IWS

Integrated Waste Solutions
Group Holdings Limited
綜合環保集團有限公司*

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock code 股份代號 : 923

2014
ANNUAL REPORT 年報

*For identification purpose only 僅供識別

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CORPORATE INFORMATION

DIRECTORS

Non-executive directors

Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick

Executive directors

Mr. Suen Wing Yip *(Chief Executive Officer)*
Mr. Lau Sai Cheong
Mr. To Chun Wai
Mr. Tam Sui Kin, Chris

Independent non-executive directors

Mr. Nguyen Van Tu, Peter
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis

BOARD COMMITTEES

Executive Committee

Mr. Suen Wing Yip *(Chairman)*
Mr. Lau Sai Cheong
Mr. To Chun Wai
Mr. Tam Sui Kin, Chris

Audit Committee

Mr. Wong Man Chung, Francis *(Chairman)*
Mr. Cheng Chi Ming, Brian
Mr. Nguyen Van Tu, Peter
Mr. Chow Shiu Wing, Joseph

Remuneration Committee

Mr. Nguyen Van Tu, Peter *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Chow Shiu Wing, Joseph
Mr. Wong Man Chung, Francis

Nomination Committee

Mr. Chow Shiu Wing, Joseph *(Chairman)*
Mr. Tsang On Yip, Patrick
Mr. Nguyen Van Tu, Peter
Mr. Wong Man Chung, Francis

COMPANY SECRETARY

Mr. Kot Koon Yue, Eric

AUTHORISED REPRESENTATIVES

Mr. Suen Wing Yip
Mr. Kot Koon Yue, Eric

AUDITOR

KPMG

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

CORPORATE HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Fook Woo Group Building
3 Kui Sik Street
On Lok Tsuen
Fanling, New Territories
Hong Kong

CORPORATE WEBSITE

www.iwsgh.com

STOCK CODE

923

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Fubon Bank (Hong Kong) Limited

LEGAL ADVISER

As to Hong Kong law:
Troutman Sanders

Integrated Waste Solutions Group Holdings Limited (the "Company") and its subsidiaries ("IWS Group")(Hong Kong Exchange Stock Code 923) principally engage in the waste recycling and waste solutions provider business. We produce and trade in tissue paper and recycled paper products, waste paper and provide waste paper management services, including Confidential Materials Destruction Services ("CMDS"). Our mission is to become one of the largest integrated waste solutions providers in the Greater China and to deliver services and products of the highest quality.

Our vision is to make a difference in the environment, not just in Hong Kong and China, but also to the world. As a market leader, we will deliver integrated and techno-led waste solutions as a responsible enterprise through waste recovery, waste recycling and reuse, and waste disposal treatment.

We focus on the core values of knowledge, experience, adaptability and reliability when providing our services and products to our customers.

WASTE MANAGEMENT

As a leading waste management provider, we have many strategically located waste material collection and packing depots in Hong Kong, operated by experienced professionals. We possess an efficient and extensive waste collection network in Hong Kong, with more than 1,500 suppliers from commercial, industrial and government entities to residential estates.

We believe we have an important role to play in identifying and providing environmentally and technologically friendly integrated waste management solutions.

As a leading recycled paper products manufacturer in China, our mission is to become one of the largest integrated waste solutions providers in the Greater China. We are committed to enhancing our research and development capacity for waste management, expanding our environmental-friendly product range, and delivering innovation in our waste solutions technology.

We will provide the best possible waste solution infrastructure in both Hong Kong and the Greater China.

ASSORTED PAPER

Virgin Pulp and Recycled tissue paper products

We trade virgin pulp and recycled bathroom tissue, jumbo rolls and paper towels made from paper that we procured, processed and recycled. We sell our products to the away-from-home market, including office buildings, shopping malls and public facilities as well as the retail markets in Hong Kong. We also export our recycled tissue paper products to overseas away-from-home and retail markets in the United States, Australia and the Philippines, under our brands and OEM brands of our customers. We custom make the package designs, sizes of the packaging and specifications of our products to suit the needs and requirements of our customers. We also sell parent rolls to value-added resellers for conversion into finished products for resale.

Tissue paper products made from virgin pulp

Other than recycled paper, we also trade tissue paper products made from virgin pulp, such as bathroom tissues, jumbo rolls, paper towels, kitchen towels, napkins and facial/pocket tissues.

CONFIDENTIAL MATERIALS DESTRUCTION SERVICE

We are the largest confidential materials destruction service provider in Hong Kong, servicing financial, professional institutions, printers, governmental and public organizations. It is our performance pledge to dispose of the collected confidential materials within 24 hours of collection, unless otherwise instructed by customers.

We destroy confidential materials that include but are not limited to the following:

- Confidential documents
- Branded products
- Counterfeit or other confiscated products
- Storage media (computer hard disks)
- Credit cards
- Mobile phone SIM cards
- Disc and film
- Other storage items

STRATEGIC DEVELOPMENT OF IWS LOGISTICS

The Company recognizes that the scope of logistics nowadays has been in step with technological advances. As such , in order to gain access to new markets and to continue its enduring focus on logistical efficiencies in today's highly competitive environment, the Company will need to further develop its logistics capabilities through appropriate logistics investments in regard to strategic alliances, infrastructures such as telecommunications and warehousing, mode of operations, and human resources.

NON-EXECUTIVE DIRECTORS

Chairman

Mr. Cheng Chi Ming, Brian, aged 31, is the Chairman, Non-Executive Director and member of the audit committee of the Company. He joined the Group in January 2011. Mr. Cheng obtained a bachelor of science degree from Babson College in Massachusetts, U.S.A. in 2005. Mr. Cheng is an executive director of NWS Holdings Limited ("NWS"), a company listed on the main board of the Stock Exchange (stock code: 659) and a director of certain subsidiaries of NWS. He is also a non-executive director of Haitong International Securities Group Limited (stock code: 665), Wai Kee Holdings Limited (stock code: 610), Newton Resources Ltd. (stock code: 1231), and Beijing Capital International Airport Co., Ltd (Stock code: 694) all of which are listed on the main board of the Stock Exchange. Mr. Cheng is a director of Sino- French Holdings (Hong Kong) Limited, Sino-French Energy Development Company Limited, The Macao Water Supply Company Limited and a director of a number of companies in China. From 2005 to 2007, Mr. Cheng worked as a research analyst in the Infrastructure and Conglomerates sector for CLSA Asia-Pacific Markets. He is the grandson of Dato' Dr. Cheng Yu Tung, who is a substantial shareholder of the Company.

Mr. Tsang On Yip, Patrick, aged 42, is a Non-Executive Director and a member of both the remuneration committee and the nomination committee of the Company. He joined the Company in November 2012. Mr. Tsang obtained a bachelor's degree in Economics from Columbia College of Columbia University in New York, USA in 1994. Mr. Tsang is a director of Cheng Yu Tung Foundation Limited and Chow Tai Fook Enterprises Limited. He has over 20 years of international capital markets experience, and was most recently managing director, head of Asia Fixed Income Capital Markets at Deutsche Bank AG, Hong Kong Branch, where he worked from 2003 to 2012. Mr. Tsang's spouse is a granddaughter of Dato' Dr. Cheng Yu Tung, who is a substantial shareholder of the Company and a cousin of Mr. Cheng Chi Ming, Brian, who is a Non-Executive Director and Chairman of the Company.

EXECUTIVE DIRECTORS

Chief Executive Officer

Mr. Suen Wing Yip, aged 54, is an Executive Director and Chief Executive Officer of the Company. He joined the Company in March 2012. He has over 25 years of experience in consumer goods and foodservice industry. From December 1985 to February 1999, Mr. Suen worked in A.S. Watson & Company Limited from marketing executive to director and general manager. From March 1999 to April 2003, Mr. Suen served as managing director of the ice-cream and frozen food division of Unilever Hong Kong Limited. From July 2003 to October 2006, Mr. Suen served as board executive director and general manager – sales and marketing of Tsit Wing International Holdings Limited. From January 2007 to May 2009, Mr. Suen served as director of food service division of Friesland Campina (Hong Kong) Ltd. Prior to joining the Company, he was a director of Wah Cheong Company Ltd. from June 2009 to December 2011. Mr. Suen holds a bachelor degree in marketing from the Washington State University, USA and a master degree in business administration from the University of Wisconsin, USA.

Chief Operating Officer

Mr. Lau Sai Cheong, aged 57, is an Executive Director, Chief Operating Officer of the Company. He joined the Company in July 2012. He has over 30 years of experience in a wide variety of private and government projects in Hong Kong, China and around Asia. From September 1981 to May 1992, Mr. Lau worked in three engineering consulting firms and two contractors responsible for the design and project management of various types of local and overseas projects. From June 1992 to August 1993, Mr. Lau worked in A. S. Watson & Company, Limited handling their joint venture projects in China and factory production management in Hong Kong. Prior to joining the Company, Mr. Lau served in Hong Kong Special Administrative Region Government from September 1993 to June 2012. Mr. Lau holds a bachelor of science honors degree in Electrical and Electronic Engineering from Aston University, United Kingdom. Mr. Lau is a Chartered Engineer and a member of Hong Kong Institution of Engineers.

Chief Strategic Officer

Mr. To Chun Wai, aged 58, is an Executive Director and Chief Strategic Officer of the Company. He joined the Company in April 2013. He spent most of his career, beginning in 1974, with the Hong Kong Police, rising up the ranks to Assistant Commissioner of Police (Crime) overseeing crime operations and policies of the Hong Kong Police, until his retirement in 2011. He was awarded the Police Meritorious Service Medal in recognition of his long years of service and contribution to the Hong Kong Society. From 2011 to 2012, he served as a part-time tutor in public administration at The University of Hong Kong. Mr. To has wide administrative and management experience and holds a master degree of public administration from The University of Hong Kong.

Chief Financial Officer

Mr. Tam Sui Kin, Chris, aged 49, is an Executive Director and Chief Financial Officer of the Company. He joined the Company in July 2013. He is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Tam is responsible for the financial management, accounting and treasury functions of the Group. He began his career and completed his professional training in the United Kingdom. He had worked as an audit manager in one of the international accounting firm before he joined one of the listed subsidiaries of New World Development Company Limited (stock code:17) in 1996. Prior to joining the Group, he was the financial controller (infrastructure/contracting) of NWS Holdings Limited (stock code: 659). Mr. Tam holds a bachelor of arts honours degree in Accounting and has over 20 years of experience in auditing, accounting, project financing and financial management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Nguyen Van Tu, Peter, aged 70, is an Independent Non-Executive Director of the Company, chairman of the remuneration committee of the Company, a member of the nomination committee and the audit committee of the Company. He joined the Group in June 2013. Mr. Nguyen is a senior counsel and was called to the Bar in England by the Honourable Society of the Middle Temple in 1970. He was an assistant crown counsel and crown counsel in the Legal Department of Hong Kong during the period from August 1970 to November 1974 and was in private practice as a barrister in Hong Kong subsequently for approximately twenty years. Mr. Nguyen was appointed as director of Public Prosecutions in the Legal Department of Hong Kong during the period from July 1994 to October 1997 and was the first Chinese to hold such position. Mr. Nguyen became a Queen's Counsel in 1995 and was appointed as the Judge of the Court of First Instance of the High Court, Hong Kong from February 1998 to April 2009. Mr. Nguyen was an independent non-executive director of Mayer Holdings Limited (stock code: 1116), a listed company in Hong Kong, from June 2010 to December 2011. Currently, Mr. Nguyen is an independent non-executive director of Goldlion Holdings Limited (stock code: 0533), IPE Group Limited (stock code: 0929) and Combest Holdings Limited (stock code: 8190), all of which are listed companies in Hong Kong.

Mr. Chow Shiu Wing, Joseph, aged 42, is an Independent Non-Executive Director of the Company, Chairman of the nomination committee of the Company, a member of the audit committee and the remuneration committee of the Company. He joined the Company in October 2013. He obtained a bachelor's degree in law from the City University of Hong Kong in 1996 and a Post-Graduate Certificate in Laws from the University of Hong Kong in 1997. He was admitted as a solicitor of the High Court of Hong Kong in October 1999 and is now working as a partner in Maurice WM Lee Solicitors. Mr. Chow holds a number of professional and honorary appointments including being a member of the Appeal Panel (Housing) and the honorary legal advisor of the Hong Kong Brand Development Council.

Mr. Wong Man Chung, Francis, aged 49, is an Independent Non-Executive Director of the Company, Chairman of the audit committee of the Company, a member of the remuneration committee and the nomination committee of the Company. He joined the Company in October 2013. He holds a Master Degree in Management conferred by Guangzhou Jinan University, the People's Republic of China. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants, a Certified Tax Advisor of the Taxation Institute of Hong Kong, an associate member of the Institute of Chartered Accountants in England and Wales and a member of the Society of Chinese Accountants and Auditors. He is a Certified Public Accountant (Practising) and has over 25 years of experience in auditing, taxation, management and financial advisory. Previously, Mr. Wong worked for KPMG, an international accounting firm, for 6 years and the Hong Kong Securities Clearing Company limited for 2 years.

Mr. Wong is currently an independent non-executive director, the chairman of the audit committee and the remuneration committee as well as a member of the nomination committee of China Oriental Group Company Limited (stock code:581); an independent non-executive director, the chairman of the audit committee and a member of the nomination committee and the remuneration committee of Wai Kee Holdings Limited (stock code:610) and an independent non-executive director, the chairman of the audit committee and a member of the remuneration committee of Digital China Holdings Limited (stock code:861). He was an independent non-executive director of eForce Holdings Limited (stock code: 943). Mr. Wong is the managing director of Union Alpha C.P.A. Limited and a director of Union Alpha CAAP Certified Public Accountants Limited, both being professional accounting firms, and a founding director and member of Francis M C Wong Charitable Foundation Limited, a charitable institution.

COMPANY SECRETARY

Mr. Kot Koon Yue, Eric joined the Company as General Manager of Legal Services in May 2012, and subsequently appointed as Chief Legal and Compliance Officer in September 2012. He is responsible for full-spectrum of legal and compliance issues, ensure the Company is in line with the internal policy and relevant regulations. Mr. Kot has over 20 years of solid and professional experience in conveyancing and general legal services. From March 1991 to April 1994, Mr. Kot was a conveyancing manager in Edward Wong & Ng, Solicitors. From May 1994 to March 1997, he was a director of The Informatics. From March 1997 to August 2006, he was a manager of Wong and Poon, Solicitors. From August 2007 to July 2009, he served as a trainee solicitor in Kelvin Cheung and Co., Solicitor. Prior to joining the Company, he was an assistant solicitor in Kelvin Cheung and Co., Solicitors from October 2009 to May 2012.

Mr. Kot is a solicitor of the High Court of Hong Kong and holds Bachelor Degree of Law respectively from Peking University and University of Wolverhampton, UK and a Master Degree of Arts in Economics from State University of New York, U.S.A.

GROUP OVERVIEW

By dint of the concerted efforts during the fiscal year ended 31 March 2014 to remedy and straighten out the unfortunate governance issues left behind by the former Chairman, the incumbent Board of Directors has succeeded in resuming its share-trading on the Hong Kong Stock Exchange on 23 January 2014. What it comes down to is what strategic direction the Company and its subsidiaries (collectively the "Group") should take to develop its strategic capability to improve its financial performance, product development, market penetration and diversification in new business arenas in the long run. As can be seen, the name change of the Group manifests not only its business scope and direction, but also the resolve to anoint the Group as a forerunner in providing integrated waste solutions. In the interest of all shareholders, the Group believes that it is now time that business development shift should be put in front of its other on-going business models such that the Group can stand comparison with other competitive waste management industries and look forward to a brighter future.

FINANCIAL REVIEW

The loss of the Group for the year ended 31 March 2014 ("FY2014") amounted to HK$484.9 million, a substantial loss increase of HK$479.3 million when compared to the loss for the year ended 31 March 2013 ("FY2013"). The substantial loss in FY2014 was primarily due to the recognition of an impairment loss of HK$431.6 million in respect of the disposal of Golddoor Company Limited ("Golddoor") by Wealthy Peaceful Company Limited (in voluntary winding up and dissolution) ("Wealthy Peaceful"), an indirect wholly owned subsidiary of the Company, carried out by its joint and several liquidators (the "Liquidators").

On 24 April 2014, the Company was informed by the Liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party (the "Purchaser") pursuant to which Wealthy Peaceful agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Golddoor at a consideration of HK$200,000,000. Golddoor is interested in the entire registered capital of 惠州福和紙業有限公司 ("Huizhou Fook Woo", together with Wealthy Peaceful and Golddoor, the "De-consolidated Subsidiaries"). On 27 June 2014, the Liquidators of Wealthy Peaceful informed the Company that the Purchaser had remitted the consideration and would proceed to completion of the sale and purchase agreement.

The Group's interests in the De-consolidated Subsidiaries have been classified as amounts due from the De-consolidated Subsidiaries under current assets in the consolidated statement of financial position of the Group since 31 March 2012.

In view of the sale and purchase agreement entered into between Wealthy Peaceful and the Purchaser, the Group presented the amounts due from the De-consolidated Subsidiaries as “assets and liabilities of disposal group classified as held for sale” which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. Accordingly, the Group recognised impairment loss of the amounts due from the De-consolidated Subsidiaries amounting to HK$431.6 million in FY2014 following the assessment of the recoverable amounts due from the De-consolidated Subsidiaries.

On the operational front, sales revenue of recovered paper continued to be affected by the overall reduction in demand for recovered paper, especially in Mainland China. More stringent controls on importing waste materials were imposed by the Mainland authorities in recent months and coupled with a general decline in selling prices, the revenue of recovered paper has reduced substantially. Total sales revenue of recovered paper amounted to approximately HK$264.4 million, a drop of approximately HK$74.7 million or 22% when compared to FY2013. Moreover, the increase in the cost of sales in terms of soared labour costs and rental expenses has significantly eaten into the gross profit margin of recovered paper sales.

Performance of Tissue Paper segment was satisfactory with gross profit margin maintained at 19%. The gross profit margin improved by 8%, when compared to FY2013, due to better control on the purchase prices and focus on high margin customers.

Service income of our Confidential Materials Destruction Services (“CMDS”) remains at around HK$5 million. Although the revenue contribution from this business is relatively small during FY2014, its potential should not be underestimated following our entry into other non-paper CMDS.

Liquidity and Financial Resources

As at 31 March 2014, the Group had unrestricted bank deposits and cash of approximately HK$276.3 million (2013: HK$548.0 million). The Group had no bank loans and overdrafts as at 31 March 2014 (2013: Nil).

As at 31 March 2014, the Group had net current assets of approximately HK$486.0 million, as compared to net current assets of approximately HK$1,204.9 million as at 31 March 2013. The significant decrease was due to the impairment loss made against the amounts due from the De-consolidated Subsidiaries and the increase in payable of construction costs in respect of the industrial development in Tseung Kwan O (the “Project TKO”). The current ratio of the Group was 4.7 as at 31 March 2014 as compared to 14.5 as at 31 March 2013.

Foreign Exchange Exposure

The Group mainly operates in Hong Kong with most of its sales denominated in Hong Kong dollars and United States dollars. Most of raw materials purchases are denominated in Hong Kong dollars. Furthermore, most of the Group’s monetary assets and liabilities are denominated in Renminbi, United States dollars and Hong Kong dollars.

For the year ended 31 March 2014, the Group recorded a net foreign exchange gain of HK$2 million (2013: gain of HK$5.0 million). The Group has not used any forward contracts, currency borrowings or other means to hedge its foreign currency exposure.

Major Capital Expenditure and Commitments

During FY2014, the Group incurred HK$201.7 million for the construction expenditure in respect of the Project TKO, which is expected to complete in late 2014. As at 31 March 2014, the Group has capital commitments of HK$282.4 million, which are mainly related to the Project TKO.

Pledge of Assets

As at 31 March 2014, the Group had restricted bank deposits amounted to HK$2.4 million (2013: HK$1.7 million) which were pledged with banks for issuing guarantees to suppliers to secure supply.

Capital Structure

Details of the capital structure of the Company are set out in note 23 to the financial statements.

Contingent Liabilities

At 31 March 2014, the Group has lodged certain claims against its former director and employee. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

Employees and Remuneration Policies

The Group had employed approximately 328 employees in Hong Kong as at 31 March 2014. Employee costs, excluding directors' emoluments, amounted to HK$70.8 million for FY2014 (FY2013: HK$59.8 million). All of the Group companies are equal opportunity employers, with the selection and promotion of employees based on suitability for the position offered. The Group operates a defined contribution mandatory provident fund retirement benefits scheme for its employees in Hong Kong. The Group did not experience any significant labour disputes that led to any disruption of its normal business operations.

The Company has also adopted a share option scheme on 11 March 2010 (the "Share Option Scheme"). During the year under review, no share option was granted. On 25 April 2014, the Group announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company's shares are granted, subject to the acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK$0.542 per share. These options may be exercised from 25 July 2014 to 24 April 2020 (both days inclusive) subject to the vesting periods as stipulated in the offer letter. As of the date of this report, 65,248,000 options were accepted by the grantees.

PROSPECTS

Notwithstanding that challenges from a turbulent economic environment have tethered the recycling market, the Group continues to operate diligently its core businesses, including (i) waste materials collecting and packaging depots in Hong Kong; (ii) provision of confidential materials destruction services ("CMDS") in Hong Kong; and (iii) marketing and selling of tissue paper products in Hong Kong, Macau and other overseas countries. The Group recognizes that enhancing the business hardware is only one side of the equation. Of equal significance has been the efforts made in the software side in the past year to position itself as a forerunner in integrated solid waste management. The Board of Directors acknowledges the strategic importance to align the Group with its environments by flexibly adapting and adjusting strategic choices so as to maintain its competitiveness over the long run. It is against this background, the Group will, for 2014 and counting, strive to keep all comparative running costs at a viable level, put strong focus on sustainability, and reach out into areas where the Group believes they can bring the most benefit over time.

The Group recognizes the need to achieve an adequate margin of profit, and will therefore set high governance standards in its planning, implementation and management to ensure the most efficient use of its resources. In January 2014, the Group submitted a joint-venture bid for the HKSARG long-term contract on Waste Electrical and Electronic Equipment (WEEE) Treatment Facility. By all measures, the bid signifies anew the Group's capacity and resolve to enter new solid waste management spheres which should bode well for its entrepreneurial development. While a good way-forward, much work remains to be done.

As an aside, the construction of the Project TKO is in full swing which should complete by the end of this year. The Group believes that the synergistic benefits concomitant of the completion of the said project should help a long way in generating revenue and retrenching operating costs.

The general state of the Group's finances, as detailed in this year's financial statements, has not been satisfactory revenue-wise. However, the Group feels positive about its future given its strategic repositioning into new solid waste management spheres which should generate sustainable revenue over time. Now that the Group has survived its trading suspension, the Board of Directors venture to say that a certain amount of financial stress is understandably inevitable if revenue is to occur in the long run.

The Board hereby submits its annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries as at 31 March 2014 are set out in note 25 to the financial statements.

An analysis of the Group's performance for the year by operating segments is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 50 and in note 24 to the financial statements respectively.

DONATIONS

No charitable and other donations were made by the Group during the year (2013: HK$195,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 23 to the financial statements. There were no movements during the year.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution comprise the share premium account and retained earnings/(accumulated losses). At 31 March 2014, the reserves of the Company available for distribution to the shareholders of the Company (the "Shareholders") amounted to approximately HK$980,375,000 (2013: HK$2,238,206,000).

DIVIDEND

No dividend has been paid or declared by the Company during the year (2013: Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new shares of the Company on a pro-rata basis to existing Shareholders.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 122.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

DIRECTORS

The Directors since 1 April 2013 to the latest practicable date prior to the printing of this report were:

Executive Directors
Mr. Suen Wing Yip
Mr. Lau Sai Cheong
Mr. To Chun Wai (appointed on 8 April 2013)
Mr. Tam Sui Kin, Chris (appointed on 30 September 2013)
Mr. Lai Hau Yin (resigned on 30 September 2013)

Non-executive Directors
Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick

Independent non-executive Directors
Mr. Nguyen Van Tu, Peter (appointed on 21 June 2013)
Mr. Chow Shiu Wing, Joseph (appointed on 10 October 2013)
Mr. Wong Man Chung, Francis (appointed on 10 October 2013)
Mr. Chung Wai Kwok, Jimmy (resigned on 10 October 2013)
Mr. Lau Shun Chuen (resigned on 10 October 2013)
Mr. Lee Kwok Chung (retired on 21 June 2013)

Pursuant to Article 108 of the Articles of Association, Mr. Suen Wing Yip, Mr. To Chun Wai and Mr. Tsang On Yip, Patrick shall retire by rotation at the 2014 annual general meeting of the Company. All the above retiring Directors, being eligible, offer themselves for re-election, at the forthcoming annual general meeting of the Company. Pursuant to Article 112 of the Articles of Association, Mr. Chow Shiu Wing, Joseph and Mr. Wong Man Chung, Francis, both being appointed on 10 October 2013 as independent non-executive Directors, shall also be subject to re-election by Shareholders at the forthcoming annual general meeting of the Company.

The Directors being proposed for re-election at the forthcoming annual general meeting have no service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors has entered into a service contract with the Company for an initial term of three years from their respective date of appointment, which might be terminated by not less than three months' notice in writing served by either party.

During the year ended 31 March 2014, Directors have no service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the existing Directors and senior management of the Company are set out from pages 6 to 9.

REMUNERATION POLICY

During the year ended 31 March 2014, the remuneration policy for the Directors and senior management members of the Group was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments were linked to the performance of the Group and the individual performance of such Director or senior management member of the Group. Details of the remuneration of the Directors and senior management member of the Group are set out in note 10 to the financial statements contained in this report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in note 32 to the financial statements about the Company's share option scheme, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section headed "Connected Transactions" below, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2014 none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange, nor had there been any grant or exercise of rights of such interests during the year ended 31 March 2014.

SHARE OPTION

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company approved and adopted a share option scheme for the purpose of enabling the Group to grant options to selected participants as incentives or rewards for their contribution to the Group (the "Share Option Scheme"). Since the adoption of the Share Option Scheme and up to 31 March 2014 no share option had been granted.

On 25 April 2014, the Group announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company's shares are granted, subject to acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK$0.542 per share. These options may be exercised from 25 July 2014 to 24 April 2020 (both dates inclusive) subject to the vesting periods as stipulated in the offer letter. As of the date of this report, 65,248,000 options were accepted by the grantees.

Particulars of the Share Option Scheme are set out in note 32 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2014, the following persons (other than the Directors and chief executives of the Company) had interests or short positions of 5% or more in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of Shareholder	Note	Capacity	Number of ordinary shares of the Company held*	% of the issued share capital of the Company
City Legend	1	Beneficial owner	785,100,000(L)	32.56%
Mr. Leung Kai Kuen	1	Interest in a controlled corporation	785,100,000(L)	32.56%
Dato' Dr. Cheng Yu Tung	2	Interest in controlled corporations	488,640,375(L)	20.27%
Chow Tai Fook Nominee Limited	2	Interest in controlled corporations	366,275,000(L)	15.19%
		Beneficial owner	122,365,375(L)	5.07%
Victory Day Investments Limited	2	Interest in a controlled corporation	366,275,000(L)	15.19%
Smart On Resources Ltd.	2	Beneficial owner	366,275,000(L)	15.19%
Firstrate Enterprises Limited		Beneficial owner	151,875,000(L)	6.30%

* The letter "L" denotes the person's long position in the shares of the Company.

Note:

(1) Mr. Leung Kai Kuen was deemed to be interested in these 785,100,000 shares of the Company which were held by City Legend International Limited ("City Legend"), a corporation wholly owned by Mr. Leung.

(2) Smart On Resources Ltd. is wholly owned by Victory Day Investments Limited (a wholly owned subsidiary of Chow Tai Fook Nominee Limited). Chow Tai Fook Nominee Limited is wholly owned by Dato' Dr. Cheng Yu Tung.

(3) Save as disclosed above, as at 31 March 2014, no person, other than the Director whose interests and short positions are set out in the section headed "Directors' Interests in Shares" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Details of the Group's related party transactions and connected transactions for the year ended 31 March 2014 are set out in note 31 to the financial statements.

Continuing connected transaction which is exempted from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Rule 14A.34 of the Listing Rules

The Group has leased the premises situated at 3 Kui Sik Street, Fanling, New Territories (the "Fanling Property") for industrial and ancillary accommodation purposes and as the Group's headquarters in Hong Kong from E&I Development Limited ("E&I") since 1 April 2009. The Fanling Property has a gross floor area of 4,369 sq.m. On 18 March 2009, Fook Woo Waste Paper Company Limited (now known as "IWS Waste Management Company Limited"), a member of the Group, entered into a tenancy agreement with E&I for a term of three years commencing from 1 April 2009 at a monthly rental of HK$250,000 (exclusive of management fees and government rates). E&I is owned as to 50% by Astoria Group Ltd. ("Astoria") and 50% by Inter-Oriental Investments Ltd. ("Inter-Oriental"), both of which hold the issued shares in E&I on trust for Mr. Leung Ting Yu (in the case of Astoria) and Ms. Leung Hoi Ying (in the case of Inter-Oriental), respectively. As Mr. Leung Ting Yu and Ms. Leung Hoi Ying are the son and the daughter of Mr. Leung Kai Kuen, a former Director and one of the controlling shareholders of the Company, they are therefore connected persons of the Company. The agreement was renewed on 11 July 2011 with effect on 1 April 2012 at monthly rental fee HK$275,000 and will expire on 30 September 2014.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that each of the transactions has been entered into:

- in the ordinary and usual course of business of the Group;
- either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules", issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued a letter containing his findings and conclusions in respect of the above continuing connected transaction in accordance with paragraph 14A.38 of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, save as disclosed below, none of the Directors is considered to have interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

On 11 March 2010, each of the controlling shareholders of the Company including City Legend, Trump Max International Investment Limited ("Trump Max"), Mr. Leung Kai Kuen and Ms. Tam Ming Luen (the "Controlling Shareholders"), entered into a deed of non-competition (the "Deed of Non-Competition") with the Company pursuant to which each of the Controlling Shareholders has individually, jointly, unconditionally and irrevocably undertaken and represented to the Company and each member of the Group that, among other things, he/she/it will not and will procure that his/her/its associates will not engage, directly or indirectly, in businesses which will or may compete with the business carried on or to be carried on by the Group.

Trump Max and Ms. Tam Ming Luen ceased to be Controlling Shareholders after Trump Max transferred all of its shares of the Company to City Legend on 11 July 2011.

As at the latest practicable date prior to printing of this report, City legend and Mr. Leung Kai Kuen, the remaining Controlling Shareholder, did not provide an annual declaration on his/its compliance with the undertakings contained in the Deed of Non-Competition undertaken by them.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases for the year attributable to the Group's major suppliers are as follows:

– the largest supplier	50%
– five largest suppliers in aggregate	57%

The percentages of sales for the year attributable to the Group's major customers are as follows:

– the largest customer	16%
– five largest customers in aggregate	42%

None of the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at the latest practicable date prior to the issue of this report.

VOLUNTARY LIQUIDATION OF WEALTHY PEACEFUL COMPANY LIMITED

On 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced voluntary liquidation by a resolution of the members, and the voluntary liquidators were appointed on the same date. The liquidation of Wealthy Peaceful effectively carved out its wholly owned subsidiaries, namely Golddoor Company Limited and 惠州福和紙業有限公司 ("Huizhou Fook Woo") from the existing structure of the Group.

On 24 April 2014, the Company was informed by the Liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party (the "Purchaser") pursuant to which Wealthy Peaceful agreed to sell and the Purchaser agreed to purchase the entire issued share capital of Golddoor at a consideration of HK$200,000,000. Golddoor is interested in the entire registered capital of Huizhou Fook Woo, together with Wealthy Peaceful and Golddoor, the "De-consolidated Subsidiaries"). On 27 June 2014, the Liquidators of Wealthy Peaceful informed the Company that the Purchaser had remitted the consideration and would proceed to completion of the sale and purchase agreement.

EVENT AFTER THE REPORTING PERIOD

Except for matters disclosed elsewhere in this annual report, the Group had no other post balance sheet events to disclose.

AUDITOR

At the annual general meeting held on 21 June 2013, KPMG was appointed as the auditors of the Company for the year ended 31 March 2013.

The financial statements for the year ended 31 March 2014 have been audited by KPMG, who retire and, being eligible, offer themselves for re-appointment in the forthcoming annual general meeting of the Company. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Cheng Chi Ming, Brian
Chairman
Hong Kong, 30 June 2014

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has continued to emphasise and maintain a high standard of corporate governance by strengthening its risk management and internal control systems without prejudice to the principles and code provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 March 2014, except code provisions A.6.7 and C.1.2 of the CG Code. Key corporate governance principles and practices of the Company as well as the particulars of the foregoing deviations and the reasons thereof are detailed below.

Code provision A.6.7 of the CG Code stipulates that independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other engagement, Mr. Lau Shun Chuen, a former independent non-executive Director of the Company (resigned on 10 October 2013), was unable to attend the annual general meeting of the Company held on 30 September 2013.

Code provision C.1.2 of the CG Code requires the management of the Company to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13. During the year ended 31 March 2014, except for the first 4 months during which updates were made bi-monthly, the management of the Company provided monthly updates to all members of the Board as required by the code provision C.1.2. As all the executive Directors were involved in the daily operation of the Group, they were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) timely and comprehensive updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail during the regular Board meetings of the Company. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board.

The Company will continue to bolster its corporate governance practices that are conducive to the conduct and growth of its business and to regularly review its corporate governance practices to ensure straight compliance with all the regulatory requirements, thereby meeting the expectations of shareholders and investors.

BOARD OF DIRECTORS

The Board, led by the Chairman of the Company, is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The Board has delegated to the senior management of the Company the authority and responsibility for the day-to-day management and operation of the Group. In addition, the Board had established Board committees and had delegated to these Board committees various responsibilities as set out in their respective terms of reference.

The Board reserved its decision for all major matters of the Company, including: 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 (including but not limited to annual and interim results), appointment of directors and other significant financial and operational matters.

The Board delegated a schedule of responsibilities to the senior management of the Company. These responsibilities include implementing decisions of the Board, directing and coordinating day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the operating and production plans and budgets, and supervising and monitoring the control systems.

The Board currently comprises nine directors, consisting of four Executive Directors and two Non-executive Directors and three Independent Non-executive Directors as follows:

Executive Directors
Mr. Suen Wing Yip
Mr. Lau Sai Cheong
Mr. To Chun Wai (appointed on 8 April 2013)
Mr. Tam Sui Kin, Chris (appointed on 30 September 2013)
Mr. Lai Hau Yin (resigned on 30 September 2013)

Non-executive Directors
Mr. Cheng Chi Ming, Brian *(Chairman)*
Mr. Tsang On Yip, Patrick

Independent non-executive Directors
Mr. Nguyen Van Tu, Peter (appointed on 21 June 2013)
Mr. Chow Shiu Wing, Joseph (appointed on 10 October 2013)
Mr. Wong Man Chung, Francis (appointed on 10 October 2013)
Mr. Chung Wai Kwok, Jimmy (resigned on 10 October 2013)
Mr. Lau Shun Chuen (resigned on 10 October 2013)
Mr. Lee Kwok Chung (retired on 21 June 2013)

BOARD COMPOSITION

The following chart illustrates the current structure and membership of the Board and the Board committees as at 31 March 2014:

Board Committee / Director	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Suen Wing Yip	Chairman			
Mr. Lau Sai Cheong	Member			
Mr. To Chun Wai	Member			
Mr. Tam Sui Kin, Chris	Member			
Mr. Cheng Chi Ming, Brian		Member		
Mr. Tsang On Yip, Patrick			Member	Member
Mr. Nguyen Van Tu, Peter		Member	Chairman	Member
Mr. Chow Shiu Wing, Joseph		Member	Member	Chairman
Mr. Wong Man Chung, Francis		Chairman	Member	Member

Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer are currently held by separate individuals for the purpose of ensuring an effective segregation of duties and a balance of power and authority and are held by Mr. Cheng Chi Ming, Brian and Mr. Suen Wing Yip respectively.

The roles of the Chairman and Chief Executive Officer are as follows:

- The Chairman provides leadership and is responsible for the effective functioning and leadership, with good corporate governance practices and procedures.

- The Chief Executive Officer is responsible for managing the Group's business, including the implementation of major strategies and initiatives adopted by the Board and within those authorities delegated by the Board.

Non-executive Directors and Independent non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors possesses different business experience, knowledge and professional background. The Board met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board received a written annual confirmation from each existing independent non-executive Director of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all existing independent non-executive Directors to be independent in accordance with the independence guidelines as set out in the Listing Rules.

Independent non-executive Directors were invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee. Through participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors made contributions to the effective direction of the Company.

The list of Directors (by category) is set out above and was also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time. The independent non-executive Directors were expressly identified in all corporate communications pursuant to the Listing Rules.

The biographical details of the existing Directors and the relationships among the members of the Board and disclosed under the section headed "Directors and Senior Management" in this annual report.

Directors' Appointment and Directors' Re-election

During the year ended 31 March 2014, each of the executive Directors, non-executive Directors and independent non-executive Directors was engaged for a term of three years commencing from their respective dates of appointment and was subject to retirement by rotation and re-election pursuant to the Articles of Association.

According to the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every 3 years. Besides, any new Director appointed by the Board to fill a causal vacancy shall submit himself/herself for re-election by Shareholders at the first general meeting and any new Director appointed by the Board as an addition to the Board shall submit himself/herself for re-election by Shareholders at the next following annual general meeting.

Pursuant to the aforesaid provisions of the Articles of Association, Mr. Suen Wing Yip, Mr. To Chun Wai and Mr. Tsang On Yip, Patrick, all being existing Directors, shall retire at the forthcoming 2014 annual general meeting of the Company. All the above retiring Directors, being eligible, will offer themselves for re-election at the said meeting. The Company's circular, sent together with this annual report, contains detailed information of the above retiring Directors pursuant to the Listing Rules.

Pursuant to the aforesaid provisions of the Articles of Association, Mr. Chow Shiu Wing, Joseph and Mr. Wong Man Chung, Francis, both being appointed on 10 October 2013 as independent non-executive Directors, shall be subject to election by shareholders at the forthcoming 2014 annual general meeting of the Company. The Company's circular, sent together with this annual report, contains detailed information of the above re-electing Directors pursuant to the Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing Board composition, developing and formulating procedures for nomination and appointment of directors, and assessing the independence of independent non-executive directors. Details of the Nomination Committee and its work performed are set out in the "Nomination Committee" section below.

DIRECTORS' ATTENDANCE RECORDS AT MEETING

The attendance of each Director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

	Attended/Eligible to attend						
	Board Meetings	Executive Committee Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Extraordinary General Meeting	Annual General Meetings
Executive Directors							
Mr. Suen Wing Yip	8/8	8/8	0/0	0/0	0/0	1/1	2/2
Mr. Lau Sai Cheong	7/8	8/8	0/0	0/0	0/0	1/1	2/2
Mr. To Chun Wai (1)	8/8	8/8	0/0	0/0	0/0	1/1	2/2
Mr. Tam Sui Kin, Chris (5)	3/3	6/6	0/0	0/0	0/0	0/0	1/1
Mr. Lai Hau Yin (4)	5/5	3/3	0/0	0/0	0/0	1/1	2/2
Non-Executive Directors							
Mr. Cheng Chi Ming, Brian	5/8	0/0	2/2	0/0	0/0	1/1	2/2
Mr. Tsang On Yip, Patrick	7/8	0/0	0/0	4/4	3/3	1/1	2/2
Independent Non-Executive Directors							
Mr. Nguyen Van Tu Peter (3)	4/4	0/0	2/2	3/3	2/2	0/0	1/1
Mr. Chow Shiu Wing, Joseph (8)	2/2	0/0	1/1	1/1	0/0	0/0	0/0
Mr. Wong Man Chung, Francis (9)	2/2	0/0	1/1	1/1	0/0	0/0	0/0
Mr. Chung Wai Kwok, Jimmy (6)	5/5	0/0	1/1	2/2	2/2	1/1	2/2
Mr. Lau Shun Chuen (7)	5/5	0/0	1/1	2/2	2/2	1/1	1/2
Mr. Lee Kwok Chung (2)	4/4	0/0	0/0	1/1	1/1	1/1	1/1

Note:

1. Mr. To Chun Wai was appointed on 8 April 2013 as executive Director.

2. Mr. Lee Kwok Chung retired on 21 June 2013 as an independent non-executive director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee.

3. Mr. Nguyen Van Tu, Peter was appointed on 21 June 2013 as independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee. He has been re-designated on 10 October 2013 from the chairman of the nomination committee to the chairman of the remuneration committee. As a result, he ceased to be the chairman of the nomination committee of the Company but remained as a member of the nomination committee.

4. Mr. Lai Hau Yin resigned on 30 September 2013 as executive Director.

5. Mr. Tam Sui Kin, Chris was appointed on 30 September 2013 as executive Director.

6. Mr. Chung Wai Kwok, Jimmy has resigned on 10 October 2013 as an independent nonexecutive director, the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee.

7. Mr. Lau Shun Chuen has resigned on 10 October 2013 as an independent non-executive director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee.

8. Mr. Chow Shiu Wing, Joseph was appointed on 10 October 2013 as independent non-executive Director, the chairman of the nomination committee, a member of the audit committee and a member of the remuneration committee.

9. Mr. Wong Man Chung, Francis was appointed on 10 October 2013 as independent non-executive Director, the chairman of the audit committee, a member of the nomination committee and a member of the remuneration committee.

DIRECTORS' TRAINING

All the Directors received an induction on appointment to ensure appropriate understanding of the business and operation of the Group and full awareness of director responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The existing Directors were updated with legal and regulatory developments and changes in the business and the market to facilitate the discharge of their responsibilities. Continuing briefings and professional development to Directors were arranged for the Directors to refresh their knowledge and skills.

All Directors are requested to provide the Company with their respective training records pursuant to the Code. Trainings received by each of the Directors during the year from 1 April 2013 to 31 March 2014 are summarized as follows:

Name of Director	Type of continuous professional development
Executive Directors	
Mr. Suen Wing Yip	A, B
Mr. Lau Sai Cheong	A, B
Mr. To Chun Wai	A, B
Mr. Tam Sui Kin, Chris	A, B
Non-Executive Directors	
Mr. Cheng Chi Ming, Brian	A, B
Mr. Tsang On Yip, Patrick	A, B
Independent Non-Executive Directors	
Mr. Nguyen Van Tu Peter	A, B
Mr. Chow Shiu Wing, Joseph	A, B
Mr. Wong Man Chung, Francis	A, B

A: attending seminars and/or conference and/or forum

B: reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

BOARD DIVERSITY POLICY

To comply with the amendments to the Listing Rules and code provision of the CG Code effective on 1 September 2013, the Board has adopted a board diversity policy (the “Policy”) on 23 August 2013. The Company seeks to achieve board diversity through the consideration of a number of factors, among other things, gender, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will review the Board composition under diversified perspectives and monitor the implementation of the Policy annually. The Board is also characterized by significant diversity, whether considered in terms of gender, nationality, professional background and skills.

BOARD COMMITTEES

For the year ended 31 March 2014, the Board had four Board committees, namely, the Executive Committee, the Remuneration Committee, the Audit Committee and the Nomination Committee to oversee particular aspects of the Company’s affairs. All Board committees were established with defined written terms of reference. The updated terms of reference of the Audit Committee, Nomination Committee and Remuneration Committee are available on the websites of the Company and the Stock Exchange. All Board committees reported to the Board on their decisions on recommendation made.

The practices, procedures and arrangements in conducting meetings of Board committees were in line with, so far as practicable, those of the Board meetings.

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

All Directors are given an opportunity to include matters in the agenda for regular meetings.

During the Year, the Board minutes and the Board committee’s minutes were kept by the Company Secretary and available for inspection by the relevant Directors. The Board minutes and the Board committee’s minutes were recorded in sufficient detail of matters considered and the decisions reached and both draft and final versions of the minutes were sent to all relevant Directors for their comments and execution respectively within a reasonable time after the Board meetings and the Board committees meetings.

EXECUTIVE COMMITTEE

As at 31 March 2014, the Executive Committee comprised all four executive Directors with Mr. Suen Wing Yip, acting as the chairman of such Committee. The Executive Committee operated as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitored the execution of the Company's strategic plans and operations of all business units of the Group and discussed and made decisions on matters relating to the management and day-to-day operations of the Group.

AUDIT COMMITTEE

As at 31 March 2014, the Audit Committee comprised four members, namely, Mr. Nguyen Van Tu, Peter (appointed on 21 June 2013), Chow Shiu Wing, Joseph (appointed on 10 October 2013) and Wong Man Chung, Francis (appointed on 10 October 2013), being independent non-executive Directors and Mr. Cheng Chi Ming, Brian, being non- executive Directors. Mr. Wong Man Chung, Francis was the chairman of the Audit Committee and he possesses relevant accounting and financial management expertise. Mr. Wong is a Certified Public Accountant (Practising) and has over 25 years of experience in auditing, taxation, management and financial advisory

During the Year, Mr. Lee Kwok Chung has retired and has ceased to act as a member of Audit Committee with effect from 21 June 2013. Mr. Lee has confirmed that he has no disagreement with the Board. Mr. Chung Wai Kwok, Jimmy has resigned as the chairman of the Audit Committee, with effect from 10 October 2013. Mr. Lau Shun Chuen has resigned as a member of the Audit Committee with effect from 10 October 2013. Both Mr. Chung and Mr. Lau have confirmed to the Board that they have no disagreement with the Board in any respect.

The principal duties of the Audit Committee were to (i) review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditor before submission to the Board; (ii) review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditor; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee was also responsible for performing the following corporate governance duties:

a. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

b. to review and monitor the training and continuous professional development of directors and senior management of the Company;

c. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

d. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and

e. to review the Company's compliance with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules and disclosure in the corporate governance report in the annual report of the Company.

During the year ended 31 March 2014, the Audit Committee has performed the following major tasks:

- Review and discussion of the annual financial statements, annual results announcement, annual report, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Review and discussion of the interim financial report, interim results announcement, interim report and the related accounting principles and practices adopted by the Group;
- Review of the scope of audit work, auditor's fees and terms of engagement;
- Discussion and recommendation of the appointment of the external auditor;
- Review and discussion of the internal control system of the Group; and
- Review of the corporate governance practice of the Group.

During the year, the Audit Committee held 2 private sessions with the external auditor without any of the executive Directors or the management of the Company being present.

All issues raised by the Audit Committee are addressed and dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported to the Board. During the year ended 31 March 2014, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this Annual Report under the Listing Rules.

REMUNERATION COMMITTEE

As at 31 March 2014, the Remuneration Committee comprised four members, namely, Mr. Tsang On Yip, Patrick, being non-executive Director, Mr. Nguyen Van Tu, Peter (appointed on 21 June 2013), Mr. Chow Shiu Wing, Joseph (appointed on 10 October 2013) and Mr. Wong Man Chung, Francis (appointed on 10 October 2013), being independent non-executive Directors. Mr. Nguyen was the chairman of the Remuneration Committee with effect on 10 October 2013.

During the Year, Mr. Lee Kwok Chung has retired and has ceased to act as a member of Remuneration Committee with effect from 21 June 2013. Mr. Lee has confirmed that he has no disagreement with the Board. Mr. Lau Shun Chuen has resigned as the chairman of the Remuneration Committee, with effect from 10 October 2013. Mr. Chung Wai Kwok, Jimmy has resigned as a member of the Remuneration Committee with effect from 10 October 2013. Both Mr. Chung and Mr. Lau have confirmed to the Board that they have no disagreement with the Board in any respect.

The principal duties of the Remuneration Committee were to (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management of the Company and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Human Resources Department was responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration.

Details of the remuneration of each Director for the year ended 31 March 2014 are set out in note 10 to the financial statements contained in this annual report

During the year ended 31 March 2014, the Remuneration Committee performed the following tasks:

- Review and discussion of the remuneration policy of the Group and the remuneration packages of Directors and senior management of the Company;

- Review and recommendation of payment of bonus, allowance and benefits to the Directors and senior management of the Company; and

- Recommendation of the remuneration packages of the Board members and senior management.

NOMINATION COMMITTEE

The Company established the Nomination Committee in accordance to the code provision set out in CG Code. As at 31 March 2014, the Nomination Committee comprised four members, Mr. Tsang On Yip, Patrick, being non-executive Director, Mr. Nguyen Van Tu, Peter (appointed on 21 June 2013 as the chairman of the Nomination Committee and ceased on 10 October 2013 as the chairman of the Nomination Committee due to re-designation from the chairman of the Nomination Committee to the chairman of the Remuneration Committee but remained as a member of the Nomination Committee), Mr. Chow Shiu Wing, Joseph and Mr. Wong Man Chung, Francis, being the independent non-executive Directors. Mr. Chow Shiu Wing, Joseph is the chairman of the Nomination Committee with effect from 10 October 2013.

During the Year, Mr. Lee Kwok Chung has retired and has ceased to act as a chairman of Nomination Committee with effect from 21 June 2013. Mr. Lee has confirmed that he has no disagreement with the Board. Mr. Lau Shun Chuen has resigned as the member of the Nomination Committee with effect from 10 October 2013. Mr. Chung Wai Kwok, Jimmy has resigned as a member of the Nomination Committee with effect from 10 October 2013. Both Mr. Chung and Mr. Lau have confirmed to the Board that they have no disagreement with the Board in any respect.

The principal duties of the Nomination Committee were to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of Directors; and (v) assess the independence of independent non-executive Directors.

During the year ended 31 March 2014, the Nomination Committee carried out the process of selecting and recommending candidates for directorships by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of such individuals, the Company's needs and other relevant statutory requirements and regulations.

During the year ended 31 March 2014, the Nomination Committee has performed the following works:

- Review and discussion of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skill and experience appropriate to the requirements for the business of the Group;
- Review and assessment of the independence of the existing independent non-executive Directors;
- Recommendation on the re-appointment of the retiring Directors at the annual general meeting of the Company;
- Discussion and recommendation of the appointment of new Directors; and
- Acceptance of the resignation of former Directors.

COMPANY SECRETARY

Mr. Kot Koon Yue, Eric was appointed as the company secretary of the Company with effect from 3 September 2013. The biographical details of Mr. Kot are set out under the section headed "Directors and Senior Management".

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Kot has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2014. The company secretary is full time employee of the Company, and is the chief legal and compliance officer, and has day-to-day knowledge of the Company's affairs. He reports to the Chairman and is responsible for advising the Board on governance matters.

Mr. Sin Lik Man resigned as the company secretary on 3 September 2013 and he confirmed that he had no disagreement with the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. Having made specific enquiries by the Company with the Directors (including the former Directors who retried and/or resigned during the year ended 31 March 2014) in the year ended 31 March 2014, all Directors (including the former Directors who retired and/or resigned during the year ended 31 March 2014) have confirmed that they have complied with the Model Code throughout the year ended 31 March 2014.

COMPLIANCE WITH WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has also adopted written guidelines on no less exacting terms than the Model Code (the "Written Guidelines") for governing securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities. No incident of non-compliance of the Written Guidelines by any relevant employee was noted by the Company during the year ended 31 March 2014.

DIRECTOR'S RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities, with the support from the Finance and Accounting Department, to prepare the financial statements of the Group for the year ended 31 March 2014 in accordance with statutory requirement and applicable accounting standard. The auditor of the Group acknowledges their reporting responsibilities in the auditor's report on the financial statement for the year ended 31 March 2014.

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

Shareholders are advised to read the qualified opinion included in the Auditor's report set out on page 40 of this annual report.

The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of inside information, announcements and financial disclosures and authorized their publication as and when required.

EXTERNAL AUDIT AND AUDITOR'S REMUNERATION

The Company's external auditor, KPMG, performs independent audit on the Group's consolidated financial statements for the year ended 31 March 2014. The Audit Committee has unrestricted access to external auditor as necessary. The Company's external auditor also reports to the Audit Committee any significant weaknesses in the Group's internal control system which might come to its notice during the course of audit.

Prior to the commencement of the audit of the Company, the Audit Committee should be received written confirmation from the external auditor on its independence and objectivity as required by the Hong Kong Institute of Certified Public Accountants.

The Company paid/payable a total remuneration of HK$3,060,000 and HK$1,114,000 to KPMG for their annual audit and non-audit services respectively during the year. The non-audit services mainly consist of taxation and consultancy services.

INTERNAL CONTROLS

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. The Board is responsible for maintaining the internal control systems of the Group. During the year ended 31 March 2014, the Board has conducted a review of the effectiveness of the systems of internal control of the Group covering the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training.

During the year ended 31 March 2014, the Company has engaged Shinewing Risk Services Limited ("Shinewing") independently reviewed the internal controls, financial reporting systems and compliance procedures with respect to certain Listing Rules and SFO requirements. Shinewing confirmed that the previously identified deficiencies have been effectively remedied. On 25 November 2013, Shinewing confirmed in writing that nothing has come to their attention, which makes them believe that the Company has not put in place adequate internal control and financial reporting systems to meet the obligations under certain Listing Rules. The Board is of the view that the Company has put in place adequate financial reporting procedures and internal control systems to meet its Listing Rules obligations.

GENERAL MEETINGS

Procedures for making proposals/moving a resolution at the annual general meeting ("AGM")

- The Company holds a general meeting as its AGM every year.

- The 2014 AGM will be held on Friday, 5 September 2014. Details of the 2014 AGM are set out in the notice of the 2014 AGM which constitutes part of the circular to shareholders sent together with this annual report. Notice of the 2014 AGM and proxy form are also available on the website of the Company.

- There are no provisions allowing shareholders of the Company (the "Shareholders") to make proposals or move resolutions at the AGM under the M&A or the laws of the Cayman Islands. Shareholders who wish to make proposals or move a resolution may however, convene an extraordinary general meeting (the "EGM") to do so by following the procedures below.

Procedures for shareholders to convene an EGM (including making proposals/moving a resolution at the EGM)

- Any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "Eligible Shareholder(s)") shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, including making proposals or moving a resolution at the EGM.

- Eligible Shareholders who wish to convene an EGM for the purpose of making proposals or moving a resolution at the EGM must deposit a written requisition (the "Requisition") signed by the Eligible Shareholder(s) concerned to the principal place of business of the Company in Hong Kong at 5/F, Fook Woo Group Building, 3 Kui Sik Street, On Lok Tsuen, Fanling, New Territories, Hong Kong, for the attention of the Company Secretary.

- The Requisition must state clearly the name and the contact information of the Eligible Shareholder(s) concerned, the reason(s) to convene an EGM, the agenda proposed to be included the details of the business(es) proposed to be transacted in the EGM, signed by the Eligible Shareholder(s) concerned. The Eligible Shareholder(s) must prove his/her/their shareholding in the Company to the satisfaction of the Company.

- The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder will be verified with the Company's branch share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board to convene an EGM within 2 months and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM after the deposit of the Requisition. On the contrary, if the Requisition has been verified as not in order, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM and/or include the proposal or the resolution proposed by the Eligible Shareholder at the EGM.

- If within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the M&A, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Enquiries to the Board

Enquiries may be put to the Board at the registered office of the Company at 5/F, Fook Woo Group Building, 3 Kui Sik Street, On Lok Tsuen, Fanling, New Territories, Hong Kong (email: info@iwsgh.com).

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believed that effective communication with Shareholders is essential for enhancing investor relations and investor's understanding of the Group's business performance and strategies. The Company also recognized the importance of transparency and timely disclosure of corporate information, which would enable Shareholders and investors to make the best investment decisions. The Company has maintained a website at "www.iwsgh.com" as a communication platform for Shareholders and investors, where information and updates on the Group's business developments and operations, financial information and other information are available for public access. Shareholders and investors may write directly to the Company's principal place of business in Hong Kong for any inquiries.

The Board considered that general meetings of the Company provide an important channel for Shareholders to exchange views with the Board. The chairman of the Board as well as the chairmen and/or other members of the Board Committees were normally available to answer questions raised by the Shareholders.

The Company continues to enhance communication and relationship with its investors. Designated senior management of the Company maintains dialogue with institutional investors and analysts to keep them informed of the Group's developments.

During the Year, there was no significant change in the Company's constitutional documents and these documents are available on the websites of the Company and of the Stock Exchange.

Independent auditor's report to the shareholders of
Integrated Waste Solutions Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Integrated Waste Solutions Group Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 45 to 121, which comprise the consolidated and company statements 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 consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

As disclosed in note 2(a) to the consolidated financial statements, in November 2011, the directors of the Company were made aware of evidence indicating the existence of potential irregularities with respect to certain accounting records and transactions recorded in the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group. As a result, in December 2011 the Board of Directors established an independent special committee (the "Special Committee") to investigate these potential irregularities. Based on the Special Committee's investigation, the directors concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

These events led, among other things, to the decision by the directors of the Company that Wealthy Peaceful Company Limited ("Wealthy Peaceful"), the intermediate holding company of Huizhou Fook Woo and itself a wholly owned subsidiary of the Group incorporated in the British Virgin Islands, would commence voluntary liquidation by a resolution of members on 31 January 2013, and the voluntary liquidators were appointed on the same date.

In April 2014, the Company was informed by the liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party, pursuant to which Wealthy Peaceful agreed to dispose of its entire equity interests in Golddoor Company Limited ("Golddoor"). Golddoor holds the entire registered capital of Huizhou Fook Woo.

Given these circumstances, in preparing the consolidated financial statements for the years ended 31 March 2013 and 31 March 2014, the directors of the Company have excluded Wealthy Peaceful, together with its wholly owned subsidiaries Golddoor and Huizhou Fook Woo (collectively referred to as "the De-consolidated Subsidiaries") from the Group's consolidated financial position, consolidated financial results and consolidated cash flows from the earliest periods presented.

These events and actions taken by the directors of the Company, further details of which are set out in note 2(a), have given rise to the following matters which form the basis for our qualified opinion:

(a) Departure from International Financial Reporting Standard 10, *Consolidated financial statements*

Given these the events and circumstances as described in note 2(a) to the financial statements, the Group presented the amounts due from De-consolidated Subsidiaries as "assets and liabilities of disposal group classified as held for sale" which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. The Group recognised an impairment loss of the amounts due from De-consolidated Subsidiaries amounting to HK$431,638,000 for the year ended 31 March 2014 following the assessment of the recoverable amounts due from De-consolidated Subsidiaries.

The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements and the presentation of the amounts due from the De-consolidated Subsidiaries is a departure from the requirements of International Financial Reporting Standard 10 "*Consolidated financial statements*" ("IFRS 10") and International Financial Reporting Standard 5 "*Non-current Assets Held for Sale and Discontinued Operations*" ("IFRS 5"). Had the financial results of the De-consolidated Subsidiaries been consolidated as required by IFRS 10 and IFRS 5, the Group would have consolidated and presented the financial results of the De-consolidated Subsidiaries as "Discontinued operations" for the year ended 31 March 2014 and the assets and liabilities of the disposal group classified as "held for sale" would have been presented separately from other assets and liabilities in the consolidated statement of financial position of the Group at 31 March 2014 and the net cashflows attributable to operating, investing and financing activities of the discontinued operations would have been presented separately in the consolidated statement of cashflows. Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, we are unable to ascertain the financial impact of the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

(b) Insufficient audit evidence in respect of balances and transactions with the De-consolidated Subsidiaries, impairment losses of balances due from the De-consolidated Subsidiaries and loss on de-consolidation of the De consolidated Subsidiaries

As set out in notes 2(a) and 25 to the consolidated financial statements, the Group and the Company recorded amounts due from De-consolidated Subsidiaries which are computed as the opening balance brought forward as at 1 April 2012 of HK$532,172,000 plus the net movement on the current account with the De-consolidated Subsidiaries arising from transactions since that date, less impairment losses of the amounts due from De-consolidated Subsidiaries.

Because of the loss of certain accounting books and records of Huizhou Fook Woo and the de-consolidation of the De-consolidated Subsidiaries, in our auditor's report dated 23 August 2013 on the consolidated financial statements of the Group for the year ended 31 March 2013 we reported that we were unable to obtain sufficient appropriate audit evidence to determine whether the balances with the De-consolidated Subsidiaries as at 31 March 2012 and 31 March 2013 and transactions with the De-consolidated Subsidiaries for the years then ended were free from material misstatement. In addition, we were not able to obtain sufficient appropriate audit evidence to determine whether the impairment losses of the amounts due from De-consolidated Subsidiaries and the loss on de-consolidation for the year ended 31 March 2012 were free from material misstatement.

Any adjustment found necessary to the carrying amount of the amounts due from De-consolidated Subsidiaries as at 31 March 2013 would have a consequential impact on the impairment loss of the amounts due from De-consolidated Subsidiaries for the year ended 31 March 2014 and would have affected the net assets and retained earnings as at 31 March 2013 and loss for the years ended 31 March 2013 and 31 March 2014.

(c) Comparative information

The comparative figures disclosed in the consolidated financial statements are based on the audited consolidated financial statements of the Group for the year ended 31 March 2013 in respect of which our auditor's report dated 23 August 2013 expressed an adverse opinion. The matters which resulted in that adverse opinion included (a) de-consolidation of certain subsidiaries and (b) balances due from De-consolidated Subsidiaries, being the same unresolved issues which are set out above. Therefore the comparative figures shown may not be comparable and any adjustments to the opening balances as at 1 April 2013 would have consequential effect on the loss for the year ended 31 March 2014 and/or the net assets of the Group as at 31 March 2014.

Qualified opinion

In our opinion, except for the effect on the consolidated financial statements of the matters described in parts (a) and (c) of the "Basis for Qualified Opinion" paragraph and except for the possible effects of the matters described in part (b) of the "Basis for Qualified Opinion" paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	2014 $'000	2013 $'000
Continuing operations			
Revenue	5	**480,587**	573,274
Cost of sales		**(439,729)**	(483,766)
Gross profit		**40,858**	89,508
Other revenue	6	**27,507**	7,538
Other net gain	7	**2,283**	6,315
Selling and distribution expenses		**(52,800)**	(34,281)
Administrative and other operating expenses		**(79,232)**	(81,375)
Operating loss		**(61,384)**	(12,295)
Finance income	8(c)	**10,202**	14,397
Finance costs	8(a)	**–**	(216)
Share of loss of an associate		**(844)**	(56)
(Loss)/profit before taxation	8	**(52,026)**	1,830
Income tax	9	**(1,224)**	(4,952)
Loss from continuing operations		**(53,250)**	(3,122)
Discontinued operations			
Impairment loss on amounts due from De-consolidated Subsidiaries	25(b)	**(431,638)**	(2,500)
Loss and total comprehensive income for the year		**(484,888)**	(5,622)
Attributable to equity shareholders of the Company			
– Continuing operations		**(53,250)**	(3,122)
– Discontinued operations		**(431,638)**	(2,500)
		(484,888)	(5,622)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	**2014**	2013
Basic and diluted loss per share	13		
Continuing operations		**(2.2) cents**	(0.1) cents
Discontinued operations		**(17.9) cents**	(0.1) cents
		(20.1) cents	(0.2) cents

The notes on pages 52 to 121 form part of these consolidated financial statements. Details of dividends payable to equity shareholders of the Company are set out in note 12.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Property, plant and equipment	14	**405,770**	175,976
Land use rights	15	**28,330**	28,244
Interests in an associate	16	**–**	844
Prepayments and other receivables	19	**9,818**	5,640
		443,918	210,704
Current assets			
Inventories	17	**5,345**	8,095
Trade and bills receivables	18	**77,453**	57,545
Other receivables, deposits and prepayments	19	**47,180**	36,924
Amounts due from related companies	31(b)	**594**	601
Amounts due from De-consolidated Subsidiaries	25	**–**	641,089
Bank deposits and cash	20	**276,326**	548,041
Restricted and pledged bank deposits	20	**2,400**	1,650
		409,298	1,293,945
Assets and liabilities of disposal group classified as held for sale	25	**208,900**	–
		618,198	1,293,945
Current liabilities			
Trade payables	21	**12,058**	14,397
Other payables and accruals	21	**117,115**	66,688
Amounts due to related companies	31(b)	**10**	5,273
Taxation payable	22(a)	**3,035**	2,704
		132,218	89,062
Net current assets		**485,980**	1,204,883
Total assets less current liabilities		**929,898**	1,415,587

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	2014 $'000	2013 $'000
Non-current liabilities			
Deferred tax liabilities	22(b)	**1,116**	1,917
NET ASSETS		**928,782**	1,413,670
CAPITAL AND RESERVES			
Share capital	23	**241,117**	241,117
Reserves	24	**687,665**	1,172,553
TOTAL EQUITY		**928,782**	1,413,670

Approved and authorised for issue by the Board of Directors on 30 June 2014.

Cheng Chi Ming, Brian
Chairman

Suen Wing Yip
Director

The notes on pages 52 to 121 form part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	2014 $'000	2013 $'000
Non-current assets			
Interests in subsidiaries	25	**966,727**	1,491,161
Current assets			
Receivables and prepayments		**1,018**	1,881
Amounts due from De-consolidated Subsidiaries	25	**56,668**	488,083
Bank deposits and cash	20	**209,439**	512,946
Taxation recoverable		**174**	–
		267,299	1,002,910
Current liabilities			
Payables and accruals	21	**12,313**	14,548
Amounts due to subsidiaries	25	**221**	200
		12,534	14,748
Net current assets		**254,765**	988,162
NET ASSETS		**1,221,492**	2,479,323
CAPITAL AND RESERVES			
Share capital	23	**241,117**	241,117
Reserves	24	**980,375**	2,238,206
TOTAL EQUITY		**1,221,492**	2,479,323

Approved and authorised for issue by the Board of Directors on 30 June 2014.

Cheng Chi Ming, Brian
Chairman

Suen Wing Yip
Director

The notes on pages 52 to 121 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Share capital *(Note 23)* $'000	Share premium *(Note 24)* $'000	Capital reserve *(Note 24)* $'000	Accumulated losses $'000	Total $'000
At 1 April 2012	241,117	2,862,358	(964,044)	(720,139)	1,419,292
Loss and total comprehensive income for the year	–	–	–	(5,622)	(5,622)
At 31 March 2013	241,117	2,862,358	(964,044)	(725,761)	1,413,670
At 1 April 2013	241,117	2,862,358	(964,044)	(725,761)	1,413,670
Loss and total comprehensive income for the year	–	–	–	(484,888)	(484,888)
At 31 March 2014	241,117	2,862,358	(964,044)	(1,210,649)	928,782

The notes on pages 52 to 121 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2014
(Expressed in Hong Kong Dollars)

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
Cash used in operations	26(a)	**(82,700)**	(138,643)
Income tax paid		**(1,694)**	–
Net cash used in operating activities		**(84,394)**	(138,643)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(199,292)**	(56,119)
Prepayments for purchase of property, plant and equipment		**–**	(4,837)
Proceeds from disposal of property, plant and equipment		**901**	10,591
Proceeds from disposal of intangible asset		**–**	1,024
Payment for purchase of land use right		**(919)**	–
Investment in an associate		**–**	(900)
Interest received		**10,757**	14,210
Proceeds received from/(placement) of deposits with maturity greater than 3 months		**106,152**	(129,918)
Net cash used in investing activities		**(82,401)**	(165,949)
Cash flows from financing activities			
Repayments of bank borrowings		**–**	(28,800)
Interest paid on bank borrowings		**–**	(216)
Increase in restricted and pledged bank deposits		**(750)**	(740)
Net cash used in financing activities		**(750)**	(29,756)
Net decrease in cash and cash equivalents		**(167,545)**	(334,348)
Cash and cash equivalents, net of bank overdrafts at the beginning of the year		**418,123**	747,167
Exchange difference on cash and cash equivalents		**1,982**	5,304
Cash and cash equivalents, net of bank overdrafts at the end of the year	20	**252,560**	418,123

The notes on pages 52 to 121 form part of these consolidated financial statements.

1 General information

Integrated Waste Solutions Group Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands on 11 November 2009 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company is an investment holding company and is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered address of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The Company and its subsidiaries are collectively referred to as the "Group". The subsidiaries of the Group are principally engaged in the trading and manufacturing of tissue paper products, trading of recovered paper and materials and provision of confidential materials destruction services.

These consolidated financial statements are presented in Hong Kong dollars (HK$).

2 Summary of significant accounting policies

(a) Basis of preparation

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

In the course of preparing its interim financial report for the six months ended 30 September 2011, the Board of Directors of the Company (the "Board") were made aware of evidence indicating the potential existence of irregularities with respect to a payment of RMB100,000,000 (approximately HK$120,000,000) from the books of 惠州福和紙業有限公司 ("Huizhou Fook Woo"), a wholly owned subsidiary of the Group (the "Incident"). Accordingly, in the interest of the Company and its shareholders, on 28 November 2011, the Company applied for suspension of trading in the Company's shares on the Stock Exchange.

On 29 November 2011, the Company received a cash deposit of HK$120,000,000 (approximately RMB100,000,000) (the "Deposit"). The Board represented that the Deposit was placed by a former director of the Company. The Deposit was recorded as amount due to Huizhou Fook Woo in the consolidated statement of financial position and the Company's statement of financial position as at 31 March 2012. On 2 December 2011, the Board established an independent special committee (the "Special Committee") to conduct an investigation into the Incident and the Deposit and to review the internal control system of the Company with the assistance of an independent accounting firm. On 27 April 2012, the Special Committee engaged another accounting firm to conduct a forensic review into the Incident and the Deposit (the "Forensic Review") following the preliminary investigation results of the previous independent accounting firm.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Based on the results of the Forensic Review, the Board concluded that the payment relating to the Incident was not in fact made and the payment was not transferred out of the accounts of Huizhou Fook Woo and a number of documents related to the Incident were fabricated. In addition, the Forensic Review has revealed, among other things, certain irregular transactions entered into by Huizhou Fook Woo. Based on the results of the Forensic Review, the Board further concluded that, among other things, a substantial portion of the accounting books and records of Huizhou Fook Woo for the year ended 31 March 2012 and prior periods were missing.

Given the loss of a substantial portion of books and records and the fact that most of the key accounting personnel and previous management left the Group and are now not contactable, the Board believes that, as at the date of this annual report, it is almost impossible, and not practical, to ascertain the transactions and balances of Huizhou Fook Woo for inclusion in the consolidation financial statements of the Group.

Furthermore, on 31 January 2013, Wealthy Peaceful Company Limited ("Wealthy Peaceful"), a wholly owned subsidiary of the Group, commenced voluntary liquidation, and the voluntary liquidators were appointed on the same date. Wealthy Peaceful, and its wholly owned subsidiaries, namely Golddoor Company Limited ("Golddoor") and Huizhou Fook Woo are collectively referred to as the "De-consolidated Subsidiaries".

Given these circumstances, the directors have not consolidated the financial statements of the De-consolidated Subsidiaries in the Group's consolidated financial statements and the results, assets and liabilities of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011. The resulting loss on de-consolidation of approximately HK$415,549,000, which was determined based on the net asset value of the De-consolidated Subsidiaries as at 1 April 2011, was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2012.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

As at 31 March 2012, the total amounts due from De-consolidated Subsidiaries to the Group and the Company, as recorded in the books and records before any impairment provision, amounted to approximately HK$2,262,677,000 and HK$1,157,845,000 respectively. The directors assessed the recoverability of these balances based on the valuation of the plant and machinery, properties and land use rights of Huizhou Fook Woo performed by independent valuers as at 30 September 2012 which was assessed to be HK$532,172,000, as the Directors considered this to be the earliest practicable date for such a valuation given the aforementioned circumstances. Accordingly, impairment losses on balances due from the De consolidated Subsidiaries of approximately HK$1,730,505,000 and HK$625,673,000 were recognised in the consolidated statement of profit or loss and other comprehensive income and the Company's financial statements for the year ended 31 March 2012 respectively. During the year ended 31 March 2013, the Group waived amounts due from De-consolidated Subsidiaries of HK$2,500,000 and accordingly, this amount was written off and charged to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2013.

Details of these De-consolidated Subsidiaries are set out in note 25 to the consolidated financial statements.

As at 31 March 2013, the liquidation process of Wealthy Peaceful was still in progress and the Directors were not able to obtain sufficient documentary information to satisfy themselves about the transactions and balances with the De-consolidation Subsidiaries in prior years. Given this limitation, to avoid undue costs and delays in finalising the consolidated financial statements, the Directors presented the carrying value of the balances due from De-consolidated Subsidiaries at 31 March 2013 as the sum of the opening balance as at 1 April 2012 of HK$532,172,000 plus the net movement of the current account with the De-consolidated Subsidiaries resulting from the transactions during the year ended 31 March 2013.

On 24 April 2014, the Company was informed by the liquidators of Wealthy Peaceful, that a sale and purchase agreement was entered into between Wealthy Peaceful and an independent third party pursuant to which Wealthy Peaceful agreed to dispose of the entire issued share capital of Golddoor at a consideration of HK$200,000,000. Golddoor is interested in the entire registered capital of Huizhou Fook Woo. Given these circumstances, the Group presented the amounts due from De-consolidated Subsidiaries as "assets and liabilities of disposal group classified as held for sale" which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor at 31 March 2014. The Group recognised an impairment loss of the amounts due from De consolidated Subsidiaries amounting to HK$431,638,000 for the year ended 31 March 2014 following the assessment of the recoverable amounts due from De-consolidated Subsidiaries.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

The exclusion of the financial position, results and cash flows of the De-consolidated Subsidiaries from the consolidated financial statements and the presentation of the amounts due from Deconsolidated Subsidiaries is a departure from the requirements of International Financial Reporting Standard 10 "*Consolidated financial statements*" ("IFRS 10") and International Financial Reporting Standard 5 "*Non-current Assets Held for Sale and Discontinued Operations*" ("IFRS 5"). Given the loss of certain accounting books and records of Huizhou Fook Woo mentioned above, the Directors are unable to ascertain the financial impact of the non-consolidation of the De-consolidated Subsidiaries on the consolidated financial statements.

Except for the matters referred to above, including the non-consolidation of the De consolidated Subsidiaries, the consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"), promulgated by the International Accounting Standards Board ("IASB"), IFRSs include International Accounting Standards ("IAS") and related Interpretations. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost convention, except as otherwise stated in the accounting policies set out below:

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

The estimates and 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 4.

The IASB has issued a number of new IFRSs and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements.

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*

Amendments to IAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

In addition, the Group has chosen to use the new title "statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27 "*Consolidated and separate financial statements*" relating to the preparation of consolidated financial statements and SIC 12 "*Consolidation – Special purpose entities*". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in notes 16 and 25.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The adoption of the other revisions, amendments and new standards has had no effect on the Group's financial statements for the year ended 31 March 2014.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (note 34).

(b) Subsidiaries

Consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

Except for the De-consolidated Subsidiaries as further explained in note 25, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

On consolidation, inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by the Group.

2 Summary of significant accounting policies (continued)

(b) Subsidiaries (continued)

Consolidation (continued)

When the Group ceases to have control, any retained interest in the entity is re measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the Company's statement of financial position, an investment in subsidiaries is accounted for at cost less impairment losses (see note 2(g)). Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

2 Summary of significant accounting policies (continued)

(c) Associates and joint ventures (continued)

When the Group's share of losses exceeds its interest in the associate or a joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or a joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and the joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (see note 2(g)). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

– Buildings	4.5%
– Leasehold improvements	20% or unexpired lease term, whichever is shorter
– Plant and machinery	7%-30%
– Furniture, fixtures and equipment	18%-30%
– Motor vehicles	18%-30%

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

2 Summary of significant accounting policies (continued)

(d) Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other net gain/(loss)" in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress is stated at historical cost less impairment losses. The cost of self-constructed items of property, plant and equipment include expenditure that is directly attributable to the construction and comprises the cost of material, direct labour and construction costs and applicable borrowing costs incurred during the construction period. On completion, the construction in progress is transferred to other categories within property, plant and equipment. No depreciation is provided for construction in progress. The carrying amount of construction in progress is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

(e) Land use rights

Land use rights are up-front payments to acquire long-term interest in leasehold land, which are stated at cost less accumulated amortisation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land from the date when the respective rights were granted. Amortisation of land use rights is calculated on a straight-line basis over the period of the lease and is recognised in the consolidated statement of profit or loss and other comprehensive income within "administrative and other operating expenses".

(f) Financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and bills receivables", "deposits and other receivables", "amounts due from De-consolidated Subsidiaries", "amounts due from related companies", "cash and cash equivalents" and "restricted and pledged bank deposits" in the consolidated statement of financial position.

2 Summary of significant accounting policies (continued)

(f) Financial assets (continued)

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired (see note 2(g)).

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

(g) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(g)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(g)(ii).

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment (other than properties carried at revalued amounts);

– pre-paid interests in leasehold land classified as being held under an operating lease; and

– investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measureable) or value in use (if determinable).

2 Summary of significant accounting policies (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(i) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see note 2(g)).

(j) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2 Summary of significant accounting policies (continued)

(k) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Summary of significant accounting policies (continued)

(l) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the reporting period end date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(m) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the reporting period end date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2 Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

(ii) Pension obligations

The Group participates in defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The contributions are recognised as employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions, where applicable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to owners of the Company until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 Summary of significant accounting policies (continued)

(o) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivables for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates of returns on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Sales of goods are recognised when the Group has delivered the products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products in accordance with sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(ii) Service income

Revenue is recognised when services are rendered.

(iii) Franchise fee income

Franchise fee income is recognised when services are rendered.

(iv) Interest income

Interest income is recognised using the effective interest method.

2 Summary of significant accounting policies (continued)

(q) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(r) Non-current assets held for sale and discontinued operation

(i) Non-current assets held for sale

A non-current asset (for disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

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

2 Summary of significant accounting policies (continued)

(r) Non-current assets held for sale and discontinued operation (continued)

(i) Non-current assets held for sale (continued)

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss and other comprehensive income, which comprises:

- the post-tax profit or loss of the discontinued operation; and
- the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Summary of significant accounting policies (continued)

(s) Related parties

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

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 Summary of significant accounting policies (continued)

(t) Segment reporting

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

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss and other comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss and other comprehensive income within "other gains, net".

2 Summary of significant accounting policies (continued)

(u) Foreign currency translation (continued)

(iii) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) assets and liabilities in the statement of financial position are translated at the reporting period end date;

(2) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(3) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, 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, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(i) Foreign currency risk

The Group is exposed to foreign currency risk as some of its business transactions, assets and liabilities are denominated in various foreign currencies primarily Renminbi ("RMB"), HK$ and United States dollar ("USD").

The Group currently does not have a foreign currency hedging policy.

Since HK$ is pegged to USD, management considers that there is no significant foreign currency risk between these two currencies to the Group.

The exchange rate of RMB to HK$ is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group manages its foreign currency risk by closely monitoring the movement of foreign currency rates.

As at 31 March 2014, if RMB had weakened/strengthened by 5% against HKD with all other variables held constant, pre-tax loss for the year would have been approximately HK$9,599,000 higher/lower (2013: HK$25,919,000 higher/lower on pre-tax loss), mainly as a result of the foreign exchange losses/gains (2013: same) on translation of RMB denominated cash and bank deposits and trade and bills receivables.

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, amounts due from related companies and De-consolidated Subsidiaries as well as deposits placed with banks. The Group has no significant concentrations of credit risk. Management has policies in place to monitor the exposures to these credit risks on an on going basis.

For banks and financial institutions, deposits are only placed with banks with good credit ratings. For credit exposures to customers, the Group has policies in place to ensure that sales are made to reputable and credit-worthy customers with an appropriate financial strength and credit history. It also has other monitoring procedures to ensure that follow up action is taken to recover overdue debts. In addition, the Group reviews regularly recoverable amount of each individual trade and other receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with borrowing covenants, to ensure that it maintains sufficient cash from operating activities and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the reporting period end date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if the contracting rates are floating, based on rates at the reporting period end date). Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Total**
	$'000	$'000	$'000
Group			
At 31 March 2014			
Trade payables	12,058	–	12,058
Other payables and accruals	114,339	–	114,339
Amounts due to related companies	10	–	10
	126,407	–	126,407
Company			
Payables and accruals	12,313	–	12,313
Amounts due to subsidiaries	221	–	221
	12,534	–	12,534

3 Financial risk management (continued)

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Less than 1 year $'000	Between 1 and 2 years $'000	Total $'000
Group			
At 31 March 2013			
Trade payables	14,397	–	14,397
Other payables and accruals	61,800	–	61,800
Amounts due to related companies	5,273	–	5,273
	81,470	–	81,470
Company			
Payables and accruals	14,548	–	14,548
Amounts due to subsidiaries	200	–	200
	14,748	–	14,748

(iv) Interest rate risk

The Group's exposure to interest rate risk arises mainly from its bank deposits. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. As at 31 March 2014 and 2013, the Group had no interest bearing bank borrowings.

The Group monitors its interest rate exposure on a dynamic basis and will consider the interest rate exposure when entering into any financing, renewal of existing positions and alternative financing transactions.

3 Financial risk management (continued)

(b) Capital risk management

The Group regards its shareholders' equity as capital. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents, deposits with maturity greater than 3 months and restricted and pledged bank deposits. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

At 31 March 2014 and 2013, the Group had net cash of HK$278,726,000 and HK$549,691,000 respectively, which are analysed as follows:

	2014	2013
	$'000	$'000
Cash and cash equivalents *(note 20)*	**252,560**	418,123
Deposits with maturity greater than 3 months *(note 20)*	**23,766**	129,918
Bank deposits and cash	**276,326**	548,041
Restricted and pledged bank deposits *(note 20)*	**2,400**	1,650
Net cash	**278,726**	549,691

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimate of useful lives of property, plant and equipment and impairment provisions

The Group determines the estimated useful lives and residual values in order to ascertain the amount of depreciation charges for each reporting period. These estimates are based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives or residual values are different from those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. The Group also assesses the adequacy of impairment provisions with reference to the sales proceeds from disposals subsequent to the year end.

(b) Provision for impairment of inventories

The Group reviews the carrying value of its inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing the net realisable value and making appropriate provisions, management identifies, using their judgement, inventories that are slow moving or obsolete, and considers their physical conditions, age, market conditions and market price for similar items.

(c) Provision for impairment of receivables

Management determines the provision for impairment of trade and other receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassesses the provision at the end of each reporting period.

Significant judgement is exercised on the assessment of the collectability of trade receivables from each customer. In making the judgement, management considers a wide range of factors such as results of follow-up procedures performed by sales personnel, customer payment trends including subsequent payments and customers' financial positions. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their abilities to make payments, additional provision may be required.

4 Critical accounting estimates and judgements (continued)

(d) Provision for amounts due from the De-consolidated Subsidiaries

Management determines the provision for impairment of amounts due from the De-consolidated Subsidiaries. The Board has assessed the recoverability of these balances by measuring the difference between the carrying amount and the present value of estimated future cash flows of the amounts due from De-consolidated Subsidiaries (note 2(a)).

(e) Income taxes

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

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 Segment information

The Board of Directors of the Company, which is the chief operating decision maker of the Group, reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports. The Group is organised into three business segments:

- Recovered paper – sales of recovered papers

- Tissue paper products – manufacturing and sales of tissue paper products

- Confidential materials destruction service ("CMDS") – provision of confidential materials destruction services

Although the Group's products and services are sold/rendered to Hong Kong, the PRC and overseas markets, the chief operating decision maker of the Group regularly reviews the financial information by business segments to assess performance and make resources allocation decisions. It assesses the performance of the operating segments based on a measure of segment gross profits.

5 Segment information (continued)

Revenue consists of sales of recovered papers, tissue paper products and provision of confidential materials destruction services. The Group's revenue consists of the following:

	2014	2013
	$'000	$'000
Sales of recovered paper	264,431	339,103
Sales of tissue paper products	211,264	228,912
Provision of confidential materials destruction services	4,892	5,259
	480,587	573,274

The analysis of the Group's revenue from external customers attributed to the locations in which the sales originated during the year consists of the following:

	2014	2013
	$'000	$'000
Hong Kong	480,587	573,274

Details of the customers accounting for 10% or more of total revenue are as follows:

	2014	2013
	$'000	$'000
Customer A	76,368	77,060
Golddoor *(note 31)*	56,977	171,909

For the year ended 31 March 2014, revenues of approximately HK$133,345,000 (2013: HK$248,969,000) are derived from an external customer and Golddoor. These revenues are attributable to the recovered paper and tissue paper products reportable segments and accounted for greater than 10% of the Group's revenue.

5 Segment information (continued)

The geographical location of non-current assets other than deferred tax assets are determined based on the countries of domicile of the subsidiaries, which were all located in Hong Kong as at 31 March 2013 and 31 March 2014.

The segment results and other segment items included in the loss for the year ended 31 March 2014 are as follows:

	Recovered paper $'000	Tissue paper products $'000	CMDS and others $'000	Group $'000
Continuing operations				
Revenue	264,431	211,264	4,892	480,587
Cost of sales	(261,939)	(170,459)	(7,331)	(439,729)
Segment gross profit/(loss)	2,492	40,805	(2,439)	40,858
Unallocated operating costs				(102,242)
Share of loss of an associate				(844)
Finance income, net				10,202
Loss before income tax				(52,026)
Income tax				(1,224)
Loss from continuing operations				(53,250)
Discontinued operations				
Impairment loss on amounts due from De-consolidated Subsidiaries				(431,638)
Loss for the year				(484,888)

5 Segment information (continued)

The segment results and other segment items included in the loss for the year ended 31 March 2013 are as follows:

	Recovered paper $'000	Tissue paper products $'000	CMDS and others $'000	Group $'000
Continuing operations				
Revenue	339,103	228,912	5,259	573,274
Cost of sales	(275,814)	(202,598)	(5,354)	(483,766)
Segment gross profit/(loss)	63,289	26,314	(95)	89,508
Unallocated operating costs				(101,803)
Share of loss of an associate				(56)
Finance income				14,397
Finance costs				(216)
Profit before taxation				1,830
Income tax				(4,952)
Loss from continuing operations				(3,122)
Discontinued operations				
Impairment loss on amounts due from De-consolidated Subsidiaries				(2,500)
Loss for the year				(5,622)

5 Segment information (continued)

The following transactions between the Group and the De-consolidated Subsidiaries (i.e. discontinued operations) have been included as part of "continuing operations" since the sale and supply relationship between the Group and De-consolidated Subsidiaries will continue after the disposal. Revenue and cost of sales in respect of these transactions included in the continuing operations are analysed as follows:

	2014	2013
	$'000	$'000
Sales to De-consolidated Subsidiaries	**56,977**	171,909
Cost of sales related to purchase from De-consolidated Subsidiaries	**168,888**	202,367

6 Other revenue

	2014	2013
	$'000	$'000
Sales of shredded electronic materials	**1,727**	3,802
Sales of scrapped materials	**309**	467
Service income	**5,132**	2,019
Forfeited deposits *(note)*	**18,000**	–
Franchise income	**1,643**	–
Others	**696**	1,250
	27,507	7,538

Note: During the year ended 31 March 2014, the Group granted an independent third party the right to use "Fook Woo" name to operate its recycling operation facilities in northern China for 5 years and received a non-refundable fee of HK$18,000,000. In January 2014, the third party decided not to continue the recycling operation facilities in northern China and signed a termination agreement with the Group. Accordingly, the Group recorded the full amount of the non-refundable fee as "other revenue" to the consolidated profit or loss and other comprehensive income for the year ended 31 March 2014.

7 Other net gain

	2014 $'000	2013 $'000
Foreign exchange gains, net	**1,982**	5,035
Gain on disposals of property, plant and equipment, net *(note 26(b))*	**448**	2,280
Write off of property, plant and equipment	**(147)**	(1,024)
Gain on disposal of intangible asset	**–**	24
	2,283	6,315

8 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting) of the following:

	2014 $'000	2013 $'000
(a) Finance costs		
Interest expenses on bank loans wholly repayable within 5 years	**–**	216
(b) Staff costs (excluding directors' emoluments)		
Salaries, wages and other benefits	**68,295**	57,751
Contributions to defined contribution retirement plan	**2,516**	2,096
	70,811	59,847
Staff costs included in:		
– Cost of sales	**33,169**	30,413
– Selling and distribution expenses	**9,778**	10,042
– Administrative and other operating expenses	**27,864**	19,392
	70,811	59,847

8 (Loss)/profit before taxation (continued)

(Loss)/profit before taxation is stated after charging/(crediting) of the following: (continued)

	2014	2013
	$'000	$'000
(c) Other items		
Amortisation of land use rights *(note 15)*	**833**	825
Depreciation of property, plant and equipment *(note 14)*	**14,380**	8,839
Impairment losses:		
– trade receivables *(note 18)*	**388**	1
Operating lease charges in respect of land and buildings	**38,371**	18,249
Provision for loss on onerous contracts in respect of land and buildings *(note (i))*	**8,236**	–
Cost of inventories sold *(note 17)*	**344,262**	401,976
Auditor's remuneration		
– Audit services	**3,060**	3,780
– Other services	**1,114**	1,116
Interest income from bank deposits	**(10,202)**	(14,397)

Note:

(i) In January 2014, the Group submitted notices to early terminate certain operating lease arrangements in respect of properties having considered the utilisation rate on these properties. Accordingly, the Group made a provision for onerous contracts in the amounts of HK$8,236,000 to the profit or loss which was based on the contractual rental payments over the non-cancellable lease period, in accordance with IAS 37, *Provisions, contingent liabilities and contingent assets.*

9 Income tax

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

	2014	2013
	$'000	$'000
Current income tax		
– Hong Kong profits tax	**3,026**	1,650
Under/(over) provision in respect of prior years		
– Current income tax	**(1,260)**	–
– Penalty surcharge and interest	**259**	(866)
	2,025	784
Deferred tax		
– Origination and reversal of temporary differences *(note 22(c))*	**(801)**	4,168
Income tax charge	**1,224**	4,952

(i) Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 March 2014 (2013: 16.5%).

(ii) In prior years, certain subsidiaries of the Group received notices of additional assessments from the Hong Kong Inland Revenue Department ("IRD") for the years of assessment 2002/2003 to 2005/2006 demanding total additional profits tax payments amounting to HK$20,115,000 in respect of disputes over the deductibility of certain expenses made by subsidiaries of the Group (the "Additional Tax Assessments"). Notices of objections have been served for these notices of additional assessments. In prior years, the IRD granted unconditional holdover orders in respect of additional tax payments of HK$16,925,000. The remaining amounts of HK$3,190,000 could be held over on the condition that an equal amount of tax reserve certificate was purchased.

In February 2013, the Group reached a settlement with the IRD and the total claim (including the penalties surcharge and interest) amounted to HK$9,055,000 of which HK$8,443,000 was settled during the year ended 31 March 2013, by additional cash payments of HK$5,253,000 and tax reserve certificates of HK$3,190,000 already purchased in prior years. The Group made a provision of HK$9,921,000 in respect of the tax assessments and penalties in prior years and accordingly, the over-provision of tax of HK$866,000 had been credited to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2013.

9 Income tax (continued)

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

(iii) Mr. Leung Kai Kuen, the former director and one of the substantial shareholders of the Company and Ms. Tam Ming Luen, the then substantial shareholder of the Company, have entered into a deed of indemnity with the Group under which they have agreed to indemnify on a joint and several basis each member of the Group in respect of the cash payment for any additional tax assessment for the year of assessment 2002/2003 and any other notices of additional assessment that may be received by any member of the Group for and including the years of assessment from 2003/2004 to 2009/2010 in respect of the Additional Tax Assessments referred in note 9(a)(ii).

Given the circumstances as disclosed in note 2(a) of the consolidated financial statements and the uncertainties about the likelihood of recovering such payments from Mr. Leung Kai Kuen and Ms. Tam Ming Luen, the incremental tax liability arose from the Additional Tax Assessments has been recorded as the Group's income tax liabilities as at 31 March 2012 and 31 March 2013 and charged to the consolidated statement of profit or loss and other comprehensive income of the Group in prior years despite the above mentioned indemnity arrangement.

On 15 April 2014, a total sum of HK$13,070,705 was received by the Group from Ms. Tam Ming Luen for full and final settlement of the above matter arrangement.

9 Income tax (continued)

(b) Reconciliation between tax expense and (loss)/profit before taxation at applicable tax rates:

	2014 $'000	2013 $'000
(Loss)/profit before taxation	**(52,026)**	1,830
Tax calculated at tax rates of 16.5% (2013: 16.5%)	**(8,584)**	302
Tax effects of non-taxable income	**(2,092)**	(3,563)
Tax effect of non-deductible expenses	**4,916**	8,386
Tax losses of tax losses not recognised	**8,947**	1,398
Tax effect of tax unrecognised tax losses utilised	**(1,392)**	(2,465)
Penalty surcharge and interest	**259**	(866)
Under-provision in respect of prior years	**(1,260)**	–
Others	**430**	1,760
Income tax expense	**1,224**	4,952

10 Emoluments for directors and five highest paid individuals and senior management

(a) Directors' emoluments

The aggregate amounts of emoluments paid by the Group to the directors of the Company during the year are as follows:

	2014 $'000	2013 $'000
Fees	**2,790**	5,107
Salaries, allowance and benefits in kind	**7,214**	5,211
Discretionary bonus	**1,142**	–
Retirement schemes contributions	**60**	49
	11,206	10,367

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

	For the year ended 31 March 2014				
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Total $'000
Executive directors					
Mr. Suen Wing Yip	300	2,302	481	15	3,098
Mr. Lau Sai Cheong	300	1,671	351	15	2,337
Mr. To Chun Wai [a]	296	1,181	198	15	1,690
Mr. Tam Sui Kin, Chris [b]	180	638	112	7	937
Mr. Lai Hau Yin [c]	–	702	–	8	710
Non-executive directors					
Mr. Cheng Chi Ming, Brian	360	360	–	–	720
Mr. Tsang On Yip, Patrick	360	–	–	–	360
Independent non-executive directors					
Mr. Nguyen Van Tu, Peter [d]	280	–	–	–	280
Mr. Chow Shiu Wing, Joseph [e]	171	–	–	–	171
Mr. Wong Man Chung, Francis [e]	171	–	–	–	171
Mr. Chung Wai Kwok, Jimmy [f]	372	–	–	–	372
Mr. Lau Shun Chuen [f]	–	279	–	–	279
Mr. Lee Kwok Chung [g]	–	81	–	–	81
	2,790	7,214	1,142	60	11,206

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

	For the year ended 31 March 2013				
	Fees $'000	Salaries, allowance and benefits in kind $'000	Discretionary bonus $'000	Retirement schemes contributions $'000	Total $'000
Executive directors					
Mr. Suen Wing Yip	75	2,440	–	15	2,530
Mr. Lau Sai Cheong	60	849	–	8	917
Mr. Lai Hau Yin (c)	60	576	–	6	642
Former executive directors					
Mr. Leung Tat Piu (h)	–	191	–	3	194
Mr. Alan Ing (i)	–	73	–	1	74
Non-executive directors					
Mr. Cheng Chi Ming, Brian	1,190	–	–	–	1,190
Mr. Tsang On Yip, Patrick	130	–	–	–	130
Former non-executive directors					
Ms. Cheung Nga Lai, Carol (j)	210	202	–	8	420
Mr. Pei Cheng Ming (k)	19	–	–	–	19
Ms. Li Zhe (l)	66	880	–	8	954
Independent non-executive directors					
Mr. Chung Wai Kwok, Jimmy (f)	1,080	–	–	–	1,080
Mr. Lee Kwok Chung (g)	1,050	–	–	–	1,050
Mr. Lau Shun Chuen (f)	1,167	–	–	–	1,167
	5,107	5,211	–	49	10,367

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(a) Directors' emoluments (continued)

Notes:

(a) Appointed on 8 April 2013

(b) Appointed on 30 September 2013

(c) Appointed on 1 November 2012 and resigned on 30 September 2013

(d) Appointed on 21 June 2013

(e) Appointed on 10 October 2013

(f) Resigned on 10 October 2013

(g) Retired on 21 June 2013

(h) Resigned on 6 June 2012

(i) Resigned on 18 April 2012

(j) Resigned on 1 November 2012

(k) Resigned on 30 April 2012

(l) Appointed as a non-executive director on 26 March 2012, re-designated as an executive director on 2 April 2012, re-designative as an non-executive director on 16 October 2012, and resigned on 17 January 2013

During the year, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

10 Emoluments for directors and five highest paid individuals and senior management (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year included 4 directors (2013: 5). Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 individual in 2014 are as follows:

	2014	2013
	$'000	$'000
Salaries, allowance and benefits in kind	1,007	–
Discretionary bonus	222	–
Retirement schemes contributions	15	–
	1,244	–

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
1,000,001 to 2,000,000	1	–

(c) Emoluments of senior management

Other than the emoluments of directors and five highest paid individuals disclosed above, the emoluments of the senior management whose profiles are set out in the section headed "Directors and Senior Management" of the annual report (of which these financial statements form a part) fell with the following bands:

	Number of individuals	
	2014	2013
Emolument band (HK$)*		
Nil to $1,000,000	–	3

* Including salaries, emoluments, other allowances and benefits, discretionary bonuses and retirement scheme contributions.

11 Loss attributable to the equity holders of the Company

The consolidated loss attributable to equity holders of the Company of HK$484,888,000 (2013: HK$5,622,000) included a loss of HK$1,257,831,000 (2013: HK$24,376,000) which is dealt with in the financial statements of the Company.

12 Dividends

No dividends had been paid or declared by the Company for the year ended 31 March 2014 (2013: Nil).

13 Basic and diluted loss per share

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

	2014	2013
	$'000	$'000
Loss attributable to the equity holders of the Company	**(484,888)**	(5,622)
Weighted average number of ordinary shares in issue (thousand shares)	**2,411,167**	2,411,167
Basic loss per share	**(20.1) cents**	(0.2) cents

Diluted loss per share is the same as basic loss per share as there were no potential dilutive ordinary shares outstanding during the year (2013: Nil).

14 Property, plant and equipment – Group

	Leasehold improvements $'000	Plant and machinery $'000	Furniture, fixtures and equipment $'000	Motor vehicles $'000	Yacht $'000	Construction in progress $'000	Total $'000
Year ended 31 March 2014							
Net book amount:							
At 1 April 2013	6,273	11,475	5,194	9,012	–	144,022	175,976
Additions	7,138	8,230	2,135	25,557	–	201,714	244,774
Disposals	–	(196)	(166)	(91)	–	–	(453)
Write off	(147)	–	–	–	–	–	(147)
Depreciation	(2,467)	(4,874)	(1,655)	(5,384)	–	–	(14,380)
At 31 March 2014	10,797	14,635	5,508	29,094	–	345,736	405,770
At 31 March 2014							
Cost	14,672	38,035	9,119	48,996	–	345,736	456,558
Accumulated depreciation and impairment	(3,875)	(23,400)	(3,611)	(19,902)	–	–	(50,788)
Net book amount	10,797	14,635	5,508	29,094	–	345,736	405,770
Year ended 31 March 2013							
Net book amount:							
At 1 April 2012	3,075	12,191	2,909	11,130	5,365	67,103	101,773
Additions	5,121	2,751	3,315	4,271	–	76,919	92,377
Disposals	(14)	–	(28)	(3,527)	(4,742)	–	(8,311)
Write off	(1,003)	–	(14)	(7)	–	–	(1,024)
Depreciation	(906)	(3,467)	(988)	(2,855)	(623)	–	(8,839)
At 31 March 2013	6,273	11,475	5,194	9,012	–	144,022	175,976
At 31 March 2013							
Cost	7,878	30,193	7,431	28,044	–	144,022	217,568
Accumulated depreciation and impairment	(1,605)	(18,718)	(2,237)	(19,032)	–	–	(41,592)
Net book amount	6,273	11,475	5,194	9,012	–	144,022	175,976

14 Property, plant and equipment – Group (continued)

Depreciation of the Group's property, plant and equipment has been charged to the consolidated statement of profit or loss and other comprehensive income as follows:

	2014	2013
	\$'000	\$'000
Cost of sales	**9,571**	5,467
Administrative and other operating expenses	**3,742**	3,372
Selling and distribution expenses	**1,067**	–
	14,380	8,839

15 Land use rights – Group

The Group's interests in land use rights represent prepaid operating lease payments. Their net book values are analysed as follows:

	2014	2013
	\$'000	\$'000
In Hong Kong, held on unexpired lease term of 35 years	**28,330**	28,244

The movements of land use rights are as follows:

	2014	2013
	\$'000	\$'000
At 1 April	**28,244**	29,069
Additions	**919**	–
Amortisation	**(833)**	(825)
At 31 March	**28,330**	28,244

Amortisation of land use rights has been included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

16 Interests in an associate

	2014	2013
	$'000	$'000
Share of net assets	**–**	844

In October 2012, the Group entered into an agreement with three independent parties to set up a company, Fook Fung Loi Co., Limited ("FFL"), of which the Group held 30% equity interests in FFL. The Group injected capital of HK$900,000 to FFL during the year ended 31 March 2013.

(a) Details of the associate at 31 March 2014 are as follows:

				Proportion of ownership interest			
Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
Fook Fung Loi Co., Limited	Incorporated	Hong Kong	3,000,000 ordinary shares of HK$1 each	30%	–	30%	Manufacturing and sale of paper products

(b) Summary financial information on the associate

	Assets $'000	Liabilities $'000	Equity $'000	Revenue $'000	Loss $'000
2014					
100 per cent	**14,519**	**(18,222)**	**(3,703)**	**291**	**(6,654)**
Group's effective interest	**4,356**	**(5,467)**	**(1,111)**	**87**	**(1,995)**
2013					
100 per cent	8,924	(6,111)	2,813	–	(188)
Group's effective interest	2,677	(1,833)	844	–	(56)

(c) At 31 March 2014, the Group's unrecognised share of losses of an associate, both for the year and cumulatively, amounted to HK$1,151,000 (2013: Nil).

17 Inventories – Group

	2014 $'000	2013 $'000
Finished goods, at cost	**5,345**	8,095

The cost of inventories recognised as expense and included in "cost of sales" amounted to approximately HK$344,262,000 for the year ended 31 March 2014 (2013: HK$401,976,000).

18 Trade and bills receivables – Group

	2014 $'000	2013 $'000
Trade and bills receivables	**82,823**	62,537
Less: Provision for impairment	**(5,370)**	(4,992)
Trade and bills receivables – net	**77,453**	57,545

Payment terms granted to customers are mainly cash on delivery or on credit. The average credit period ranges from 10 days to 90 days. The ageing analysis of trade and bills receivables based on transaction date is as follows:

	2014 $'000	2013 $'000
0 – 30 days	**33,906**	36,495
31 – 60 days	**18,058**	7,918
61 – 90 days	**12,184**	5,571
91 – 120 days	**5,299**	3,396
Over 120 days	**13,376**	9,157
	82,823	62,537
Less: Provision for impairment	**(5,370)**	(4,992)
	77,453	57,545

18 Trade and bills receivables – Group (continued)

As at 31 March 2014, trade receivables of approximately HK$36,085,000 (2013: HK$30,016,000) were past due but not impaired. These relate to a number of independent customers with no history of credit default. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered as fully recoverable. The ageing analysis of these trade receivables based on due date is as follows:

	2014	2013
	$'000	$'000
1 – 30 days	14,711	24,168
31 – 60 days	6,673	3,569
61 – 90 days	8,012	391
91 – 120 days	3,188	1,575
Over 120 days	3,501	313
	36,085	30,016

As at 31 March 2014, trade receivables of approximately HK$5,370,000 (2013: HK$4,992,000) were impaired and fully provided for. The individually impaired receivables mainly related to smaller customers which were aged over 120 days and considered to be irrecoverable. The ageing analysis of these non-recoverable receivables based on due date is as follows:

	2014	2013
	$'000	$'000
Over 120 days	5,370	4,992

The movement of provision for impaired receivables have been included in "administrative and other operating expenses" in the consolidated statement of profit or loss and other comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

18 Trade and bills receivables – Group (continued)

Movements on the provision for impairment of trade receivables are as follows:

	2014	2013
	$'000	$'000
At 1 April	**4,992**	4,991
Impairment loss recognised	**388**	1
Exchange difference	**(10)**	–
At 31 March	**5,370**	4,992

The carrying amounts of trade and bills receivables are denominated in the following currencies:

	2014	2013
	$'000	$'000
HK$	**51,895**	41,231
USD	**25,558**	16,314
	77,453	57,545

At 31 March 2014, the fair values of the trade and bills receivables approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of the receivables. The Group does not hold any collateral as security.

19 Other receivables, deposits and prepayments

	2014 $'000	2013 $'000
Non-current portion		
Prepayments for purchase of property, plant and equipment	**5,318**	5,569
Loan to an associate	**4,500**	71
	9,818	5,640
Current portion		
Deposits placed with suppliers	**13,764**	12,497
Utility and other deposits	**21,923**	14,774
Prepayments	**9,216**	4,697
Interest receivable	**725**	1,280
Other receivables	**309**	250
Others	**1,243**	1,589
	47,180	35,087
Amount due from an associate	**–**	1,837
Total	**47,180**	36,924

At 31 March 2014, the fair values of other receivables, deposits and prepayments, approximate their carrying amounts. The maximum exposure to credit risk at the end of each reporting period is the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security (2013: same).

At 31 March 2014, no other receivables, deposits or prepayments were impaired (2013: Nil).

Loan to an associate is unsecured, interest bearing and will be repaid in March 2017. Amount due from an associate is unsecured, interest free and has no fixed term of repayment.

20 Bank deposits and cash and restricted and pledged bank deposits

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits	**190,417**	491,016	**190,415**	491,016
Cash at bank	**85,561**	56,899	**19,024**	21,930
Cash in hand	**348**	126	**–**	–
	276,326	548,041	**209,439**	512,946
Restricted and pledged bank deposits	**2,400**	1,650		
	278,726	549,691		
Less: Deposits with maturity greater than 3 months	**(23,766)**	(129,918)		
Restricted and pledged bank deposits	**(2,400)**	(1,650)		
Cash and cash equivalents in the consolidated statement of cash flows	**252,560**	418,123		

Bank deposits and cash and restricted and pledged bank deposits are denominated in the following currencies:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
RMB	**191,981**	496,730	**191,218**	496,224
HK$	**39,673**	38,367	**14,189**	16,427
USD	**47,072**	14,594	**4,032**	295
	278,726	549,691	**209,439**	512,946

20 Bank deposits and cash and restricted and pledged bank deposits (continued)

As at 31 March 2014, the restricted bank deposits were denominated in HK$. The restricted bank deposits were mainly pledged with banks for issuing guarantees to suppliers to secure supply.

The conversion of RMB denominated balances into foreign currencies and the remittance of such bank balances and cash out of PRC are subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

Cash at bank earns interest at floating rates based on prevailing bank deposit rates.

21 Payables and accruals

	Group		**Company**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade payables	**12,058**	14,397	**–**	–
Other payables and accruals:				
– Construction cost payables	**81,489**	28,148	**–**	–
– Accrued expenses	**24,073**	32,368	**12,313**	14,548
– Receipts in advance from customers	**2,776**	4,888	**–**	–
Provision for loss on onerous contracts *(note 8(c))*	**8,236**	–	**–**	–
Others	**541**	1,284	**–**	–
	117,115	66,688	**12,313**	14,548
	129,173	81,085	**12,313**	14,548

21 Payables and accruals (continued)

The aging analysis of trade payables based on due date at the end of the reporting period is as follows:

	2014 $'000	2013 $'000
Current	2,437	8,964
1 – 30 days	6,811	1,554
31 – 60 days	24	997
61 – 90 days	69	123
91 – 120 days	2	21
Over 120 days	2,715	2,738
	12,058	14,397

The carrying amounts of payables and accruals are denominated in the following currencies:

	2014 $'000	2013 $'000
HK$	128,271	79,108
USD	902	1,919
RMB	–	58
	129,173	81,085

As at 31 March 2014, the fair values of the trade and other payables approximate their carrying amounts (2013: same).

22 Current and deferred tax – Group

(a) Current taxation in the consolidated statement of financial position represents:

	2014	2013
	$'000	$'000
Provision for Hong Kong Profits Tax for the year	**3,026**	1,650
Balance of Profits Tax provision relating to prior years	**9**	1,054
Taxation payable	**3,035**	2,704

(b) Deferred tax assets and liabilities recognised:

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2014	2013
	$'000	$'000
Deferred tax liabilities	**1,116**	1,917

(c) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Tax losses	**Accelerated tax depreciation**	**Total**
	$'000	$'000	$'000
At 1 April 2012	6,455	(4,204)	2,251
Credited/(charged) to the consolidated statement of profit or loss and other comprehensive income *(note 9(a))*	(5,317)	1,149	(4,168)
At 31 March 2013 and 1 April 2013	1,138	(3,055)	(1,917)
Credited to the consolidated statement of profit or loss and other comprehensive income *(note 9(a))*	334	467	801
At 31 March 2014	1,472	(2,588)	(1,116)

22 Current and deferred tax – Group (continued)

(d) Deferred tax assets not recognised

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group has not recognised the deferred tax assets attributable to the future benefit of tax losses of HK$64,067,000 (2013: HK$5,619,000). The tax losses do not expire under current tax legislation.

23 Share capital

(a) Authorised share capital of the Company

	2014	2013
	$'000	$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.10 each	**500,000**	500,000

(b) Issued share capital of the Company

	Number of ordinary shares	**Ordinary shares**
		$
Issued and fully paid:		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	2,411,167,000	241,116,700

24 Reserves

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

(a) Movements in components of equity

	Share capital $'000	Share premium $'000	Accumulated losses $'000	Total $'000
At 1 April 2012	241,117	2,862,358	(599,776)	2,503,699
Loss and total comprehensive income for the year	–	–	(24,376)	(24,376)
At 31 March 2013 and 1 April 2013	241,117	2,862,358	(624,152)	2,479,323
Loss and total comprehensive income for the year	–	–	(1,257,831)	(1,257,831)
At 31 March 2014	241,117	2,862,358	(1,881,983)	1,221,492

(b) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of Cayman Islands (the "Companies Law"). Under the Companies Law, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(ii) Capital reserve

Capital reserve represents the difference between (i) the aggregate of the consideration for the acquisitions under common control upon the reorganisation during the year ended 31 March 2010 ("Reorganisation"); and (ii) the aggregate of the share capital and share premium of the entities transferred to the Group pursuant to the Reorganisation.

24 Reserves (continued)

(c) Distributable reserves

The aggregate amounts of distributable reserves of the Company as at 31 March 2014 and 31 March 2013 were HK$980,375,000 and HK$2,238,206,000 respectively.

25 Investments in subsidiaries and due from/(to) subsidiaries

(a) Investment in subsidiaries and due from/(to) subsidiaries

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Consolidated subsidiaries				
Investments at cost, unlisted shares	**–**	–	**967,944**	967,944
Less: Provision *(note 25(b))*	**–**	–	**(815,712)**	–
	–	–	**152,232**	967,944
Due from subsidiaries	**–**	–	**814,495**	523,217
	–	–	**966,727**	1,491,161
De-consolidated Subsidiaries				
Investments at cost, unlisted shares (HK$8)	**–**	–	**–**	–
Due from De-consolidated Subsidiaries	**2,371,043**	2,371,594	**1,113,979**	1,113,756
Less: Provision for impairment *(note 25(b))*	**(2,162,143)**	(1,730,505)	**(1,057,311)**	(625,673)
	208,900	641,089	**56,668**	488,083
Less: Reclassified to Assets and Liabilities of disposal groups classified as held for sale	**(208,900)**	–	**–**	–
	–	641,089	**56,668**	488,083
Due to subsidiaries	**–**	–	**(221)**	(200)

25 Investments in subsidiaries and due from/(to) subsidiaries (continued)

(a) Investment in subsidiaries and due from/(to) subsidiaries (continued)

Amounts due from subsidiaries are unsecured, non-interest bearing with no fixed terms of repayment and hence are classified as non-current as these are not expected to be recoverable within the next twelve months. Amounts due to subsidiaries are unsecured and non-interest bearing with no fixed terms of repayment.

(b) Disposal of entire equity interests in Golddoor Company Limited ("Golddoor")

As at 31 March 2014, the Group was made aware of the fact that the liquidators of Wealthy Peaceful Limited had initiated a tender process to locate a buyer to acquire the entire equity interests in Golddoor. In April 2014, the liquidator of Wealthy Peaceful Limited entered into a binding agreement with an independent third party, pursuant to which Wealthy Peaceful Limited agreed to dispose of its entire equity interests in Golddoor (together with its subsidiary, Huizhou Fook Woo) for a consideration of HK$200,000,000 (the "Sale Transaction").

On 27 June 2014, the liquidators of Wealthy Peaceful Limited informed the Company that the Purchaser had remitted the consideration and would proceed to completion of the Sale Transaction.

Given the above circumstances, the Group presented the amounts due from De-consolidated Subsidiaries as "assets and liabilities of disposal group classified as held for sale" which were measured at the lower of the carrying amounts and the estimated recoverable amount from the disposal of Golddoor (together with its subsidiary, Huizhou Fook Woo) at 31 March 2014.

The recoverable amount from the disposal is estimated by the Group as follows:

	$'000
Consideration payable by the independent third party	200,000
Less:	
– Legal and professional fees	(2,500)
	197,500

25 Investments in subsidiaries and due from/(to) subsidiaries (continued)

(b) Disposal of entire equity interests in Golddoor (continued)

The carrying amounts of the amounts due from De-consolidated Subsidiaries as at 31 March 2014 comprised of:

	$'000
Properties, plant and machinery based on valuation at 30 September 2012	532,172
Net amounts due from De-consolidated Subsidiaries resulting from transactions with the De-consolidated Subsidiaries from 1 April 2012 to 31 March 2014	108,366
	640,538

At 31 March 2014, the Group's and the Company's amounts due from De-consolidated Subsidiaries and the Company's interests in subsidiaries were determined to be impaired. Impairment losses on amounts due from De-consolidated Subsidiaries of approximately HK$431,638,000 were recognised as the result of "Discontinued operations" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2014 and impairment losses on the Company's interests in subsidiaries of approximately HK$815,712,000 were recognised in the Company's result for the year ended 31 March 2014. The impairment losses were measured as the difference between the carrying amount and the estimated recoverable amount from the disposal of Golddoor (together with its subsidiary, Huizhou Fook Woo), which are set out as follows:

	$'000
Carrying amount of the amounts due from De-consolidated Subsidiaries at 31 March 2014	640,538
Less:	
Amounts received from De-consolidated Subsidiaries subsequent to 31 March 2014	(11,400)
	629,138
Estimated recoverable amount on disposal of Golddoor	(197,500)
Impairment loss on amounts due from De-consolidated Subsidiaries	431,638
Total estimated recoverable amount	208,900

25 Investments in subsidiaries and due from/(to) subsidiaries (continued)

(b) Disposal of entire equity interests in Golddoor (continued)

During the year ended 31 March 2013, the Group waived the amounts due from De-consolidated Subsidiaries of HK$2,500,000 and accordingly, these amounts had been written off and charged to the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended 31 March 2013.

(c) Principal subsidiaries held by the Group

The following is a list of the principal subsidiaries which have been consolidated as at and for the year ended at 31 March 2014:

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Directly held				
IWS Global Limited	British Virgin Islands ("BVI")/ 16 March 2007	Ordinary US$50,030	100%	Investment holding/ Hong Kong
Indirectly held				
IWS Waste Management (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
IWS Assorted Paper (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
IWS Environmental Technologies (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong

25 Investments in subsidiaries and due from/(to) subsidiaries (continued)

(c) Principal subsidiaries held by the Group (continued)

The following is a list of the principal subsidiaries which have been consolidated as at and for the year ended at 31 March 2014: (continued)

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Indirectly held (continued)				
CMDS (Global) Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
IWS Waste Management Company Limited	Hong Kong/ 28 September 1993	HK$1,000,000	100%	Trading of recovered paper/Hong Kong
IWS Assorted Paper Company Limited	Hong Kong/ 15 December 1997	HK$1,000,000	100%	Trading of tissue paper products/ Hong Kong
Confidential Materials Destruction Service Limited	Hong Kong/ 22 June 1979	HK$10,000	100%	Provision of confidential materials destruction service/ Hong Kong
IWS Environmental Technologies Limited	Hong Kong/ 23 October 2002	HK$1,000,000	100%	Procurement of waste paper/Hong Kong
IWS Promotion Limited	Hong Kong/ 17 September 2010	HK$1	100%	Investment holding/ Hong Kong
IWS Paper Agency (Global) Company Limited	BVI/ 28 November 2011	Ordinary US$1	100%	Investment holding/ Hong Kong

25 Investments in subsidiaries and due from/(to) subsidiaries (continued)

(c) Principal subsidiaries held by the Group (continued)

The following is a list of the subsidiaries which have been de-consolidated from 1 April 2011 (the De-consolidated Subsidiaries):

Name	Place and date of incorporation/ establishment	Particulars of issued paid-in capital	Effective interest held	Principal activities and place of operation
Indirectly held				
Wealthy Peaceful Company Limited	BVI/ 23 March 2009	Ordinary US$1	100%	Investment holding/ Hong Kong
Golddoor Company Limited	Hong Kong/ 29 April 1981	HK$500,000	100%	Investment holding/ Hong Kong
Huizhou Fook Woo # (惠州福和紙業有限公司)	PRC/ 26 March 1996	HK$340,000,000	100%	Manufacturing and sales of tissue paper products and recycled greyboard and sales of recovered paper/PRC

The company is a wholly foreign-owned enterprise.

As explained in note 2(a), due to the loss of a substantial portion of books and records and serious doubt over the authenticity of certain accounting records of Huizhou Fook Woo, the financial results of the De-consolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 April 2011.

26 Note to the consolidated cash flow statements

(a) Reconciliation of (loss)/profit before taxation to cash used in operations

	Note	2014 $'000	2013 $'000
(Loss)/profit before taxation		**(52,026)**	1,830
Adjustments for:			
Gain on disposals of property, plant and equipment, net	7	**(448)**	(2,280)
Gain on disposal of intangible asset	7	**–**	(24)
Amortisation of land use rights	15	**833**	825
Depreciation of property, plant and equipment	14	**14,380**	8,839
Write off of property, plant and equipment	7	**147**	1,024
Provision for impairment of trade receivables	18	**388**	1
Finance costs		**–**	216
Interest income		**(10,202)**	(14,397)
Unrealised foreign currency gain		**(1,982)**	(5,304)
Share of loss of associate		**844**	56
Operating loss before working capital changes		**(48,066)**	(9,214)
Inventories		**2,750**	(323)
Trade and bills receivables		**(20,296)**	8,454
Other receivables, deposits and prepayments		**(15,240)**	(18,913)
Amounts due from related companies		**7**	721
Payables and accruals		**(2,406)**	4,120
Amounts due to related companies		**–**	(12,071)
Amounts due from De-consolidated Subsidiaries		**551**	(111,417)
Cash used in operations		**(82,700)**	(138,643)

(b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprises:

	2014 $'000	2013 $'000
Proceeds from disposal of property, plant and equipment	**901**	10,591
Net book amount *(note 14)*	**(453)**	(8,311)
Gain on disposal of property, plant and equipment *(note 7)*	**448**	2,280

27 Financial instruments by category

Group

	Note	Loans and receivables 2014 $'000	2013 $'000
Assets per consolidated statement of financial position			
Trade and bills receivables	18	**77,453**	57,545
Other receivables, deposits and prepayments	19	**47,180**	36,924
Amounts due from related companies	31(b)	**594**	601
Amounts due from De-consolidated Subsidiaries	25	**208,900**	641,089
Bank deposits and cash	20	**276,326**	548,041
Restricted and pledged bank deposits	20	**2,400**	1,650
Total		**612,853**	1,285,850

	Note	Other financial liabilities 2014 $'000	2013 $'000
Liabilities per consolidated statement of financial position			
Trade payables	21	**12,058**	14,397
Other payables and accruals	21	**117,115**	66,688
Amounts due to related companies	31(b)	**10**	5,273
Total		**129,183**	86,358

Company

	Note	Loans and receivables 2014 $'000	2013 $'000
Assets per statement of financial position			
Receivables		**1,018**	1,881
Amounts due from De-consolidated Subsidiaries	25	**56,668**	488,083
Bank deposits and cash	20	**209,439**	512,946
Total		**267,125**	1,002,910

27 Financial instruments by category (continued)

Company (continued)

		Other financial liabilities	
		2014	2013
	Note	**$'000**	$'000
Liabilities per statement of financial position			
Payables and accruals		**12,313**	14,548
Amounts due to subsidiaries	25	**221**	200
Total		**12,534**	14,748

28 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings are as follows:

	2014	2013
	$'000	$'000
Within one year	**33,844**	15,503
After one year but within five years	**26,347**	17,006
	60,191	32,509

29 Capital commitments

	2014	2013
	$'000	$'000
Contracted but not provided for		
Property, plant and equipment	**282,438**	32,308

30 Contingent liabilities

At 31 March 2014, the Group has lodged certain claims against its former director and employee. In the opinion of the legal counsel, it is too early to evaluate the outcome of these claims and the recovery of loss and damages from these claims cannot be reliably estimated.

31 Related party transactions

(a) The following transactions were carried out with related parties during the year:

	2014	2013
	$'000	$'000
Construction expenditure paid/payable to Vibro (H.K.) Limited ("Vibro") *(note (i))*	**–**	11,113*
Rental expenses in respect of land and buildings paid to E&I Development Limited ("E&I") *(note (ii))*	**3,300***	3,300*
Management fee paid and payable to Lai Wah Shipping Company ("Lai Wah") *(note (iii))*	**624***	1,872*
Management fee paid and payable to Fook Woo Waste Paper Company *(note (iv))*	**447***	1,788*
Rental expenses in respect of land and building paid to Junway Investment Limited ("Junway") *(note (v))*	**–**	213*
Sales to De-consolidated Subsidiaries	**56,977**	171,909
Purchase from De-consolidated Subsidiaries	**168,888**	202,367
Logistics fee paid and payable to De-consolidated Subsidiaries	**844**	–
Management fee paid and payable to De-consolidated Subsidiaries	**1,560**	–
Management fee income received and receivable from Fook Fung Loi Co., Limited	**2,040**	–
Interest income received and receivable from Fook Fung Loi Co., Limited	**179**	–

* These related party transactions also constitute connected transactions or continuing connected transactions pursuant to the Main Board Listing Rules of the Stock Exchange.

31 Related party transactions (continued)

(a) (continued)

Notes:

(i) The amount represented charges for construction services at the Tseung Kwan O industrial site provided by Vibro, in which controlling interests are deemed to be held by one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties.

(ii) These represented the rental expenses for leasing of office space paid to E&I. The controlling shareholders of E&I are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The rental expenses were charged at predetermined rates mutually agreed between both parties.

(iii) The amount represented waste loading services provided by Lai Wah. The sole proprietor of Lai Wah is Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties and terminated on 31 July 2013.

(iv) The amount represented waste paper management services provided by Fook Woo Waste Paper Company, a company owned by Mr. Leung Tat Piu, an ex-director of the Company at the Tai Po packing station. These transactions were entered into in the normal course of business based on terms mutually agreed by both parties.

(v) The amount represented the rental expenses for leasing of an ex-director's quarter paid to Junway, a company owned by a close family member of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company. The transaction was entered into in the normal course of business based on terms mutually agreed by both parties and terminated since April 2013.

31 Related party transactions (continued)

(b) Year-end balances with related parties

The amounts due from/(to) related companies were denominated in HK$. The balances are unsecured, interest-free and repayable upon demand. The carrying values of these balances approximate their fair values.

Amounts due from related companies, net of impairment provisions are disclosed as follows:

Name	Relationship	2014 $'000	2013 $'000
Huizhou Fook Woo	A de-consolidated subsidiary of the Company	**208,900**	641,089
Fook Fung Loi Co., Limited	An associate of the Company	**4,500**	–
E&I	Controlling shareholders are the son and daughter of Mr. Leung Kai Kuen, one of the substantial shareholders of the Company	**562**	562

The information relating to the amounts due from related companies, disclosed pursuant to the Hong Kong Companies Ordinance, is as follows:

Name	Maximum amount outstanding during 2014 $'000	2013 $'000
E&I	**562**	562
Fook Woo Waste Paper Company	**–**	447
Lai Wah	**–**	162
Junway	**–**	150

31 Related party transactions (continued)

(b) Year-end balances with related parties (continued)

Amounts due to related companies are disclosed as follows:

Name	Relationship	**2014** **$'000**	2013 $'000
Vibro	A company indirectly owned by one of the substantial shareholders of the Company	**–**	5,263
Lai Wah	Sole proprietor is Mr. Leung Kai Kuen, one of the substantial shareholders of the company	**10**	10

32 Share option scheme

Pursuant to the resolutions in writing passed by all shareholders of the Company on 11 March 2010, the Company adopted a share option scheme on 11 March 2010 (the "Share Option Scheme"). The purpose of the share option scheme is to provide incentives to the Group's employees including the executive directors and non-executive directors and any advisers, consultants, suppliers, customers and agents (each "eligible participant"). The Board of Directors of the Company may, at any time within 10 years after the date of adoption of the Share Option Scheme, make an offer to any participant. The subscription price for shares granted pursuant to the Share Option Scheme shall be determined by the Board of Directors of the Company in its absolute discretion but shall not be less than the highest of:

- the closing price of the shares of the Company stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is made to a participant;
- the average of the closing prices of the shares stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which such offer is made; and
- the nominal value of a share of the Company.

32 Share option scheme (continued)

The total number of shares which may be issued upon exercise of all options granted under the Share Option Scheme must not, in aggregate, exceed 10% of the total number of shares in issue immediately following the completion of the Initial Public Offering and the capitalisation issue but excluding the effect of the over-allotment. The 10% limit may be refreshed with the approval by the shareholders. The maximum number of shares which may be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

The total number of shares issued and to be issued upon exercise of all options granted under the Share Option Scheme to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of issued shares of the Company. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, if shares issued and to be issued upon exercise of all options granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to a participant who is a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in any 12-month period (i) represent in aggregate more than 0.1% of the total number of shares in issue, and (ii) have an aggregate value, based on the closing price of the shares of the Company at the date of each grant, in excess of $5,000,000, the proposed grant of option must be approved by the shareholders of the Company in a general meeting.

An offer of options must be accepted within 30 days from the date of offer, upon payment of a consideration of $1 by the grantee. The exercise period of any option granted under the Share Option Scheme shall not be longer than 10 years from the date of grant of the relevant option. There is no minimum period for which an option must be held before the exercise of the option except otherwise imposed by the Board of Directors of the Company.

As at 31 March 2014, no share option had been granted under the Share Option Scheme (31 March 2013: Nil).

On 25 April 2014, the Group announced that a total of 71,110,000 options under the Share Option Scheme to subscribe for the Company's shares are granted, subject to acceptance of the grantee(s). Each option shall entitle the holder to subscribe for one share upon exercise of such option at an exercise price of HK$0.542 per share. These options may be exercised from 25 July 2014 to 24 April 2020 (both dates inclusive) subject to the vesting periods. As of the date of this report, 65,248,000 options were accepted by the grantees.

33 Events after the end of the reporting period

Except for matters disclosed elsewhere in the financial statements, the Group had no other post balance events to disclose.

34 Future changes in accounting policies

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 April 2014) in accordance with section 358 of that Ordinance. The company is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 32, *Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Recoverable amounts disclosure for non-financial assets*	1 January 2014
IFRS 9, *Financial instruments*	Undetermined

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of the new standards is unlikely to have a significant impact on the Group's consolidated financial statements.

RESULTS

	Year ended 31 March				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	1,422,556	2,126,487	750,230	573,274	**480,587**
Gross Profit	513,007	756,756	76,620	89,508	**40,858**
Profit/(loss) before taxation	337,784	554,904	2,890	1,830	**(52,026)**
Income tax	(46,445)	(88,014)	(9,582)	(4,952)	**(1,224)**
Profit/(loss) from continuing operations	291,339	466,890	(6,692)	(3,122)	**(53,250)**
Discontinued operations					
Loss on de-consolidation of subsidiaries	–	–	(415,519)	–	**–**
Impairment loss on amounts due from De-consolidated Subsidiaries	–	–	(1,730,505)	(2,500)	**(431,638)**
Profit/(loss) and total comprehensive income for the year	291,339	466,890	(2,152,716)	(5,622)	**(484,888)**

ASSETS AND LIABILITIES

	As at 31 March				
	2010	2011	2012	2013	**2014**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	2,717,094	4,170,383	1,518,415	1,504,649	**1,062,116**
Total liabilities	521,282	369,972	99,123	90,979	**133,334**
Total equity	2,195,812	3,800,411	1,419,292	1,413,670	**928,782**

IWS

Integrated Waste Solutions
Group Holdings Limited
綜合環保集團有限公司*