Impairment loss on financial assets (continued)

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

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

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

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, the shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities designated at FVTPL

The Group has designated certain convertible notes with conversion option settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of equity instruments and the conversion option is not closely related to the liability component of the convertible bonds as financial liability carried at FVTPL. At initial recognition and in subsequent periods, the convertible notes are measured at fair value with changes in fair value recognised in profit or loss in the period in which they arise.

Interest expense on financial liabilities designated at FVTPL is included in other gains or losses.

Other financial liabilities

Other financial liabilities (including trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, obligations under finance leases and unconvertible bonds) are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Convertible notes

Convertible notes issued by the Company with conversion option that will be settled by the exchange of a fixed amount of cash or a fixed number of the Company's own equity instruments, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option is regarded as an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses. No gain or loss is recognised in profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and amortised over the lives of the convertible notes using the effective interest method.

Convertible notes issued by the Company with conversion option that will be settled other than by the exchange of a fixed amount of cash or for a fixed number of the Company's own equity instruments is a conversion option derivative. The Group has designated those notes as financial liability carried at fair value through profit or loss, the accounting policy of which is set out above.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

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.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments arrangements

Share options payment transactions of the Company

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

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

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

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

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 lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land for own use

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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each 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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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 dollar) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustment on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange translation reserve.

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 as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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 rates (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. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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.

For the purposes of measuring deferred tax liabilities or deferred tax assets of investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Borrowing costs

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

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the 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.

Impairment of goodwill

Determining whether goodwill is impaired requires the Group to assess the recoverable amount of the cash-generating units to which goodwill has been allocated. The recoverable amount is the higher of fiar value less costs to sell and the value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected or when there is a revision to the estimated future cash flows due to changes in fact or circumstances, a material impairment loss on goodwill may arise.

The carrying amount of goodwill as at 31 March 2014 was HK$185,838,000 (2013: HK$319,000,000). Impairment loss of goodwill amounting to HK$133,162,000 has been recognised in respect of the year ended 31 March 2014 (2013: HK$203,849,000), details of which are disclosed in Note 22.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment loss of available-for-sale investment

Subsequent to the date of the reporting period, the Company entered into an agreement in June 2014 for the disposal of the Group's available-for-sale investment as detailed in Note 24. Management assessed the recoverability of the available-for-sale investment based on the sale consideration for the disposal of such investment which is expected to be completed as stipulated in the related agreement and impairment loss of HK$17,257,000 (2013: HK$47,616,000) on the investment has been recognised in the profit or loss in respect of the year. Should the completion of the disposal not take place in accordance with the sale agreement, the recoverable amount of the available-for-sale investment will have to be determined based on prevailing circumstances and a material impairment loss may arise.

Impairment of non-financial assets (other than goodwill)

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Useful lives of property, plant and equipment

In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. When the actual useful lives of property, plant and equipment due to the change of commercial environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down in future periods.

Impairment loss recognised in respect of trade and other receivables

The Group maintains an allowance for estimated loss arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of debtors' balances, debtors' creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected. As at 31 March 2014, the carrying amount of trade and other receivables amounted to an aggregate of approximately HK$23,445,000 (net of accumulated impairment losses of approximately HK$76,532,000) (2013: carrying amount amounted to an aggregate of approximately HK$64,744,000 (net of accumulated impairment losses of approximately HK$44,282,000)), of which trade and other receivables of HK$ Nil (2013: HK$6,599,000), net of impairment losses, have been reclassified as assets held for sale.

Estimated allowance for inventories

Inventories are written down to net realisable value based on an assessment of their realisability. Write-downs on inventories are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will have impact on the carrying value of inventories and write-down of inventories in the period in which such estimate is changed. As at 31 March 2014, the carrying amount of inventories is approximately HK$372,000 (2013: HK$5,633,000 which included inventories of HK$4,976,000 reclassified as assets held for sale). Write down of inventories amounted to HK$ Nil (2013: HK$5,937,000) has been charged to profit or loss in respect of the year.

6. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances and trade discounts.

7. SEGMENT INFORMATION

(a) Business segments

The Group's operating and reportable segments which are based on the types of products manufactured are as follows:

Continuing Operations

Wastes recycling: waste paper, scrap metal and consumable wastes recycling.

Discontinued Operations

Trading of laminates: trading of industrial laminates mainly for use in the manufacture of telecommunications, computer-related products, audio and visual household products; and

Manufacture and trading of printed circuit boards ("PCBs"): manufacture and trading of PCBs mainly for use in the manufacture of audio and visual household products.

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2014

	Continuing Operations		Discontinued Operations			
	Wastes recycling HK$'000	Sub-total HK$'000	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	59,808	59,808	–	1,850	1,850	61,658
Intersegment sales	–	–	–	–	–	–
Revenue from external customers	59,808	59,808	–	1,850	1,850	61,658
Segment results	(48,117)	(48,117)	–	808	808	(47,309)
Interest income						42
Gain on early repayment of promissory notes payable						4,411
Gain on disposal of the Disposed Group						25,946
Other unallocated income						3,239
Impairment loss on goodwill						(133,162)
Impairment loss on available-for-sale investment						(17,257)
Loss on change in fair value of financial liabilities designated at FVPTL						(1,202,602)
Loss on redemption of financial liabilities designated at FVPTL						–
Interest on financial liabilities designated at FVTPL						(8,056)
Other unallocated expenses						(23,574)
Finance costs						(24,907)
Loss before taxation						(1,423,229)
Taxation						316
Loss for the year						(1,422,913)

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment revenue and results *(continued)*

For the year ended 31 March 2013

	Continuing Operations		Discontinued Operations			
	Wastes recycling HK$'000	Sub-total HK$'000	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Total HK$'000
Segment revenue:						
Sales to external customers	99,655	99,655	425	43,006	43,431	143,086
Intersegment sales	–	–	–	–	–	–
Revenue from external customers	99,655	99,655	425	43,006	43,431	143,086
Segment results	(58,244)	(58,244)	(1,204)	1,863	659	(57,585)
Interest income						874
Gain on redemption of financial liabilities designated at FVTPL						4,502
Increase in fair value of investment property						5,670
Other unallocated income						8,104
Impairment loss on goodwill						(203,849)
Impairment loss on available-for-sale investment						(47,616)
Impairment loss on the Disposed Group						(24,644)
Loss on change in fair value of financial liabilities designated at FVTPL						(40,583)
Finance costs						(16,089)
Other unallocated expenses						(23,382)
Loss before taxation						(394,598)
Taxation						3,367
Loss for the year						(391,231)

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

***Segment revenue and results** (continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit/loss represents the profit/loss from by each segment without allocation of certain other income, other gains and losses, central administration costs, directors' emoluments and finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

No operating segments have been aggregated to the Group's reportable segments.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	2014	2013
	HK$'000	HK$'000
Segment assets		
Wastes recycling	**48,744**	84,870
Total segment assets	**48,744**	84,870
Assets relating to the discontinued operations		
– Trading of laminates	**–**	7,558
– Manufacture and trading of PCBs	**–**	17,098
Unallocated assets	**303,119**	445,942
Total consolidated assets	**351,863**	555,468
Segment liabilities		
Wastes recycling	**86,262**	72,259
Total segment liabilities	**86,262**	72,259
Liabilities relating to the discontinued operations		
– Trading of laminates	**–**	14,773
– Manufacture and trading of PCBs	**–**	11,229
Unallocated liabilities	**115,288**	295,229
Total consolidated liabilities	**201,550**	393,490

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Segment assets and liabilities *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than certain restricted bank deposits and bank balances and cash, goodwill, intangible assets, available-for-sale investment, certain other receivables, prepayments and deposits paid, and assets used jointly by reportable segments.

- all liabilities are allocated to reportable segments other than certain other payables and accruals, bank and other borrowings, tax payable, promissory notes payable, financial liabilities designated at FVTPL, unconvertible bonds and liabilities for which reportable segments are jointly liable.

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information

In respect of the year ended 31 March 2014

	Continuing Operations		Discontinued Operations			
	Wastes recycling HK$'000	Sub-total HK$'000	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	5,462	5,462	–	4	–	5,466
Amortization of prepaid lease payments	–	–	–	–	–	–
Impairment loss recognised in respect of trade receivables	200	200	–	–	–	200
Impairment loss recognised in respect of other receivables	46,059	46,059	–	–	–	46,059
Loss on disposal of property, plant and equipment	8,362	8,362	–	–	–	8,362
Impairment loss on property, plant and equipment	1,474	1,474	–	–	–	1,474
Reversal of impairment on trade receivables	11,439	11,439	–	–	–	11,439
Value added tax and other taxes refunded	848	848	–	–	–	848
Additions to non-current assets (Note)	–	–	–	–	–	–
Amount regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:						
Amortisation of intangible assets	4,311	4,311	–	–	–	4,311
Depreciation of property, plant and equipment	206	206	–	–	–	206
Impairment loss recognised in respect of other receivables	–	–	–	–	–	–
Additions to non-current assets (Note)	–	–	–	–	–	–

7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Other segment information (continued)

In respect of the year ended 31 March 2013

	Continuing Operations		Discontinued Operations			
	Wastes recycling HK$'000	Sub-total HK$'000	Trading of laminates HK$'000	Manufacture and trading of PCBs HK$'000	Sub-total HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:						
Depreciation of property, plant and equipment	5,452	5,452	2,925	150	3,075	8,527
Amortization of prepaid lease payments	–	–	–	33	33	33
Impairment loss recognised in respect of trade receivables	5,754	5,754	–	434	434	6,188
Impairment loss recognised in respect of other receivables	34,384	34,384	–	–	–	34,384
Loss/(gain) on disposal of property, plant and equipment	67	67	–	(3)	(3)	64
Impairment loss on property, plant and equipment	–	–	–	–	–	–
Reversal of impairment on trade receivables	–	–	–	–	–	–
Value added tax and other taxes refunded	4,509	4,509	–	–	–	4,509
Additions to non-current assets (Note)	197	197	–	210	210	407
Amount regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:						
Amortisation of intangible assets	4,216	4,216	–	–	–	4,216
Depreciation of property, plant and equipment	107	107	–	–	–	107
Impairment loss recognised in respect of other receivables	1,171	1,171	–	–	–	1,171
Additions to non-current assets (Note)	–	–	–	–	–	–

Note: The additions to non-current assets exclude assets acquired through acquisition of subsidiaries and financial assets. Further, these non-current assets do not include the assets acquired during the year of HK$10,700,000 (2013: Nil) which have not been allocated to the business segments.

7. SEGMENT INFORMATION (continued)

(b) Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Sales of recycled materials	**59,808**	99,655	**–**	–	**59,808**	99,655
Sales of laminates	**–**	–	**–**	425	**–**	425
Sales of PCBs	**–**	–	**1,850**	43,006	**1,850**	43,006
	59,808	99,655	**1,850**	43,431	**61,658**	143,086

(c) Geographical information

The Group's operations during the year were mainly located in Hong Kong and the People's Republic of China ("PRC").

The following table provides an analysis of the Group's revenue by geographic market, irrespective of the origin of customers:

	Hong Kong		PRC		Europe		Others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**1,850**	7,502	**59,808**	99,655	**–**	20,509	**–**	15,420	**61,658**	143,086

The following is an analysis of the carrying amount of non-current assets (other than goodwill and intangible assets which are attributable to the wastes recycling segment in the PRC) analysed by the geographical areas in which the assets are located:

	Hong Kong		PRC		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**10,650**	155	**73,943**	106,172	**84,593**	106,327

7. SEGMENT INFORMATION (continued)

(c) Geographical information (continued)

An analysis of the non-current assets of the Group (other than financial assets) by geographical areas in which the assets are located:

	Hong Kong		PRC		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current assets	**10,650**	155	**227,005**	379,570	**237,655**	379,725

(d) Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group are as follows:

	Revenue generated from	**2014 HK$'000**	2013 HK$'000
Customer A	Sale of recycled materials	**35,027**	–
Customer B	Sale of recycled materials	**13,769**	35,801
Customer C	Sale of recycled materials	**N/A***	19,932
Customer D	Sale of recycled materials	**N/A***	18,491

* The corresponding revenue does not contribute over 10% of the total revenue of the Group for the respective year.

8. INVESTMENT AND OTHER INCOME

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Bank interest income	**42**	555	**–**	13	**42**	568
Imputed interest income on amount due from a minority shareholder	**–**	306	**–**	–	**–**	306
Value added tax and other taxes refunded (Note a)	**848**	4,509	**–**	–	**848**	4,509
Rental income (Note b)	**–**	–	**–**	248	**–**	248
Sale of scrap materials	**–**	248	**–**	240	**–**	488
Others	**453**	379	**48**	394	**501**	773
	1,343	5,997	**48**	895	**1,391**	6,892

Notes:

(a) Certain subsidies were granted by the PRC local government to the Company's subsidiaries which are engaged in wastes recycling business in the PRC. Under these subsidies, the subsidiaries are entitled to a refund of value added tax and other taxes paid, calculated on a basis as agreed by the local government.

(b) The direct operating expenses from investment property that generated rental income amounted to HK$ Nil (2013: HK$40,000) which was included in administrative expenses.

9. OTHER GAINS AND LOSSES

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Foreign exchange gain/(loss), net	**2,737**	2,797	**(4)**	2,790	**2,733**	5,587
Gain/(loss) on early repayment of promissory notes payable (Note 31)	**4,411**	(489)	**–**	–	**4,411**	(489)
Gain on redemption of financial liabilities designated at FVTPL (Note 33)	**–**	4,502	**–**	–	**–**	4,502
Reversal of impairment loss on other receivables (Note 27)	**11,439**	–	**–**	–	**11,439**	–
Increase in fair value of investment property (Note 20)	**–**	–	**–**	5,670	**–**	5,670
Amortisation of intangible assets (Note 23)	**(4,311)**	(4,216)	**–**	–	**(4,311)**	(4,216)
(Loss)/gain on disposal of property, plant and equipment	**(8,362)**	(67)	**–**	3	**(8,362)**	(64)
Loss on change in fair value of financial liabilities designated at FVTPL (Note 33)	**(1,202,602)**	(40,583)	**–**	–	**(1,202,602)**	(40,583)
Impairment loss recognised on goodwill (Note 22)	**(133,162)**	(203,849)	**–**	–	**(133,162)**	(203,849)
Impairment loss recognised on available-for-sale investment (Note 24)	**(17,257)**	(47,616)	**–**	–	**(17,257)**	(47,616)
Impairment loss recognised in respect of trade receivables (Note 26)	**(200)**	(5,754)	**–**	(434)	**(200)**	(6,188)
Impairment loss recognised in respect of other receivables (Note 27)	**(46,059)**	(35,555)	**–**	–	**(46,059)**	(35,555)
Impairment loss recognised in respect of property, plant and equipment (Note 19)	**(1,474)**	–	**–**	–	**(1,474)**	–
Interest on financial liabilities designated at FVTPL	**(8,056)**	–	**–**	–	**(8,056)**	–
Other net (losses)/gains	**(1,402,896)**	(330,830)	**(4)**	8,029	**(1,402,900)**	(322,801)

10. FINANCE COSTS

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest expenses on:						
Bank and other borrowings wholly repayable within five years	**21,860**	2,922	**–**	221	**21,860**	3,143
Factoring arrangements	**–**	–	**–**	19	**–**	19
Obligations under finance leases	**–**	–	**–**	28	**–**	28
Promissory notes payable (Note 31)	**1,925**	12,253	**–**	–	**1,925**	12,253
Interest on unconvertible notes (Note 37)	**1,122**	646	**–**	–	**1,122**	646
	24,907	15,821	**–**	268	**24,907**	16,089

11. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	Continuing Operations		Discontinued Operations		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Staff costs (including directors' emoluments)						
– Directors' fees, staff salaries and allowances	**7,195**	9,978	**113**	4,731	**7,308**	14,709
– Retirement benefits contributions	**52**	51	**–**	120	**52**	171
Total staff costs	**7,247**	10,029	**113**	4,851	**7,360**	14,880
Auditors' remuneration	**820**	1,095	**–**	70	**820**	1,165
Amortisation of prepaid lease payments	**–**	–	**–**	33	**–**	33
Cost of inventories recognised as an expense (Note below)	**54,404**	98,474	**–**	17,628	**54,404**	116,102
Depreciation of property, plant and equipment	**5,668**	5,559	**–**	3,075	**5,668**	8,634
Direct operating expenses of investment property	**–**	–	**–**	40	**–**	40
Operating lease rentals in respect of rental premises	**1,558**	–	**2**	81	**1,560**	81

Note: The cost of inventories, which includes write down of inventories of HK$ Nil (2013: HK5,937,000), is recognised in the cost of sales.

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the directors are:

	2014 HK$'000	2013 HK$'000
Fees	**965**	778
Other emoluments:		
Salaries, allowances and benefits in kind	**2,000**	1,989
Contributions to retirement benefits schemes	**25**	56
	2,025	2,045
	2,990	2,823

An analysis of the emoluments paid or payable to executive, non-executive and independent non-executive directors is as follows:

(a) Executive directors

2014	**Salaries, allowances and benefits in kind HK$'000**	**Retirement benefits contributions HK$'000**	**Total HK$'000**
Chen Tong	**1,415**	**15**	**1,430**
Chan Ching Ho, Kitty	**195**	**10**	**205**
Xiang Liang	**195**	**–**	**195**
Li Lin[1]	**195**	**–**	**195**
	2,000	**25**	**2,025**

12. DIRECTORS' EMOLUMENTS (continued)

(a) Executive directors (continued)

2013	Salaries, allowances and benefits in kind HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Chen Tong	1,420	24	1,444
Chan Ching Ho, Kitty	186	19	205
Xiang Liang	195	–	195
Deng Hong Mei[2]	127	13	140
Li Lin[1]	61	–	61
	1,989	56	2,045

(b) Non-executive directors

2014	**Fees HK$'000**	**Retirement benefits contributions HK$'000**	**Total HK$'000**
Wang Zhenghua	**182**	**–**	**182**
Yao Zheng Wei	**182**	**–**	**182**
Liang Jian Hua[3]	**145**	**–**	**145**
	509	**–**	**509**

2013	Fees HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Wang Zhenghua	182	–	182
Yao Zheng Wei	186	–	186
Liang Jian Hua[3]	30	–	30
	398	–	398

12. DIRECTORS' EMOLUMENTS (continued)

(c) Independent non-executive directors

2014	**Fees HK$'000**	**Retirement benefits contributions HK$'000**	**Total HK$'000**
Zhou Jue	**120**	**–**	**120**
Tse Kwong Chan	**120**	**–**	**120**
Chan Ying Kay[4]	**–**	**–**	**–**
Kwok Wing Kiu[3]	**96**	**–**	**96**
Ong King Keung[5]	**120**	**–**	**120**
	456	**–**	**456**

2013	Fees HK$'000	Retirement benefits contributions HK$'000	Total HK$'000
Zhou Jue	120	–	120
Tse Kwong Chan	120	–	120
Chan Ying Kay[4]	110	–	110
Kwok Wing Kiu[3]	20	–	20
Ong King Keung[5]	10	–	10
	380	–	380

12. DIRECTORS' EMOLUMENTS (continued)

(c) Independent non-executive directors (continued)

Notes:

1. Appointed on 1 December 2012

2. Resigned on 1 December 2012

3. Appointed on 29 January 2013 and resigned on 20 January 2014

4. Resigned on 1 March 2013

5. Appointed on 1 March 2013

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2014 and 2013.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2013: two) was director of the Company where emoluments are included in Note 12 above. The emoluments of the remaining four individuals (2013: three individuals) were as follows:

	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,158**	1,092
Contributions to retirement benefits schemes	**61**	37
	2,219	1,129

Their emoluments were all within HK$ Nil to HK$1,000,000.

14. TAXATION

	Continuing Operations		**Discontinued Operations**		**Total**	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong Profits Tax	**–**	–	**–**	28	**–**	28
PRC Enterprise Income Tax						
Current year	**839**	–	**–**	–	**839**	–
Overprovision in previous year	**–**	(295)	**–**	–	**–**	(295)
	839	(295)	**–**	28	**839**	(267)
Deferred tax credit (Note 38)	**(1,155)**	(3,100)	**–**	–	**(1,155)**	(3,100)
Tax (credit)/charge for the year	**(316)**	(3,395)	**–**	28	**(316)**	(3,367)

Hong Kong Profits Tax

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profit the year.

PRC income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate of subsidiaries of the Company in the PRC is 25%.

14. TAXATION (continued)

The tax credit for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	HK$'000	HK$'000
Loss for the year	**(1,422,913)**	(391,231)
Taxation	**(316)**	(3,367)
Loss before taxation	**(1,423,229)**	(394,598)
Tax at the applicable rate of 25% (2013: 25%)	**(355,807)**	(98,649)
Tax effect of income not taxable for tax purpose	**(11,450)**	(4,049)
Tax effect of expenses not deductible for tax purpose	**366,689**	102,606
Tax effect of tax losses not recognised	**–**	313
Utilisation of tax losses previously not recognised	**–**	(3,812)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**252**	224
Tax credit for the year	**(316)**	(3,367)

Details of deferred tax are set out in Note 38.

15. DISCONTINUED OPERATIONS

On 28 March 2013, the Company entered into a sale and purchase agreement with Nature Ample Limited, which is wholly owned by Mr. Lau Chung Yim, a former director of the Company resigned on 15 March 2012, to dispose of 100% equity interests in and loans made to the Company's subsidiaries, Nam Hing (B.V.I.) Limited and its subsidiaries (together the "Disposed Group") for a cash consideration of HK$2 million. On the same date, the Group discontinued its businesses of trading of laminates and manufacture and trading of PCBs undertaken by the Disposed Group. The completion of disposal of the Disposed Group took place on 10 April 2013. An analysis of the profit/loss for the year from the discontinued operations is as follows:

	2014	2013
	HK$'000	HK$'000
Profit for the year from discontinued businesses (Note a)	**838**	10,705
Gain on disposal of the Disposed Group (Note 41)	**25,946**	–
Impairment loss recognised on the Disposed Group	**–**	(24,644)
Gain/(loss) for the year from discontinued operations	**26,784**	(13,939)

15. DISCONTINUED OPERATIONS (continued)

(a) The results of the discontinued businesses are analysed below:

	Trading of laminates		Manufacture and trading of PCBs		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**–**	425	**1,850**	43,006	**1,850**	43,431
Cost of sales	**–**	(362)	**(819)**	(30,722)	**(819)**	(31,084)
Gross profit	**–**	63	**1,031**	12,284	**1,031**	12,347
Investment and other income	**–**	549	**48**	346	**48**	895
Other gains and losses	**–**	9,027	**(4)**	(998)	**(4)**	8,029
Selling and distribution expenses	**–**	(99)	**(37)**	(1,800)	**(37)**	(1,899)
Administrative expenses	**(19)**	(742)	**(181)**	(7,629)	**(200)**	(8,371)
Finance costs	**–**	(168)	**–**	(100)	**–**	(268)
Profit/(loss) before taxation	**(19)**	8,630	**857**	2,103	**838**	10,733
Taxation	**–**	–	**–**	(28)	**–**	(28)
Profit/(loss) for the year	**(19)**	8,630	**857**	2,075	**838**	10,705
Profit/(loss) for the year attributable to owners of the Company	**(19)**	8,630	**857**	2,075	**838**	10,705

(b) The cash flows from discontinued operations are analysed as follows:

	2014	2013
	HK$'000	HK$'000
Net cash (outflows)/inflows from operating activities	**(204)**	5,791
Net cash outflows from investing activities	**–**	(1,501)
Net cash outflows from financing activities	**(15)**	(2,859)
Net cash (outflows)/inflows	**(219)**	1,431

(c) In respect of the year ended 31 March 2013, the Disposed Group has been classified and accounted for at that date as a disposal group held for sale (Note 16).

16. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

As referred to in Note 15, the Group discontinued its businesses of trading of laminates and manufacture and trading of PCBs undertaken by the Disposed Group. The completion of the disposal of the Disposed Group took place on 10 April 2013. The major classes of assets and liabilities of the discontinued businesses as at 31 March 2013 are as follows:

	Trading of laminate	Manufacture and sale of PCBs	Total
	HK$'000	HK$'000	HK$'000
Property, plant and equipment (Note 19)	–	14,740	14,740
Investment property (Note 20)	15,820	–	15,820
Prepaid lease payments (Note 21)	–	1,082	1,082
Inventories (Note a)	–	4,976	4,976
Trade and bills receivables	–	6,599	6,599
Other receivables, prepayments and deposits paid	929	2,501	3,430
Tax recoverable	–	21	21
Bank balances and cash	6,086	1,445	7,531
	22,835	31,364	54,199
Less: Impairment loss recognised (Note 15)			(24,644)
Assets classified as held for sale			29,555
Trade and bills payables	256	6,260	6,516
Other payables and accruals	1,748	3,705	5,453
Bank and other borrowings (Note b)	8,434	1,565	9,999
Tax payable	4,336	–	4,336
Obligations under finance leases (Note 34)	–	414	414
	14,774	11,944	26,718
Add: Deposit received on disposal of the Disposed Group			1,000
Liabilities associated with assets classified as held for sale			27,718
Net assets classified as held for sale			1,837

16. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Note:

(a) Inventories:

	31 March 2013 HK'000
Raw materials	2,692
Work in progress	1,797
Finished goods	487
	4,976

(b) Bank and other borrowings:

	31 March 2013 HK'000
Bank overdrafts	403
Other bank loans	2,044
Bank loans and overdrafts	2,447
Loans from related companies	1,917
Loans from former directors	3,654
Other borrowings	1,981
	9,999

	HK'000
Analysed as:	
Secured	2,447
Unsecured	7,552
	9,999

16. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (continued)

Note: (continued)

(b) Bank and other borrowings: (continued)

As at 31 March 2013,

(i) the bank loans and overdrafts were secured by guarantees given by parties not connected with the Group.

(ii) the loans from related companies were unsecured, interest free and repayable on demand.

(iii) the loans from former directors were unsecured, interest free and repayable on demand.

(iv) the other borrowings to the extent of HK$844,000 carried interest at the Hong Kong dollar prime rate with the remaining balance interest free. Such borrowings were unsecured and repayable on demand.

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period (2013: Nil).

18. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is as follows:

	Continuing and Discontinued Operations		Continuing Operations	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the year attributable to owner of the Company	**(1,414,607)**	(378,820)	**(1,441,391)**	(364,881)
Effect of dilutive potential ordinary shares:				
Loss on change in fair value of financial liabilities designated at FVTPL	**1,202,602**	40,583	**1,202,602**	40,583
Gain on redemption of financial liabilities designated at FVTPL	**–**	(4,502)	**–**	(4,502)
Interest on financial liabilities designated at FVTPL	**8,056**	–	**8,056**	–
Loss for the purpose of diluted loss per share	**N/A**	N/A	**N/A**	N/A

18. LOSS PER SHARE (continued)

	2014 **'000**	2013 '000	**2014** **'000**	2013 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	**2,547,484**	786,702	**2,547,484**	786,702
Effect of dilutive potential ordinary shares:				
Convertible notes (classified as financial liabilities designated at FVTPL)	**1,903,369**	1,620,788	**1,903,369**	1,620,788
Weighted average number of ordinary shares for the purpose of diluted loss per share	**4,450,853**	2,407,490	**4,450,853**	2,407,490

The weighted average numbers of ordinary shares for the purpose of basic and diluted loss per share for both of the years presented have been adjusted for the subdivision of the Company's shares on the basis of one share into four subdivided shares, and one share into five shares made on 18 July 2013 and 5 February 2014 respectively.

Diluted loss per share from continuing and discontinued operations and from continuing operations for both of the years are not presented because the Group sustained a loss for the year and the impact of conversion of convertible notes, if any, is regarded anti-dilutive.

19. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Furniture and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2012	13,518	9,471	102,768	24,168	3,126	414	153,465
Additions	–	48	255	24	31	49	407
Disposals	–	–	(6)	(62)	(149)	–	(217)
Reclassified as held for sale (Note 16)	(13,754)	(677)	(86,401)	(22,167)	(623)	–	(123,622)
Exchange realignment	236	150	998	392	36	7	1,819
At 31 March 2013 and 1 April 2013	–	8,992	17,614	2,355	2,421	470	31,852
Additions	–	–	–	–	700	10,000	10,700
Disposals	–	(17)	(12,643)	(2,182)	(2,196)	(477)	(17,515)
Exchange realignment	–	(15)	170	28	31	7	221
At 31 March 2014	**–**	**8,960**	**5,141**	**201**	**956**	**10,000**	**25,258**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS							
At 1 April 2012	9,522	1,030	77,369	18,818	107	–	106,846
Depreciation provided for the year	613	2,483	3,664	1,044	830	–	8,634
Eliminated on disposals	–	–	(6)	(56)	(70)	–	(132)
Eliminated on reclassification (Note 16)	(10,311)	(286)	(78,766)	(19,270)	(249)	–	(108,882)
Exchange realignment	176	35	613	313	3	–	1,140
At 31 March 2013 and 1 April 2013	–	3,262	2,874	849	621	–	7,606
Depreciation provided for the year	–	2,319	1,915	574	860	–	5,668
Impairment provided for the year	–	–	1,474	–	–	–	1,474
Eliminated on disposals	–	(3,715)	(3,014)	(1,252)	(1,172)	–	(9,153)
Exchange realignment	–	17	(10)	10	7	–	24
At 31 March 2014	**–**	**1,883**	**3,239**	**181**	**316**	**–**	**5,619**
CARRYING AMOUNT							
At 31 March 2014	**–**	**7,077**	**1,902**	**20**	**640**	**10,000**	**19,639**
At 31 March 2013	–	5,730	14,740	1,506	1,800	470	24,246

19. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's buildings at 31 March 2013 (reclassified to assets classified as held for sale) were situated in the PRC.

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	2% to 4.5%
Leasehold improvements	Over the shorter of the lease terms or 20%
Plant and machinery	9% to 10%
Furniture and office equipment	10% to 20%
Motor vehicles	18% to 20%

Following the decline in revenue generated from the Group's waste paper recycling businesses, management of the Company conducted a review of the economic viability of the Group's machineries with an aggregate carrying amount of HK$1,474,000 which have not been put into use for a period of time and considered it appropriate to recognise impairment loss in full on such machineries. Such impairment loss has been recognised in profit or loss in respect of the year and included in other gains and losses (Note 9).

The carrying amount of motor vehicles at 31 March 2013 includes an amount of HK$374,000 in respect of assets held under finance leases which were reclassified as assets held for sale.

20. INVESTMENT PROPERTY

	2014	2013
	HK$'000	HK$'000
At beginning of the year	**–**	10,150
Increase in fair value recognised in profit or loss (Note 9)	**–**	5,670
Reclassified as assets held for sale (Note 16)	**–**	(15,820)
At end of the year	**–**	–

All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment property at 31 March 2013 (reclassified as assets held for sale) is situated in Hong Kong under medium-term leases. The fair value of such investment property at 31 March 2013 has been arrived at on the basis of a valuation carried out as of that date by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of qualified professional valuers who have appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and condition.

21. PREPAID LEASE PAYMENTS

	2014 HK$'000	2013 HK$'000
At beginning of the year	–	1,097
Amortised for the year	–	(33)
Reclassified as held for sale (Note 16)	–	(1,082)
Exchange realignment	–	18
At end of the year	–	–

At 31 March 2013, the Group's prepaid lease payments (reclassified as assets held for sale) comprise of leasehold land which is situated in the PRC under medium-term leases.

22. GOODWILL

	2014 HK$'000	2013 HK$'000
COST		
At beginning and at end of the year	522,849	522,849
ACCUMULATED IMPAIRMENT		
At beginning of the year	203,849	–
Impairment loss recognised (Note 9)	133,162	203,849
At end of the year	337,011	203,849
CARRYING AMOUNT AT END OF THE YEAR	185,838	319,000

Goodwill of HK$522,849,000 arose from the acquisition of Ideal Market Holdings Limited ("Ideal Market") and was recognised at the date of acquisition. Ideal Market, through its subsidiaries established in the PRC, is principally engaged in paper waste, scrap metals and consumable wastes recycling in the PRC. For the purposes of impairment testing, the goodwill has been allocated to the CGUs of the recycling business undertaken by Ideal Market.

As a result of the deterioration of the recycling business undertaken by Ideal Market, an impairment loss on goodwill amounting to HK$133,162,000 were recognised by the Group and charged to profit or loss in respect of the year (2013: HK$203,849,000), which is calculated based on the recoverable amount of the CGUs of this recycling business.

22. GOODWILL (continued)

The recoverable amount has been determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by the directors covering a twenty-year period with growth rates of 15% per annum for the first year, 18% per annum for the second year, 20% per annum for the third year to tenth years and 15% per annum for the eleventh year to fourteenth years, 10% per annum for the fifteenth to seventeenth years and 3% per annum for the remaining three years and at a discount rate of 15.42% (2013: 11%). Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows, including budgeted sales and gross margin, which is based on the CGU's past performance and management's expectations for the market development. The directors believe that any reasonably possible change in the key assumptions would not cause the carrying amount of the CGU, after net off the impairment loss recognised, to exceed the corresponding recoverable amount.

23. INTANGIBLE ASSETS

	Customer relationship	
	2014	2013
	HK$'000	HK$'000
COST		
At beginning of the year	**42,500**	41,820
Exchange realignment	**(68)**	680
At end of the year	**42,432**	42,500
AMORTISATION		
At beginning of the year	**6,021**	2,092
Charge for the year (Note 9)	**4,311**	4,216
Exchange realignment	**(78)**	(287)
At end of the year	**10,254**	6,021
CARRYING AMOUNT AT END OF THE YEAR	**32,178**	36,479

The cost of customer relationship is amortised on a straight-line basis over its estimated useful life of 10 years. The carrying amount of the customer relationship at 31 March 2014 will be amortised over the remaining useful life of 7.58 years (2013: 8.58 years).

24. AVAILABLE-FOR-SALE INVESTMENT

	2014	2013
	HK$'000	HK$'000
Unlisted shares		
At cost		
At beginning of the year	**175,699**	172,888
Exchange realignment	**(307)**	2,811
At end of the year	**175,392**	175,699
Accumulated impairment		
At beginning of the year	**93,618**	44,888
Impairment loss recognised (Note 9)	**17,257**	47,616
Exchange realignment	**(437)**	1,114
At end of the year	**110,438**	93,618
Carrying amount at end of the year	**64,954**	82,081

The unlisted shares represent the Group's 9.9% interest in the issued capital of Swift Profit International Limited ("Swift Profit"), a limited liability company incorporated in the British Virgin Islands and engaging principally in license holding. The principal asset of Swift Profit is the exclusive license in relation to the technology of manufacturing multi-element polymer batteries for electric vehicles.

The available-for-sale investment is measured at cost less impairment loss, if any, because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that its fair value cannot be measured reliably.

Subsequent to the end of the reporting period, the Company entered into an agreement on 4 June 2014 for the disposal of the available-for-sale investment for a consideration of HK$66,000,000 (before expenses). Having assessed the recoverability of the investment by reference to the sale consideration, the directors consider it appropriate to make an impairment loss of HK$17,257,000 (2013: HK$47,616,000) to write down the available-for-sale investment to its estimated recoverable amount of HK$64,954,000 (2013: HK$82,081,000).

25. INVENTORIES

	2014 HK$'000	2013 HK$'000
Finished goods	**372**	657

26. TRADE AND BILLS RECEIVABLES

	2014 HK$'000	2013 HK$'000
Trade and bills receivables	**9,932**	8,015
Less: allowance for impairment loss	**(5,988)**	(5,800)
	3,944	2,215

Bills receivables are aged within 3 months from the invoice date.

The Group has a policy of allowing credit period ranging from 3 to 6 months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment history, a longer credit period may be granted. The Group does not hold any collateral over the balances.

An aged analysis of trade and bills receivables, net of impairment loss recognised, at the end of reporting period, based on the invoice date, is as follows:

	2014 HK$'000	2013 HK$'000
Within 3 months	**3,944**	2,017
4 to 6 months	**–**	–
Over 6 months	**–**	198
	3,944	2,215

26. TRADE AND BILLS RECEIVABLES (continued)

Movements in allowance for impairment losses of trade and bills receivables are as follows:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**5,800**	332
Impairment loss recognised	**200**	6,188
Transferred on reclassification of receivables as assets held for sale	**–**	(766)
Exchange realignment	**(12)**	46
At end of the year	**5,988**	5,800

As at 31 March 2014, trade receivables of the Group amounting to HK$5,988,000 (2013: HK$5,800,000) were individually determined to be impaired and impairment loss of the full amount had been recognised. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these receivables.

The aged analysis of the trade and bills receivables that are neither individually nor collectively considered to be impaired is as follows:

	2014 HK$'000	2013 HK$'000
Not past due	**3,944**	2,017
Less than 3 months past due	**–**	–
4 to 6 months past due	**–**	198
	3,944	2,215

26. TRADE AND BILLS RECEIVABLES (continued)

The Group's trade and bills receivables that are neither past due nor impaired mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment is required for the past due balances based on the Group's assessment of their recoverability.

As 31 March 2014 and 2013, the trade and bills receivables were denominated in the functional currencies of the relevant group entities.

As referred to in Note 27(a)(ii), as at 31 March 2013, certain receivables from trade customers amounted to RMB13,710,000 were assigned at their face amount to and are payable by a party not connected with the Group.

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID

	2014	2013
	HK$'000	HK$'000
Other receivables (Note a)	**19,501**	55,930
Prepayments	**2,453**	861
Other deposits paid	**614**	841
	22,568	57,632

Notes:

(a) An analysis of other receivables (net of impairment) is as follows:

	2014	2013
	HK$'000	HK$'000
Other receivables	**90,045**	93,646
Less: allowance for impairment loss	**(70,544)**	(37,716)
	19,501	55,930

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID (continued)

Notes: (continued)

(a) (continued)

Movements in the allowance for impairment loss of other receivables are as follows:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**37,716**	1,845
Impairment loss recognised in respect of: (Note 9)		
– advances to staff	**3,708**	1,154
– advances to ex-staff	**6,467**	26,934
– advances to a third party	**35,515**	–
– advances to suppliers and other parties	**369**	7,467
	46,059	35,555
Impairment loss reversed (Note 9)	**(11,439)**	–
Amounts written off during the year as uncollectible	**(1,197)**	–
Exchange realignment	**(595)**	316
At end of the year	**70,544**	37,716

Details of other receivables (net of impairment) are as follows:

	2014 HK$'000	2013 HK$'000
Advances to staff (Note (i))	**1,041**	1,028
Advances to ex-staff (Note (i))	**–**	6,487
Advances to a third party (Note (ii))	**17,658**	46,582
Advances to purchase suppliers and other parties	**802**	1,833
	19,501	55,930

(i) The advances were made to staff and ex-staff of certain subsidiaries of Ideal Market respectively and are unsecured, interest free and repayable within one year from the reporting date.

27. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS PAID (continued)

Notes: (continued)

(a) (continued)

(ii) The advances to a third party (the "Third Party") represent receivables from the Third Party amounted to an aggregate of RMB42,453,000, equivalent to HK$52,973,000 (2013: RMB37,266,000, equivalent to HK$46,582,000), less impairment loss recognised of HK$35,515,000 (2013: Nil). These receivables, which are interest free and repayable within one year from the reporting date, are secured by the pledge of 13.33% equity interest in Ideal Market, a subsidiary, held by its minority shareholder.

During the year ended 31 March 2013, receivables by the Group from a minority shareholder, staff and ex-staff of subsidiaries of Ideal Market, and trade customers amounted to RMB22,414,000 (equivalent to HK$28,018,000), RMB242,000 (equivalent to HK$303,000) and RMB13,710,000 (equivalent to HK$17,137,000) respectively were assigned at face amounts and transferred to receivables by the Group from the Third Party. As at 31 March 2013, the outstanding balances of the receivables from this party amounted to RMB37,266,000 (equivalent to HK$46,582,000).

28. RESTRICTED BANKS DEPOSITS AND BANK BALANCES AND CASH

Restricted bank deposits represent deposits placed with certain banks in the PRC to secure bills amounted to an aggregate of HK$27,576,000 (2013: Nil) issued by the Group which remained unsettled at the reporting date. These bills amounted to HK$22,585,000 and HK$4,991,000 were included in trade and bills payable (Note 29) and other payables and accrued charges (Note 30) respectively. These deposits carry interest at interest rate of 3.05% (2013: Nil) per annum. Subsequent to the reporting date, part of these restricted bank deposits have been applied for the settlement of the related bills payable.

Bank balances and cash comprise cash held by the Group and deposits with banks with an original maturity of three months or less. These deposits carry interest at market rates ranging from 0.01% to 0.35% (2013: 0.03% to 0.05%) per annum.

Except for the bank balances and cash with the aggregate amount of HK$8,333,000 (2013: HK$1,978,000) which are denominated in Hong Kong dollar, all the Group's restricted banks deposits and bank balances and cash were denominated in the functional currencies of the relevant group entities.

29. TRADE AND BILLS PAYABLES

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

	2014 HK$'000	2013 HK$'000
Within 3 months	–	3,320
4 to 6 months	22,730	783
Over 6 months	157	10
	22,887	4,113

The credit period on purchase of goods ranged from 60 to 90 days.

Included above are bills payable of HK$22,585,000 (2013: Nil) (Note 28) which were not yet due for settlement at the reporting date.

At 31 March 2014 and 2013, trade and bills payables were substantially denominated in the functional currencies of the relevant group entities.

30. OTHER PAYABLES AND ACCRUED CHARGES

	2014 HK$'000	2013 HK$'000
Bills payable (Note 28)	4,991	–
Accrued interests	12,802	2,594
Amount due to a minority shareholder of a subsidiary (Note (i) below)	–	1,408
Other accrued charges and payables	29,777	25,364
	47,570	29,366

Notes:

(i) The amount due to the minority shareholder is unsecured, interest free and repayable on demand.

(ii) The other payables and accrued charges were denominated in the functional currencies of the relevant group entities, except for the aggregate amount of HK$13,708,000 (2013: HK$4,551,000) which are denominated in Hong Kong dollar.

31. PROMISSORY NOTES PAYABLE

Movements of the promissory notes payable during the year are as follows:

	2014 HK$'000	2013 HK$'000
At beginning of the year	**122,000**	262,023
Interest charged for the year (Note 10)	**1,925**	12,253
Repayments of promissory notes and interests thereof	**(114,514)**	(150,238)
(Gain)/loss on early repayments of promissory notes (Note 9)	**(4,411)**	489
Interest payable on promissory notes included in other payables and accruals	**–**	(2,527)
At end of the year	**5,000**	122,000

In November 2011, the Company issued promissory notes with an aggregate principal amount of HK$260,000,000 as part of the consideration for the acquisition of Ideal Market. The notes are unsecured and carried interests at 5.25% per annum. Part of the notes with the principal amount of HK$138,000,000 was repaid up to 31 March 2013.

During the current year, the maturity dates of the outstanding promissory notes with the principal amounts of HK$25,000,000 due on 31 January 2013, HK$72,000,000 due on 7 May 2013 and HK$20,000,000 due on 14 May 2013 have been further extended to 31 December 2013, 7 November 2013 and 5 December 2013 respectively.

During the current year, the Company repaid part of the promissory notes with the aggregate principal amount of HK$117,000,000 together with accrued interests thereon of HK$1,925,000 for an aggregate consideration of HK$114,514,000, which gave rise to a gain on repayment of HK$4,411,000 recognised in the profit or loss in respect of the current year.

At 31 March 2014, the promissory notes with the principal amount of HK$5,000,000 have been overdue for repayment and remained outstanding. As at that date, a litigation was pending against the Company in connection with these promissory notes, details of which are set out in Note 49.

The effective interest rate of the promissory notes in respect of the year is 5.25% (2013: ranged from 5.25% to 7.5%) per annum.

32. BANK AND OTHER BORROWINGS

	Notes	Effective interest rate 2014	Effective interest rate 2013	2014 HK$'000	2013 HK$'000
Bank loans	a	**7.32%**	2.5% – 8.2%	**7,861**	22,500
Other borrowings					
– secured	b	**36%**	N/A	**68,000**	–
– unsecured		**N/A**	Nil	**–**	3,700
				68,000	3,700
				75,861	26,200

	Notes	2014 HK$'000	2013 HK$'000
Analysed as:			
Secured	a	**75,861**	22,500
Unsecured		**–**	3,700
		75,861	26,200

(a) The bank loans outstanding at 31 March 2014 and 31 March 2013 were secured by guarantees given by certain parties not connected with the Group.

(b) The other borrowings outstanding at 31 March 2014, which are secured by the pledge of the Group's 80% equity interest in Ideal Market, a subsidiary of the Company, carry interest at 36% per annum and are payable on 1 March 2014, have been overdue for repayment and in negotiation on the extended repayment date at the end of the reporting period.

(c) Except for the borrowings with the aggregate amount of HK$68,000,000 (2013: HK$3,500,000) which are denominated in Hong Kong dollar, all the Group's bank and other borrowings were denominated in the functional currencies of the relevant group entities.

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014 HK$'000	2013 HK$'000
Convertible notes denominated in Hong Kong dollar		
– 290m Notes (Note a)	–	4,104
– 95m Notes (Note b)	–	129,560
	–	133,664

Movements during the year are as follows:

	2014 HK$'000	2013 HK$'000
Balance at beginning of the year	133,664	25,917
Issue of 95m Notes, at fair value	–	95,000
Increase in fair value of convertible notes		
– 290m Notes	2,762	4,063
– 95m Notes	1,199,840	34,560
– 77m Notes	–	1,960
	1,202,602	40,583
Gain on redemption of 290m Notes (Note 9)	–	(4,502)
Converted into new ordinary shares of the Company	(1,336,266)	(23,334)
Balance at end of the year	–	133,664

	2014 HK$'000	2013 HK$'000
Total loss on change in fair value recognised in profit or loss (Note 9)	1,202,602	40,583

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(a) 290m Notes

On 7 November 2011, the Company issued zero coupon convertible notes with an aggregate principal amount of HK$290,000,000 ("290m Notes") as part of the consideration for the acquisition of 80% equity interest in and shareholders' loans to Ideal Market. Pursuant to the terms of the 290m Notes, the Notes, which will be mature on 7 November 2013, entitle the holders thereof to convert the notes into new ordinary shares of the Company at any time on or after 7 November 2011 until the business day immediately preceding the maturity date. The initial conversion price in respect of the 290 Notes is calculated as the average closing price of the shares of the Company for five consecutive trading days prior to the date of conversion plus a premium of 30%, provided that the conversion price shall not in any event be more than HK$0.68 or less than HK$0.227 per share. The conversion price, which was revised to HK$11.35 per share in September 2012 as a result of the share consolidation of the Company made during the year ended 31 March 2013, was further revised to HK$2.838 per share following the share subdivision implemented by the Company in July 2013. The 290m Notes may be redeemed at 100% of its outstanding principal amount (in whole or in part) at the option of the Company at any time prior to the maturity date. Unless previously converted, redeemed and cancelled, the outstanding 290m Notes will be fully converted into shares of the Company at the conversion price on maturity.

Up to 31 March 2013, the 290m Notes with an aggregate principal amount of HK$232 million were converted into approximately 1,022.03 million new ordinary shares of the Company at the conversion price of HK$0.227 per share.

Pursuant to the sale and purchase agreement relating to the acquisition of Ideal Market, the vendors have provided the Company with the profit guarantee that the net profit after taxation of 蘇州百納再生資源有限公司("蘇州百納"), a subsidiary of Ideal Market, for the year ended 31 March 2012, which is determined in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), shall not be less than RMB55 million (the "Profit Guarantee"). In this connection, portion of the 290m Notes with the principal amount of HK$52 million (the "Contingency Note") has been deposited with an escrow agent appointed by the Company as security for the Profit Guarantee. During the year ended 31 March 2013, following the finalisation of the net profit after taxation of 蘇州百納 for the year ended 31 March 2012 amounting to RMB11,239,190, the Company is entitled to redeem, at a consideration of HK$1, part of the Contingency Note with an aggregate principal amount of HK$41,373,857 under the Profit Guarantee, which was redeemed and cancelled by the Company in May 2013. The gain on redemption of the convertible notes amounting to HK$4,502,000, which represents substantially all of the fair value of the redeemed Contingency Note, has been recognised in profit or loss in respect the year ended 31 March 2013.

During the current year, the 290m Notes with the principal amounts of HK$10,626,143 and HK$6,000,000 were converted into 936,223 and 2,114,164 new ordinary shares of the Company at the conversion price of HK$11.35 and HK$2.838 per share respectively.

At 31 March 2014, there were no 290m Notes remained outstanding.

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(b) 95m Notes

On 26 June 2012 and 4 September 2012, the Company entered into a subscription agreement and a supplemental subscription agreement with Pacific Plywood Holdings Limited ("Pacific Plywood"), an entity whose shares are listed on the Stock Exchange, pursuant to which convertible notes with the aggregate principal amount of HK$95 million ("95m Notes") were issued by the Company to Pacific Plywood, giving rise to a gross proceed of HK$95 million. Pursuant to the subscription agreement, the 95m Notes carry interest at 8% per annum, will be mature immediately after eighteen months from the date of issue and entitle the holders thereof to convert the notes into new ordinary shares of the Company at an initial conversion price of HK$0.592 per share at any time from the date of issue of the notes until the fifth business day before the maturity date of the notes. The conversion price in respect of the 95m Notes was revised to HK$0.148 per share as a result of the share subdivision of the Company implemented during the current year. The Company is entitled to redeem the 95m Notes at 100% of their principal amount at any time prior to their maturity date. Unless previously converted, redeemed and cancelled, the 95m Notes will be fully redeemed by the Company at 100% of the outstanding principal amount on the maturity date.

During the current year, the 95m notes with an aggregate principal amount of HK$95 million were converted into approximately 642 million new ordinary shares of the Company at the conversion price of HK$0.148 per share. At 31 March 2014, there were no 95m Notes remained outstanding.

(c) 77m Notes

In March 2012, the Company issued zero coupon convertible notes with the principal amount of HK$77,000,000 (the "77m Notes"), giving rise to a gross proceed of HK$77 million. The 77m Notes, which comprise convertible notes with the principal amounts of HK$55 million and HK$22 million issued on 13 March 2012 and 22 March 2012 respectively and matured on 12 March 2013 and 22 March 2013 respectively, entitle the holders thereof to convert the notes into new ordinary shares of the Company at an initial conversion price of HK$0.11 per share at any time on or after the dates of issues until the business day immediately preceding the respective maturity dates. The 77m Notes may be redeemed at 100% of its outstanding principal amount (in whole or in part) at the option of the Company at any time prior to their respective maturity dates. Unless previously converted, redeemed and cancelled, the outstanding 77m Notes will be fully converted into shares of the Company at the conversion price on maturity.

Up to 31 March 2013, the 77m Notes with the aggregate principal amount of HK$77 million were converted into 700 million new ordinary shares of the Company at the conversion price of HK$0.11 per share. At 31 March 2013, there were no 77m Notes remained outstanding.

33. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

The loss from the change in fair value of the convertible notes, which represents the excess of the fair value of the convertible notes at the respective dates of conversion over their carrying amounts at 1 April 2013, amounted to an aggregate of HK$1,202,602,000 which has been recognised in the profit or loss in respect of the year.

The fair values of the 290m Notes were determined based on the valuations conducted by LCH, an independent firm of business and financial services valuers, using the "Prepaid Forward Contract" pricing model with key inputs such as share price, expected number of shares to be issued on conversion of the notes, and the dilution effect thereon to the issued shares of the Company.

The fair values of the 95m Notes at dates of conversion were determined based on the valuation conducted by LCH using the binomial pricing model with key input such as share price, expected number of shares to be issued on conversion of the notes, risk-free rates, risky rates, expected dividend yield and annualized volatility. The inputs into the binomial pricing model were as follows:

	Risk-free rate	**Risky rate**	**Expected dividend yield**	**Annualized volatility**
	%	%	%	%
At dates of conversion				
– 18 July 2013	0.25	6.98	Nil	70
– 5 August 2013	0.20	6.58	Nil	82
– 30 August 2013	0.18	6.56	Nil	86
– 18 October 2013	0.17	6.62	Nil	72
– 5 November 2013	0.18	6.63	Nil	74
– 4 December 2013	0.12	6.72	Nil	77
– 24 December 2013	0.12	6.72	Nil	33
– 3 January 2014	0.12	6.72	Nil	33
At 31 March 2013	0.14	7.03	Nil	111

The fair value of the convertible notes has been determined on level 2 fair value measurement. There has been no change from the valuation technique used in the prior year. Further, there has been no transfer between the different levels of the fair value hierarchy in respect of the fair value measurement of the convertible notes.

34. OBLIGATIONS UNDER FINANCE LEASES

The Group leased certain of its motor vehicles under finance leases. The average lease term was 3 years. Interest rates on obligations under the finance leases were fixed at the contract rate of 5.78% per annum. The Group had options to purchase the motor vehicles for a nominal amount at the end of the lease terms. No arrangements have been entered into for contingent rental payments.

	Minimum lease payment		**Present value of minimum lease payment**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under finance leases				
Within one year	–	140	–	119
In more than one year and not more than two years	–	140	–	127
In more than two years and not more than five years	–	174	–	168
	–	454	–	414
Less: Future finance charges	–	(40)	–	N/A
Present value of lease obligations	–	414	–	414
Less: Amount reclassified as liabilities directly associated with assets classified as held for sale (Note 16)			–	(414)
Amount due for settlement after 12 months			–	–

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

35. SHARE CAPITAL

	Number of shares '000	Nominal amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2012	100,000,000	1,000,000
Share consolidation (Note a(i))	(98,000,000)	–
Reduction of share capital (Note a(ii))	–	(980,000)
Increase in authorised share capital (Note a(iii))	98,000,000	980,000
Ordinary shares of HK$0.01 each at 31 March 2013	100,000,000	1,000,000
Share subdivision (Note g)	300,000,000	–
Share subdivision (Note l)	1,600,000,000	–
Ordinary shares of HK$0.0005 each at 31 March 2014	**2,000,000,000**	**1,000,000**

35. SHARE CAPITAL (continued)

	Number of shares '000	Nominal amount HK$'000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2012	923,396	9,234
Issue of shares on conversion of convertible notes (Note b)	449,339	4,493
Issue of shares on conversion of convertible notes (Note c)	664,000	6,640
Share consolidation (Note a(i))	(1,996,000)	–
Reduction of share capital (Note a(ii))	–	(19,960)
Issue of shares on placement of shares (Note d)	8,100	81
Issue of shares on subscription of shares (Note e)	6,560	66
Ordinary shares of HK$0.01 each at 31 March 2013	55,395	554
Issue of shares on conversion of convertible notes (Note f)	936	9
Share subdivision (Note g)	168,993	–
Issue of shares on conversion of convertible notes (Note h)	2,114	6
Issue of shares on conversion of convertible notes (Note i)	641,892	1,605
Issue of shares on subscription of shares (Note j)	12,800	32
Issue of shares on placement of shares (Note k)	45,680	114
Share subdivision (Note l)	3,711,239	–
Ordinary shares of HK$0.0005 each at 31 March 2014	**4,639,049**	**2,320**

Notes:

(a) Pursuant to the resolutions passed at the Company's special general meeting held on 7 September 2012, the Company effected a capital reorganisation as follows:

(i) every fifty issued and unissued shares of HK$0.01 each in the Company were consolidated into one consolidated share of HK$0.5 each;

(ii) the par value of each consolidated share was then reduced from HK$0.5 to HK$0.01 by the cancellation of HK$0.49 of the par value, resulting in a new par value of HK$0.01 for each consolidated share. The reduction of the share capital resulted in the credit of approximately HK$19,960,000 to contributed surplus which was then transferred to accumulated losses; and

(iii) the authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of 98,000,000,000 additional shares of HK$0.01 each.

35. SHARE CAPITAL (continued)

Notes: (continued)

(b) Portion of the 290m Notes (see Note 33) were converted into new shares of the Company during the year ended 31 March 2013 at the conversion price of HK$0.227 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted	Number of ordinary shares issued
	HK$'000	'000
11 April 2012	40,000	176,211
17 April 2012	10,000	44,053
16 May 2012	42,000	185,022
31 May 2012	10,000	44,053
	102,000	449,339

(c) Portion of the 77m Notes (see Note 33) were converted into new shares of the Company during the year ended 31 March 2013 at the conversion price of HK$0.11 per share, as follows:

Date of conversion	Principal amount of the 77m Notes converted	Number of ordinary shares issued
	HK$'000	'000
22 May 2012	6,600	60,000
15 August 2012	43,340	394,000
16 August 2012	23,100	210,000
	73,040	664,000

(d) On 8 October 2012, the Company entered into a placement agreement with a financial institution under which 8,100,000 new ordinary shares of the Company were issued at a price of HK$0.57 per share, giving rise to a gross proceed of HK$4,617,000 (before expense).

(e) On 4 March 2013, the Company entered into a subscription agreement with a subscriber under which 6,560,000 new ordinary shares of the Company were issued at a price of HK$1.20 per share, giving rise to a gross proceed of HK$7,872,000 (before expense).

(f) Portion of the 290m Notes were converted into new shares of the Company during the current year at the conversion price of HK$11.35 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted	Number of ordinary shares issued
	HK$'000	'000
13 June 2013	10,626	936

35. SHARE CAPITAL (continued)

Notes: (continued)

(g) On 28 June 2013, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK$0.01 each in the share capital of the Company were subdivided into four subdivided shares of HK$0.0025 each. The share subdivision was effected on 18 July 2013.

(h) Portion of the 290m Notes (see Note 33) were converted into new shares of the Company during the current year at the conversion price of HK$2.838 per share, as follows:

Date of conversion	Principal amount of the 290m Notes converted	Number of ordinary shares issued
	HK$'000	'000
27 September 2013	4,000	1,409
7 November 2013	2,000	705
	6,000	2,114

(i) The 95m Notes (see Note 33) were converted into new shares of the Company during the current year at the conversion price of HK$0.148 per share, as follows:

Date of conversion	Principal amount of the 95m Notes converted	Number of ordinary shares issued
	HK$'000	'000
18 July 2013	8,835	59,696
5 August 2013	5,920	40,000
30 August 2013	11,840	80,000
18 October 2013	8,880	60,000
5 November 2013	11,840	80,000
4 December 2013	12,685	85,709
24 December 2013	21,000	141,892
3 January 2014	14,000	94,595
	95,000	641,892

(j) On 22 August 2013, the Company entered into a subscription agreement with a subscriber, under which 12,800,000 new ordinary shares of the Company were issued at a price of HK$1.13 per share, giving rise to a gross proceed of HK$14,464,000 (before expenses).

(k) On 18 November 2013, the Company entered into a placement agreement with a financial institution, under which 45,680,000 new ordinary shares of the Company were issued at a price of HK$2.01 per share, giving rise to a gross proceed at HK$91,817,000 (before expense).

(l) On 15 January 2014, the Company proposed to implement a share subdivision scheme on the basis that every issued and unissued share of HK$0.0025 each in the share capital of the Company were subdivided into five subdivided shares of HK$0.0005 each. The share subdivision was effected on 5 February 2014.

All the new ordinary shares issued and allotted during both of the years presented rank pari passu in all respect with the then existing ordinary shares of the Company.

36. SHARE OPTION SCHEME

On 30 August 2011, the Company adopted a new share option scheme (the "New Scheme") to override the share option scheme dated 23 August 2002 (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

A summary of the New Scheme of the Company is as follows:

Purpose	To provide incentives and rewards to eligible participants for their contributions to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group and any entity in which the Group holds an equity interest (the "Invested Entity").
Eligible participants	(i) any employee (whether full-time or part-time), executive directors, non-executive directors and independent non-executive directors of the Company or any of its subsidiaries or Invested Entity; (ii) any supplier of goods or services to any member of the Group or any Invested Entity; any customer of the Group or any Invested Entity; any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (iii) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity.
Total number of ordinary shares available for issue under the New Scheme and the percentage of the issued share capital that it represents as at the date of the approval of these consolidated financial statements	12,588,360 ordinary shares of HK$0.0005 each and approximately 0.26% of the issued share capital.

36. SHARE OPTION SCHEME (continued)

Maximum entitlement of each eligible participant	Where any grant or further grant of options to an eligible participant would result in the total number of shares issued and to be issued upon exercise of all the options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of such grant or further grant representing in aggregate over 1% of the total number of shares in issue, such grant or further grant must be separately approved by the shareholders in a general meeting. Where any grant or further grant of options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant: (a) representing in aggregate over 0.1% of the relevant class of shares in issue; and (b) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5,000,000, such grant or further grant of options must be approved by the shareholders in a general meeting.

36. SHARE OPTION SCHEME (continued)

Period within which the securities must be taken up under an option	An option may be exercised at any time during a period to be determined and notified by the directors to each grantee, but shall end in any event not later than 10 years from the date of offer of the grant of options subject to the provisions for early termination set out in the Scheme.
Minimum period for which an option must be held before it can be exercised	There is no minimum period for which an option granted must be held before it can be exercised except otherwise imposed by the directors.
Amount payable on acceptance of the option and the period within which such payment must be made	The offer of a grant of share options may be accepted within 28 days from the date of offer with a consideration of HK$1.00 being payable by the grantee.
Exercise price	Determined by the directors but shall not be less than the highest of (i) the closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets on the date of offer of the grant of options, which must be a trading day; (ii) the average closing price of the ordinary shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of offer of the grant of options; and (iii) the nominal value of shares.
The remaining life of the New Scheme	The New Scheme remains in force until 30 August 2021.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movements of share options granted

No share options were granted, exercised, lapsed or cancelled under the New Scheme and the Old Scheme during the years ended 31 March 2014 and 31 March 2013 and no share options were outstanding as at those dates.

37. UNCONVERTIBLE BONDS

Movements in the unconvertible bonds during the year are as follows:

	2014	2013
	HK$'000	HK$'000
At beginning of the year	**20,000**	–
Issue of unconvertible bonds	**–**	20,000
Bonds issue expenses	**–**	(600)
Interest charges for the year (Note 10)	**1,122**	646
Interest paid during the year	**(1,000)**	–
Interest payable reclassified from/(to) accrued charges	**46**	(46)
At end of the year	**20,168**	20,000

In July 2012 and October 2012, the Company issued unconvertible bonds with the aggregate principal amounts of HK$20,000,000 giving rise to a total proceed of HK$20,000,000 (before expenses). The unconvertible bonds, which are unsecured and carry interest at 5% per annum, are wholly repayable by the Company on the maturity date of 31 May 2017 at the principal amount. At 31 March 2014, the unconvertible bonds with the principal amount of HK$20,000,000 (2013: HK$20,000,000) remained outstanding. The effective interest rate of the unconvertible bonds in respect of the year ranged from 5.55% to 5.65% per annum (2013: ranged from 5.55% to 5.65% per annum).

38. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current year.

	Fair value adjustments on business combination HK$'000	Undistributed earnings of PRC subsidiaries HK$'000	Total HK$'000
At 1 April 2012	9,595	2,296	11,891
Credited to profit or loss	(843)	(2,257)	(3,100)
Exchange realignment	405	28	433
At 31 March 2013 and 1 April 2013	9,157	67	9,224
Credited to profit or loss	(1,088)	(67)	(1,155)
Exchange realignment	1	–	1
At 31 March 2014	**8,070**	**–**	**8,070**

Under the EIT Law of the PRC, withholding income tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred tax in respect of temporary differences attributable to the retained earnings of the PRC subsidiaries from 1 January 2008 amounted to HK$ Nil (2013: HK$67,000) has been recognised in the consolidated financial statements.

At the end of the reporting period, the Group had unused tax losses of approximately HK$5,228,000 (2013: HK$97,423,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. Included in the tax losses are losses of approximately HK$ Nil (2013: HK$4,933,000) that will expire within five years from the end of the reporting period. Other losses may be carried forward indefinitely.

39. EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, subject to a cap of monthly relevant Income of HK$20,000 before 1 June 2012 and HK$25,000 thereafter. Contributions to the plan vest immediately.

The employees of PRC subsidiaries of the Company are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

No forfeited contributions were recognised for the year ended 31 March 2014 (2013: Nil) and there were no material forfeitures available to reduce the Group's future contributions as at 31 March 2014 and 2013.

40. COMMITMENTS

(a) Capital commitments

	2014	2013
	HK$'000	HK$'000
Commitment contracted and not provided for:		
Acquisition of investment (Note 50(a))	**125,000**	–
Acquisition of yacht	**4,000**	–
	129,000	–

40. COMMITMENTS (continued)

(b) Operating lease commitments

The Group as lessee

The Group rented certain office premises and warehouses under operating lease arrangements, with the leases negotiated for a term within one to three years (2013: one year).

At the end of the reporting period, the Group had total future minimum lease payments under the non-cancellable operating leases falling due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**943**	473

41. DISPOSAL OF SUBSIDIARIES

As referred to in Note 16, the Group completed the disposal of the Disposed Group on 10 April 2013 for a cash consideration of HK$2 million.

Consideration received

	HK$'000
Consideration received in cash	2,000

41. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of assets and liabilities at the date of disposal over which control was lost

	HK$'000
Assets classified as held for sale	
Property, plant and equipment	14,740
Investment property	15,820
Prepaid lease payments	1,082
Inventories	4,976
Trade and bills receivables	6,599
Other receivables, prepayments and deposits paid	3,430
Tax recoverable	21
Bank balance and cash	7,531
	54,199
Less: Impairment loss recognised	(24,644)
	29,555
Liabilities associated with assets classified as held for sale	
Trade and bills payables	(6,516)
Other payables and accruals	(5,612)
Bank and other borrowings	(9,999)
Tax payable	(4,336)
Obligations under finance leases	(414)
	(26,877)
Net assets disposed of	2,678

Gain on disposal of subsidiaries

	HK$'000
Consideration received	2,000
Net assets disposed of	(2,678)
Cumulative exchange gains in respect of the net assets of the subsidiaries	26,624
Gain on disposal of subsidiaries	25,946

41. DISPOSAL OF SUBSIDIARIES (continued)

Net cash outflow on disposal of subsidiaries

	HK$'000
Cash consideration received	2,000
Less: Deposit received in prior year	(1,000)
Cash consideration received in the year	1,000
Less: Bank balances and cash disposed of	(7,531)
Add: Bank overdraft included in bank and other borrowings	403
Net cash outflow on disposal of subsidiaries	(6,128)

42. MAJOR NON-CASH TRANSACTIONS

(a) As referred to in Notes 33, during the current year, the 290m Notes, 95m Notes and 77m Notes with the principal amounts of HK$10,626,000 (2013: HK$102,000,000), HK$95,000,000 (2013: Nil) and HK$Nil (2013: HK$73,040,000) respectively were converted into new ordinary shares of the Company.

(b) During the year ended 31 March 2013, receivables from a minority shareholder, staff and ex-staff of certain subsidiaries of Ideal Market, and trade customers were assigned at face amounts to and are payable by a party not connected with the Group, details of which are set out in Note 27(a)(ii).

43. PLEDGE OF ASSETS

At the end of the reporting date, the Group had the following pledge of assets:

(i) As referred to in Note 32(b), 80% equity interest in Ideal Market, a subsidiary of the Company, has been pledged to secure the Group's borrowings granted by a third party. The net carrying amount of the assets (including the goodwill on acquisition referred to in Note 22) less liabilities of Ideal Market and its subsidiaries at 31 March 2014, as included in the Group's net assets as at that date, is approximately HK$177,547,000.

(ii) As referred to in Note 28, deposits amounted to HK$11,767,000 were placed with banks at 31 March 2014 (2013: Nil) to secure bills issued by the Group which remained unsettled at that date.

44. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

(a) As referred to in Note 15, the Company disposed of 100% equity interests in and shareholders' loans made to the Disposed Group to Nature Ample Limited, which is wholly owned by Mr. Lau Ching Yim, a former director of the Company, for a cash consideration of HK$2,000,000.

(b) Compensation of key management personnel of the Group, who were the directors of the Company, are as follows:

	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**2,025**	2,045
Post-employment benefits	**965**	778
Total compensation paid to key management personnel	**2,990**	2,823

The remuneration of directors is determined by the remuneration committee and having regard to the performance of individuals and market trends.

Further details of directors' emoluments are included in Note 12.

45. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt and equity attributable to owners of the Company. Net debt includes trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, unconvertible bonds less the aggregate of restricted bank deposits and bank balances and cash. Equity attributable to owners of the Company includes issued share capital and reserves.

The Group reviews the capital structure on a regular basis and manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Group monitors capital using a gearing ratio, which is net debt divided by the total of capital and net debt.

	2014 **HK$'000**	2013 HK$'000
Trade and bills payables	**22,887**	4,113
Other payables and accruals	**47,570**	29,366
Promissory notes payable	**5,000**	122,000
Bank and other borrowings	**75,861**	26,200
Financial liabilities designated at FVTPL	**–**	133,664
Unconvertible bonds	**20,168**	20,000
Less: Restricted bank deposits and bank balances and cash	**(22,370)**	(3,603)
Net debt	**149,116**	331,740
Equity attributable to owners of the Group	**153,437**	156,919
Capital and net debt	**302,553**	488,659
Gearing ratio	**49%**	68%

46. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amount of the Group's financial assets and liabilities as recognised at the reporting dates are categorised as follows:

	2014 HK$'000	2013 HK$'000
Financial assets		
Available-for-sale investment	**64,954**	82,081
Loan and receivables		
Trade and bills receivables	**3,944**	2,215
Other receivables and deposits paid	**20,115**	56,771
Restricted bank deposits	**11,767**	–
Bank balances and cash	**10,603**	3,603
	111,383	144,670
Financial liabilities		
Financial liabilities at amortised cost		
Trade and bills payables	**22,887**	4,113
Other payables and accruals	**47,570**	29,366
Promissory notes payable	**5,000**	122,000
Bank and other borrowings	**75,861**	26,200
Unconvertible bonds	**20,168**	20,000
	171,486	201,679
Financial liabilities designated at FVTPL	**–**	133,664
	171,486	335,343

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investment, trade and bills receivables, other receivables and deposits paid, restricted bank deposits, bank balances and cash, trade and bills payables, other payables and accruals, promissory notes payable, bank and other borrowings, financial liabilities designated at FVTPL, and unconvertible bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group does not enter into or trade derivative instruments for speculative purposes. There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are transacted in the PRC with their functional currency of RMB.

For the two years ended 31 March 2014 and 2013, the Group mainly earned revenue in RMB and incurred costs in HK$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly in HK$ are used to pay for HK$ expenses.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Currency risk (continued)

The monetary assets and monetary liabilities of the Group at the end of reporting date denominated in currencies other than functional currencies of the related entities are as follows:

	2014 HK$'000	2013 HK$'000
Assets		
HK$	8,333	1,978
Liabilities		
HK$	106,876	283,760

Sensitivity analysis

The following table indicates the approximate change in the Group's loss after income tax expense in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of reporting period. The sensitivity analysis includes balances of assets and liabilities of the group entities where the denomination of these balances is in a currency other than the functional currencies of these entities. A positive number below indicates a decrease in loss for the year where the functional currency strengthens against the relevant currency. For a weakening of the functional currency against the relevant currency, there would be an equal and opposite impact on the loss for the year, and the balances below would be negative.

	2014 HK$'000	2013 HK$'000
HK$		
Sensitivity rate	5%	5%
Profit or loss	4,927	14,089

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk *(continued)*

Fair value and cash flow interest rate risk

The Group has restricted bank deposits, bank balances, bank borrowings, promissory notes payable, convertible bonds and unconvertible bonds which bear interest and are therefore exposed to interest rate risk. Restricted bank deposits, bank balances and bank borrowings bearing at variable rates expose the Group to cash flow interest-rate risk. Promissory notes payable, convertible bonds, unconvertible bonds and other borrowings bearing at fixed rates expose the Group to fair value interest-rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risk.

Assuming the restricted bank deposits, bank balances and bank borrowings with variable rates outstanding at the end of the reporting period were outstanding for the whole year if interest rates had increased by 100 basis points (2013: 100 basis points) and all other variables held constant, there was an increase in post-tax loss by approximately HK$124,000 (2013: HK$168,000). If interest rates had decreased by 100 basis points (2013: 100 basis points), there would be an equal but opposite impact on the results for the year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

Credit risk

The carrying amounts of the trade and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk. The Group manages the credit risk by setting up a team responsible for the determination of credit terms, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debt. In addition, it is the Group's policy to review regularly the recoverable amount of trade and other receivables to ensure that adequate impairment provisions are made against the irrecoverable amounts. Trade receivables consist of a number of customers, spread across diverse industries and geographical areas.

As at 31 March 2014, the Group has concentration of credit risk as 81% (2013: 15%) and 100% (2013: 60%) of the total trade and bills receivables were due from the Group's largest and the five largest customers respectively.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Credit risk** (continued)*

At 31 March 2014, the Group has also significant concentration of credit risk arising from the advances to staff of HK$1,041,000 (2013: HK$1,028,000), the advances to ex-staff of HK$Nil (2013: HK$6,487,000) and the advances to a third party of HK$17,658,000 (2013: HK$46,582,000) included in other receivables (see Note 27).

The credit risk on liquid funds is limited because the majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and authorised banks in the PRC.

Liquidity risk

The Group had net current liabilities of approximately HK$124,058,000 as at 31 March 2014 (2013: HK$270,604,000). Management is of the view that the Group is able to operate as a going concern for the foreseeable future for the reasons set out in Note 2. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and longer term.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of an adequate amount of committed credit facilities. Management aims to maintain flexibility in funding by keeping credit lines available.

The following table details the Group's remaining contractual maturity for its non-derivative and derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities in accordance with the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity is managed on a net asset and liability basis.

The amounts included below for variable interest rate instruments for both non-derivative financial assets and liabilities are subject to change if changes in variable interest rates different to those estimates of interest rates determined at end of the reporting period.

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

The Group

	Within 3 months or on demand HK$'000	3 months to 1 year HK$'000	1 to 5 years HK$'000	Undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2014					
Non-derivative financial assets					
Available-for-sale investment	–	–	64,954	64,954	64,954
Trade and bills receivables	3,944	–	–	3,944	3,944
Other receivables and deposits paid	20,115	–	–	20,115	20,115
Restricted bank deposits	11,857	–	–	11,857	11,767
Bank balances and cash	10,612	–	–	10,612	10,603
	46,528	–	64,954	111,482	111,383
Non-derivative financial liabilities					
Trade and bills payables	22,887	–	–	22,887	22,887
Other payables and accruals	47,570	–	–	47,570	47,570
Promissory notes payable	5,000	–	–	5,000	5,000
Bank and other borrowings	68,144	8,293	–	76,437	75,861
Unconvertible bonds	–	1,000	22,771	23,771	20,168
	143,601	9,293	22,771	175,665	171,486
Derivative financial liabilities					
Financial liabilities designated at FVTPL (Note)	–	–	–	–	–
As at 31 March 2013					
Non-derivative financial assets					
Available-for-sale investment	–	–	82,081	82,081	82,081
Trade and bills receivables	2,215	–	–	2,215	2,215
Other receivables and deposits paid	57,632	–	–	57,632	57,632
Restricted bank deposits	–	–	–	–	–
Bank balances and cash	3,603	–	–	3,603	3,603
	63,450	–	82,081	145,531	145,531
Non-derivative financial liabilities					
Trade and bills payables	4,113	–	–	4,113	4,113
Other payables and accruals	29,366	–	–	29,366	29,366
Promissory notes payable	–	122,365	–	122,365	122,000
Bank and other borrowings	–	28,002	–	28,002	26,200
Unconvertible bonds	–	1,000	23,771	24,771	20,000
	33,479	151,367	23,771	208,617	201,679
Derivative financial liabilities					
Financial liabilities designated at FVTPL (Note)	–	7,600	98,800	106,400	133,664

46. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Note: This is categorized based on contractual terms of the convertible notes regarding conversion into the Company's shares or redemption at principal amount at maturity of the notes on the assumption that there are no redemption or conversion of the convertible notes (classified as financial liabilities designated at FVTPL) outstanding at 31 March 2014 before their maturity dates.

(c) Fair value measurement

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

The Group's financial liabilities at fair value through profit or loss, representing the convertible bonds designated at FVTPL, are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial liabilities are determined, in particular, the valuation technique(s) and input used.

	Fair value as at 31 March		**Fair value hierarchy**	**Valuation technical(s) and key inputs**
	2014	2013		
	HK$'000	HK$'000		
Financial liabilities				
Financial liabilities designated at FVTPL	**–**	133,664	Level 2	Prepaid foward Contract pricing model and binomial pricing model (Note 33)

There were no transfer of the financial liabilities between the levels in both of the years presented.

46. FINANCIAL INSTRUMENTS (continued)

(c) Fair value measurement (continued)

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the consolidated financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflect the credit risk of counterparties.

(iii) Reconciliation of Level 3 fair value measurements

The financial liabilities at fair value through profit or loss are measured at fair value on Level 2 fair value measurement. Reconciliation of Level 3 fair value measurements is not presented.

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	a	**175,838**	328,781
Available-for-sale investment		**64,954**	82,081
		240,792	410,862
Current assets			
Deposits paid		**–**	50
Amounts due from subsidiaries	b	**11,723**	412
Bank balances and cash		**8,333**	1,978
		20,056	2,440
Current liabilities			
Other payables and accruals		**13,708**	4,597
Promissory notes payables		**5,000**	122,000
Bank and other borrowings		**68,000**	3,500
Financial liabilities designated at fair value through profit or loss		**–**	133,664
		86,708	263,761
Net current liabilities		**(66,652)**	(261,321)
		174,140	149,541
Capital and reserves			
Share capital		**2,320**	554
Share premium and reserves	c	**151,652**	128,987
		153,972	129,541
Non-current liabilities			
Unconvertible bonds		**20,168**	20,000
		174,140	149,541

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

(a) Investments in subsidiaries

	2014 HK$'000	2013 HK$'000
Unlisted investments, at cost	**610,214**	675,381
Less: Impairment losses recognised	**(434,376)**	(346,600)
	175,838	328,781

(b) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(c) Share premium and reserves

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Capital redemption reserve HK$'000	Exchange reserves HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 April 2012	469,584	62,604	464	–	26,970	559,622
Loss for the year	–	–	–	–	(480,063)	(480,063)
Other comprehensive income						
Exchange difference arising on translation of foreign operations	–	–	–	5,661	–	5,661
Total comprehensive income for the year	–	–	–	5,661	(480,063)	(474,402)
Issue of shares upon conversion of convertible notes	12,201	–	–	–	–	12,201
Reduction of share capital	–	19,960	–	–	–	19,960
Transferred to accumulated losses	–	(19,960)	–	–	19,960	–
Issue of shares upon placement of shares	4,536	–	–	–	–	4,536
Issue of shares upon subscription of shares	7,806	–	–	–	–	7,806
Share issue expenses	(736)	–	–	–	–	(736)
At 31 March 2013 and 1 April 2013	493,391	62,604	464	5,661	(433,133)	128,987
Loss for the year	–	–	–	–	(1,414,830)	(1,414,830)
Other comprehensive income						
Exchange difference arising on translation of foreign operations	–	–	–	(1,095)	–	(1,095)
Total comprehensive income for the year	–	–	–	(1,095)	(1,414,830)	(1,415,925)
Issue of shares on conversion of convertible notes	1,334,646	–	–	–	–	1,334,646
Issue of shares upon placement of shares	91,703	–	–	–	–	91,703
Issue of shares upon subscription of shares	14,432	–	–	–	–	14,432
Share issue expenses	(2,191)	–	–	–	–	(2,191)
At 31 March 2014	**1,931,981**	**62,604**	**464**	**4,566**	**(1,847,963)**	**151,652**

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

(c) Share premium and reserves (continued)

Note: The contributed surplus of the Company at 31 March 2014 and 31 March 2013 represents the excess of the fair value of the subsidiaries acquired pursuant to the reorganisation in 1994, over the nominal value of the Company's shares issued for their acquisition. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus shall not be distributed to the shareholders if there are reasonable grounds for believing that:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital.

48. SUBSIDIARIES

Details of the Group's subsidiaries at the end of the reporting period:

Name of company	Place of incorporation/ establishment	Class of share held	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities
				Directly		Indirectly				
				2014	2013	**2014**	2013	**2014**	2013	
				%	%	**%**	%	**%**	%	
Nam Hing (B.V.I.) Limited[4]	British Virgin Islands ("BVI")	Ordinary shares	US$50,000	**–**	100	**–**	–	**–**	100	Investment holding
Golden Fair Holdings Limited	Hong Kong	Ordinary shares	HK$1	**100**	100	**–**	–	**100**	100	Investment holding
Golden Castle Group Limited	BVI	Ordinary shares	US$1	**100**	100	**–**	–	**100**	100	Investment holding
Top Jumbo International Limited	BVI	Ordinary shares	US$1	**100**	100	**–**	–	**100**	100	Investment holding
Ideal Market Holdings Limited ("Ideal Market")	BVI	Ordinary shares	US$300	**80**	80	**–**	–	**80**	80	Investment holding
Benveloent Corporation[4]	BVI	Ordinary shares	US$10	**–**	–	**–**	100	**–**	100	Investment holding
Union New Holdings Limited	Hong Kong	Ordinary shares	HK$1	**–**	–	**100**	100	**100**	100	Investment holding
Long Great International Limited	Hong Kong	Ordinary shares	HK$1	**–**	–	**100**	100	**100**	100	Investment holding
Greenland Holdings Limited	Hong Kong	Ordinary shares	HK$1	**–**	–	**100**	100	**100**	100	Investment holding
Topbright International Group Holdings Limited	Hong Kong	Ordinary shares	HK$1	**–**	–	**80**	80	**80**	80	Investment holding
Natural Century Limited[4]	Hong Kong	Ordinary shares	HK$2	**–**	–	**–**	100	**–**	100	Investment holding
Nam Hing Industrial Laminate Limited[4]	Hong Kong	Ordinary shares	HK$200/ HK$2,000,000 [1]	**–**	–	**–**	100	**–**	100	Trading of laminates
Nam Hing Circuit Board Company Limited[4]	Hong Kong	Ordinary shares	HK$500,000	**–**	–	**–**	100	**–**	100	Trading of printed circuit boards

48. SUBSIDIARIES (continued)

Name of company	Place of incorporation/ establishment	Class of share held	Issued share capital/ registered capital	Proportion of ownership interest held by the Company				Proportion of voting power held		Principal activities
				Directly		Indirectly				
				2014	2013	**2014**	2013	**2014**	2013	
				%	%	**%**	%	**%**	%	
Suzhou Nam Hing Industrial Laminate Limited[3, 4]	PRC	Registered capital	US$6,800,000	**–**	–	**–**	100	**–**	100	Trading of printed circuit boards
Xiangshan Gaoming Environmental Protection Technology Limited[3]	PRC	Registered capital	US$100,000	**–**	–	**80**	80	**80**	80	Investment holding
恒然桐油(和平)有限公司[3, 4]	PRC	Registered capital	HK$320,000	**–**	–	**–**	100	**–**	100	Investment holding
Nam Hing Circuit Board (Dongguan) Co., Ltd.[2, 4]	PRC	Registered capital	HK$40,000,000	**–**	–	**–**	100	**–**	100	Manufacture of printed circuit boards
Suzhou Baina Renewable Resources Co., Ltd[3]	PRC	Registered capital	RMB10,000,000	**–**	–	**80**	80	**80**	80	Waste paper, scrap metals and consumable wastes recycling
Suzhou Baina Renewable Resources Yancheng Co., Ltd[3]	PRC	Registered capital	RMB1,876,640	**–**	–	**80**	80	**80**	80	Waste paper, scrap metals and consumable wastes recycling
Huaian Bai Run Renewable Resources Co. Ltd[3]	PRC	Registered capital	RMB1,000,000	**–**	–	**80**	80	**80**	80	Waste paper, scrap metals and consumable wastes recycling
Huaian Guo Yuan Renewable Resources Co. Ltd[3, 5]	PRC	Registered capital	RMB1,000,000	**–**	–	**–**	80	**–**	80	Waste paper, scrap metals and consumable wastes recycling

Notes:

1 Non-voting deferred shares.

2 The subsidiary is registered as a wholly-foreign-owned enterprise under the PRC laws.

3 The subsidiaries are registered as limited liability enterprises under the PRC laws.

4 These subsidiaries were disposed of during the year ended 31 March 2014.

5 The subsidiary was deregistered during the year ended 31 March 2014.

Except for Nam Hing (B.V.I.) Limited and Ideal Market Holdings Limited, which are operating in Hong Kong, all of the places of operations of the subsidiaries are the same as their places of incorporation/ registration.

48. SUBSIDIARIES (continued)

The English names of certain of the companies referred to above in this note represent management's best efforts in translating the Chinese names of these companies as no English names have been registered or available.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests.

Name of company	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interest		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
		%	%	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Ideal Market	(Note below)	**20**	20	**(8,306)**	(12,411)	**(3,124)**	5,059

Notes: Ideal Market Holdings Limited was incorporated in the BVI and, through its subsidiaries, is principally engaged in waste paper, scrap metals and consumable wastes recycling in the PRC

48. SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of each of the Group's subsidiaries at 31 March 2014 that has material non-controlling interests is set out below. The summarised financial Information below represents amount before intergroup eliminations.

Ideal Market	**31 March 2014 HK$'000**	31 March 2013 HK$'000
Current assets	**41,168**	60,569
Non-current assets	**40,520**	61,612
Current liabilities	**(89,238)**	(87,662)
Non-current liabilities	**(8,070)**	(9,224)
Equity attributable to owners of the Company	**(12,496)**	20,236
Non-controlling interests	**(3,124)**	5,059

	Year ended 31 March 2014 HK$'000	Year ended 31 March 2013 HK$'000
Revenue	**59,808**	99,655
Expenses	**(101,336)**	(161,709)
Loss for the year	**(41,528)**	(62,054)
Loss attributable to:		
– owners of the Company	**(33,222)**	(49,643)
– non-controlling interests	**(8,306)**	(12,411)
Loss for the year	**(41,528)**	(62,054)
Total comprehensive expense attributable to:		
– owners of the Company	**(32,687)**	(49,643)
– non-controlling interests	**(8,183)**	(12,411)
Total comprehensive expense for the year	**(40,870)**	(62,054)
Net cash inflow/(outflow) from operating activities	**29,478**	(44,852)
Net cash (outflow)/inflow from investing activities	**(11,914)**	23,593
Net cash (outflow)/inflow from financing activities	**(16,835)**	1,863
Net cash inflow/(outflow)	**729**	(19,396)

49. LITIGATION

In July 2013, a writ of summon was issued by a third party, First Federal Capital Limited ("FFCL"), to the Company claiming for (i) the registration of transfer of the promissory note with the principal amount of HK$5,000,000, which was issued by the Company to All Prosper Group Limited (the "Note Holder"), from the Note Holder to FFCL and (ii) the repayment of the promissory note together with interests and costs. The promissory note has been recognised as liabilities of the Group, accordingly, the directors are of the opinion that the litigation will not give rise to a significant impact on the consolidated financial statements.

50. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in the consolidated financial statements, the following events took place subsequent to the end of the reporting period:

(a) On 20 January 2014, the Company entered into a sale and purchase agreement with a third party pursuant to which the Company has conditionally agreed to acquire for approximately 10% of the issued share capital of Pure Power Holdings Limited ("Pure Power") for a consideration of HK$125,000,000. Pure Power, through its subsidiary, is principally engaged in the exploration and exploitation of natural resources in the United States of America. On 29 April 2014, the acquisition of Pure Power was completed and the consideration of HK$125,000,000 was satisfied by (i) promissory notes with an aggregate principal amount of HK$123,200,000 payable by the Company and (ii) convertible bonds with an aggregate principal amount of HK$1,800,000 issued by the Company. The promissory notes carry interest at 8% per annum and are wholly payable on the date which is 12 months after the date of the issue of promissory notes. The convertible bonds, which will be mature on the date after 12 months from the date of issue of these bonds, entitle the holders thereof to convert the bonds into new ordinary shares of the Company at the initial conversion price of HK$3.84 per share (subject to adjustments).

(b) On 12 May 2014, the Company entered into a sale and purchase agreement with a third party pursuant to which the Company has conditionally agreed to acquire for 9.9% equity interest in Starfame Investments Limited ("Starfame") for a consideration of HK$30,000,000. Starfame, through its subsidiary, is principally engaged in wholesale and distribution of products encompassing various aspects of production and livelihood. On 20 May 2014, the acquisition of Starfame was completed and the consideration for acquisition was satisfied by the promissory notes with an aggregate principal amount of HK$30,000,000 payable by the Company. The promissory notes carry interest at 8% per annum and are wholly payable on the date which is 12 months after the date of the issue of promissory note.

50. EVENTS AFTER THE REPORTING PERIOD (continued)

(c) On 27 May 2014, the Company entered into a placing agreement with a placing agent, Tanrich Securities Company Limited, pursuant to which the placing agent has conditionally agreed to procure placements, on a best effort basis, of up to 180,000,000 new shares of the Company at the placing price of HK$0.107 per share. The placing was completed on 3 June 2014 and 180,000,000 new shares of HK$0.107 per share was issued by the Company giving rise to a gross proceed of HK$19,260,000 (before expenses).

(d) On 4 June 2014, the Company entered into an agreement for the disposal of the Group's 9.9% equity interest in Swift Profit, as referred to in Note 24, for a consideration of HK66,000,000 (before expenses), of which a deposit on disposal amounting to HK$3,300,000 was received by the Company. The completion of disposal of the available-for-sale investment has not taken place up to the date of approval of these consolidated financial statements.

(e) On 19 June 2014, the Company entered into a loan agreement with a third party, pursuant to which a loan facility of HK$200,000,000 was granted to the Company. The loan, which is unsecured, carries interest at 20% per annum, is repayable on the business day falling on twelve months from the date of the drawdown of the loan. Up to the date of approval of these consolidated financial statements, such loan facility has not yet utilised by the Company.