



# 中國投融資集團有限公司

China Investment and Finance Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code:1226)



Annual Report 2014/15

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# CORPORATE INFORMATION

## STOCK CODE

1226

## BOARD OF DIRECTORS

### Executive Director

Mr. CHAN Cheong Yee

### Non-Executive Directors

Mr. LIAO Jintian (*Chairman*)

Ms. LEE Kar Ying

Mr. WU Qi\*

### Independent Non-Executive Directors

Mr. HA Tak Kong

Mr. LUK Simon

Mr. TSANG Hin Man Terence

Ms. LIU Xiaoyin

## AUDIT COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LUK Simon

Mr. TSANG Hin Man Terence

## NOMINATION COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LIAO Jintian

Mr. TSANG Hin Man Terence

## REMUNERATION COMMITTEE

Mr. HA Tak Kong (*Chairman*)

Mr. LIAO Jintian

Mr. LUK Simon

## REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1104, Crawford House

70 Queen's Road Central

Hong Kong<sup>#</sup>

## AUDITORS

ELITE PARTNERS CPA LIMITED

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

China Hong Kong City

33 Canton Road, Tsim Sha Tsui

Kowloon, Hong Kong

## SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China

(Asia) Limited

Chong Hing Bank Limited

## INVESTMENT MANAGER

China Everbright Securities (HK) Limited

## COMPANY SECRETARY

Mr. CHAN Kwan Pak

## AUTHORISED REPRESENTATIVES

Mr. CHAN Cheong Yee

Mr. LIAO Jintian

## WEBSITE

<http://www.chnif.com>

\* appointed on 3 July 2015

<sup>#</sup> with effect from 3 July 2015

# STATEMENT FROM THE MANAGEMENT



## STATEMENT FROM THE MANAGEMENT

The board (the “Board”) of directors (the “Directors”) of China Investment and Finance Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 March 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS FINANCIAL RESULTS

For the year ended 31 March 2015, the Group recorded an increase in gross proceeds from disposal of securities from approximately HK\$301,048,000 to approximately HK\$349,285,000, representing an increase of approximately 16.0%. The Group recorded an increase in revenue from approximately HK\$8,319,000 to approximately HK\$12,187,000, representing an increase of approximately 46.5%. The Company recorded a profit attributable to the owners of the Company for the year amounted to approximately HK\$192,000 as compared to the loss for last year amounted to approximately HK\$93,562,000. The audited consolidated net assets of the Group as of 31 March 2015 amounted to approximately HK\$522,174,000 (2014: approximately HK\$448,503,000). The net asset per share of the Group was amounted to approximately HK\$0.57 (2014: approximately HK\$0.77). The Company has issued 290,790,000 offer shares at HK\$0.20 each on 23 July 2014, and the Company has placed 43,000,000 shares to an independent third party at HK\$0.345 per share, which was completed on 5 December 2014. As the offer share price of HK\$0.20 and the subscription price of HK\$0.345 are lower than the net asset value of the Company as at 31 March 2014, the net asset value per share decreased over this fiscal year, although net profit was recorded.

The negative effect on the results of the Group for the year ended 31 March 2014 is mainly attributable to the impairment loss will be fully provided for the principal amount of approximately HK\$80 million of the convertible bonds issued by Double Sky Holdings Limited during that year. The Group’s financial performance improved significantly during the year ended 31 March 2015.

### Investment Review

As at 31 March 2015, the Group’s major investments were as follows:

<b>Investments</b>	<b>Description</b>
Listed equities	HK\$38.7 million of a portfolio of listed shares in four companies
Unlisted debt securities	HK\$35.3 million of bonds issued by one unlisted company
Convertible bonds	HK\$107.6 million in three unlisted convertible bonds securities
Direct investment in unlisted equities	HK\$74.4 million in two direct investments in unlisted equities securities
Total	HK\$256.0 million



## STATEMENT FROM THE MANAGEMENT

The investment portfolio of the Group mainly comprises of unlisted securities and listed securities in Hong Kong and China during the year. The investment portfolio of the Company is of approximately HK\$256.0 million. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

### **Price Risk**

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss and AFS financial assets. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets at fair value through profit or loss were higher or lower by 5% as at 31 March 2015, the Group's profit for the year would increase by approximately HK\$1,935,000 (2014: HK\$480,000) or changed to loss of approximately HK\$1,743,000. If the price of the respective investments held by the Group as AFS financial assets were higher or lower by 5% as at 31 March 2015 (2014: 5%), the Group's equity as at 31 March 2015 would increase or decrease by approximately HK\$10,862,000 (2014: HK\$14,220,000).

### **Prospects**

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

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

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

### **Dividend**

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

### **Liquidity and Financial Resources**

As at 31 March 2015, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of approximately HK\$75,231,000 (2014: HK\$59,269,000), which was mainly placed in bank and other financial institution as deposits.

# STATEMENT FROM THE MANAGEMENT

## Capital Structure

During the year, the Company has adopted the following capital exercises:

- (a) On 9 June 2014, the Company proposed an open offer of 290,790,000 offer shares on the basis of one offer share for every two existing shares held on the then record date at HK\$0.20 per offer share, and the open offer was completed on 23 July 2014.
- (b) On 19 November 2014, the Company entered into an agreement (the “Subscription Agreement”) to issue and allot 43,000,000 new ordinary shares (“Subscription Shares”) of the Company at HK\$0.345 (the “Subscription Price”) each under the general mandate to Cashcow Development Limited (the “Subscription”). The Subscription was completed on 5 December 2014, and the Company’s issued share capital then increased from 872,370,000 shares at par value of HK\$0.20 each to 915,370,000 shares at par value of HK\$0.20 each.

As at the date of the Subscription Agreement, the entire issued share capital of Cashcow Development Limited was beneficially owned by Mr. Tang Wood Sang. To the best knowledge information and belief of the Directors had made all reasonable enquires, Cashcow Development Limited was a professional investor (as defined in the SFO as extended by the Professional Investor Rules), and both Cashcow Development Limited and Mr. Tang Wood Sang were independent third parties to the Company.

The Subscription proceeds were intended to be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company. The aggregate gross proceeds of the Subscription was approximately HK\$14.83 million and the aggregate net proceeds of the Subscription, after deduction of expenses, were approximately HK\$14.78 million, representing a net issue price of approximately HK\$0.344 per Subscription Share.

The Subscription Price of HK\$0.345 per Subscription Share represented:

- (i) a discount of approximately 5.5% to the closing price of HK\$0.365 per Share as quoted on the Stock Exchange on 19 November 2014, being the date of the Subscription Agreement;
- (ii) a discount of approximately 5.0% to the average of the closing prices of HK\$0.363 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 5.0% to the average closing price of HK\$0.363 as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.



## STATEMENT FROM THE MANAGEMENT

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are securities trading and investment holding. The Board considered that the Subscription represents a good opportunity for the Company to raise additional funds and to widen the Company's shareholder base, and the terms of the Subscription Agreement were on normal commercial terms. Accordingly, the Directors considered that the terms of the Subscription were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Included in the net proceeds of approximately HK\$14.78 million were approximately HK\$7.36 million invested in unlisted equities, approximately HK\$3.36 million invested in listed equities and approximately HK\$4.06 million used for general working capital.

- (c) On 20 January 2015, the Company proposed a capital reduction exercise to decrease the nominal value of each of the Company's shares from HK\$0.20 to HK\$0.01. The capital reduction was subsequently completed on 21 May 2015.

### **Gearing Ratio**

As at 31 March 2015, no gearing ratio has been presented as no interest bearing debt existed.

### **Employees**

During the year ended 31 March 2015, the Group had retained eleven employees (2014: nine employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to approximately HK\$4,855,000 (2014: approximately HK\$4,729,000). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

### **CHARGES ON ASSETS AND CONTINGENT LIABILITIES**

Throughout the year ended 31 March 2015, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Group and within the knowledge of its directors, the board of directors confirms that the Group has complied with the public float requirement of the Listing Rules for the year ended 31 March 2015.

### **PURCHASE, SALE AND REDEMPTION OF SHARES**

For the year ended 31 March 2015, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's shares.



## STATEMENT FROM THE MANAGEMENT

### AUDIT COMMITTEE

The audit committee of the Company had reviewed the consolidated results of the Group for the year ended 31 March 2015, including the accounting principles and accounting practices adopted by the Company, and discussed matters relating to auditing, internal controls, financial reporting, the adequacy of resources, qualification and experience of staff.

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

By Order of the Board

**China Investment and Finance Group Limited**

**CHAN Cheong Yee**

*Executive Director*

Hong Kong, 5 June 2015



## BIOGRAPHICAL DETAILS OF DIRECTORS

### EXECUTIVE DIRECTOR

**Mr. CHAN Cheong Yee (“Mr. Chan”)**, aged 51, was appointed as an executive Director on 8 March 2011. He is one of the responsible officers of China Everbright Securities (HK) Limited. Mr. Chan is currently a licensed person to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading) and type 9 (asset management) regulated activities under the SFO. Mr. Chan obtained a Bachelor of Science degree from the College of Business Administration of the University of South Florida in the United States of America. Mr. Chan is experienced in dealing in securities, fund management, corporate management, corporate finance and managing listed investment companies under Chapter 21 of the Listing Rules of Hong Kong Stock Exchanges.

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

### NON-EXECUTIVE DIRECTORS

**Mr. LIAO Jintian (“Mr. Liao”)**, aged 46, has been a non-executive Director since 23 March 2012. Mr. Liao is a council member of the China National Furniture Association (中國家具協會), an executive committee member of Shunde Gong Shan Lian (順德工商聯 (總商會)), a vice-president of Shunde Furniture Association (順德家具協會), a vice-president of Shunde Longjiang Chamber (順德龍江商會) and a director of the Longjiang Charity Association. Mr. Liao is also the executive director and legal representative of Guangdong Xie Feng Financial Guarantee Co., Ltd. (廣東協豐融資擔保有限公司), the chairman and legal representative of Guangdong Jingongzi Trading and Economic Development Co., Ltd. (廣東金公子經貿發展有限公司). Mr. Liao has over 10 years of experience in wide scope of businesses including trading, finance, property development and project investment.

**Ms. LEE Kar Ying (“Ms. Lee”)**, aged 26, was appointed as a non-executive Director on 20 March 2015. She holds a Bachelor of Arts degree in Arts and Science in Sociology of University of Southern California in the United States of America. Ms. Lee has over 3 years’ experience in hospitality industry.

## BIOGRAPHICAL DETAILS OF DIRECTORS

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. HA Tak Kong (“Mr. Ha”)**, aged 46, was appointed as an independent non-executive Director of the Group on 3 June 2004. Mr. Ha obtained a bachelor degree in accounting from the University of Hong Kong and is working as an accounting manager in an import and export trading firm. Mr. Ha is an associate member of the Hong Kong Institute of Certified Public Accountants.

**Mr. TSANG Hin Man Terence (“Mr. Tsang”)**, aged 53, has been an independent nonexecutive Director since 1 April 2014. He was admitted as a solicitor in Hong Kong in 1993 and he is currently the sole proprietor of H. M. Tsang & Co. Mr. Tsang obtained a bachelor’s degree in science (BSc.) from the University College London, the University of London. He also holds a bachelor’s degree in law (LLB.) from the University of Westminster, United Kingdom. Mr. Tsang serves as a non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238), and an independent non-executive director in Lee & Man Handbags Holding Limited (Stock Code: 1488) and Differ Group Holding Company Limited (Stock Code: 8056).

**Mr. LUK Simon (“Mr. Luk”)**, aged 49, was appointed as an independent non-executive Director on 2 July 2014. He is a responsible officer for the regulated activities of asset management (Type 9) under the Securities and Futures Ordinance since 2003. Mr. Luk has over 10 years’ experience in asset management and investment advising. Mr. Luk worked in various investment advising companies.

Since November 2013, Mr. Luk is the responsible officer of W. Falcon Asset Management (Asia) Limited. During the period from 2011 to November 2013, Mr. Luk was a responsible officer of Capital Focus Asset Management Limited. Before that, Mr. Luk was a founder and responsible officer of Money Concepts (Asia) Ltd. During the period of 2000 to 2009, Mr. Luk managed various funds and private equity portfolios. Mr. Luk was appointed as a non-executive director of Shaanxi Northwest New Technology Industry Company Limited (Stock code: 8258) since September 2012 until 12 August 2014. Mr. Luk was appointed as an independent non-executive director of Infinity Chemical Holdings Company Limited (Stock code: 640) since November 2013.

**Ms. LIU Xiaoyin (“Ms. Liu”)**, aged 30, was appointed as an independent non-executive Director on 20 March 2015. She is currently the assistant to the general manager of a China based investment company. She has over 5 years solid investment and management experience.



## DIRECTORS' REPORT

The Board presents their annual report and the audited financial statements of the Group for the year ended 31 March 2015.

### PRINCIPAL ACTIVITIES

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

### SEGMENT INFORMATION

For the year ended 31 March 2015 and 2014, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses. Details of the segment information are set out in note 9 to the consolidated financial statement.

### MAJOR CUSTOMERS AND SUPPLIERS

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

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 and the state of affairs of the Group as at that date are set out in the financial statements on pages 22 to 24. The Directors do not recommend the payment of a dividend for the year ended 31 March 2015 (2014: HK\$Nil).

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

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

### RESERVES

Details of movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 25 of this report and other details of the reserves of the Group is set out in note 29 to the consolidated financial statements.

# DIRECTORS' REPORT

## DISTRIBUTABLE RESERVES

Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account. The Company's reserves available for distribution comprise the share premium, accumulated profits and valuation reserve derived from the available-for-sale financial assets. In the opinion of the Board, the Company's reserves available for distribution to the shareholders at 31 March 2015 were approximately HK\$309,536,000.

## DIRECTORS

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

### Executive Director

Mr. CHAN Cheong Yee

### Non-Executive Directors

Mr. LIAO Jintian

Ms. LEE Kar Ying (Appointed on 20 March 2015)

Mr. ZHOU Weiquan (Duties, rights and position suspended from 4 June 2014,  
and resigned on 30 July 2014)

Mr. ZHOU Han Jie (Resigned on 1 June 2015)

### Independent Non-Executive Directors

Mr. HA Tak Kong

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

Mr. LUK Simon (Appointed on 2 July 2014)

Ms. LIU Xiaoyin (Appointed on 20 March 2015)

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

Mr. LEUNG Kwong Kin (Resigned on 2 July 2014)

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

In accordance with Article 88 of the Articles of Association of the Company, Mr. CHAN Cheong Yee and Mr. HA Tak Kong shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 87(3) of the Articles of Association of the Company, Ms. LEE Kar Ying and Ms. LIU Xiaoyin shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.



## DIRECTORS' REPORT

### DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2015, none of the Directors or the chief executive of the Company had or were deemed to have any Discloseable Interests or Short Position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (collectively "Discloseable Interests or Short Positions").

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2015, there was no person who had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

### RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Save as disclosed in note 31 to the consolidated financial statements, the Group had no material transactions with its related parties during the year.

The Directors conducted review of the related party transactions of the Group during the year and were not aware any transaction requiring disclosure of connected transactions in accordance with the requirements of the Listing Rules.

### MANAGEMENT CONTRACTS

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

# DIRECTORS' REPORT

## RETIREMENT BENEFITS SCHEME

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

## PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the Company has complied with the public float requirement of the Listing Rules for the year ended 31 March 2015.

## PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2015, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## PRE-EMPTIVE RIGHTS

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

## FIVE YEARS FINANCIAL SUMMARY

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

## CONFIRMATION OF INDEPENDENCE

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

## AUDITORS

The consolidated financial statements of the Group for the year have been audited by Elite Partners CPA Limited. Elite Partners CPA Limited retires, and being eligible, offers itself for reappointment. A resolution for reappointment of Elite Partners CPA Limited as auditor of the Company is to be proposed at the forthcoming AGM.

By Order of the Board

**CHAN Cheong Yee**

*Executive Director*

Hong Kong, 5 June 2015



# CORPORATE GOVERNANCE REPORT

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

## CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“Code”) throughout the year ended 31 March 2015, with deviations from code provisions A.4.1 of the Code that non-executive directors should be appointed for a specific term, subject to re-election.

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

In addition, pursuant to Provision A.6.7 of the Code, independent non-executive directors and other non-executive directors should attend general meetings. An independent non-executive Director and two non-executive Directors could not attend all general meetings held in the year ended 31 March 2015 due to other business commitments.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors of the Group. Having made specific enquiry of all Directors, the Group confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year.

## BOARD OF DIRECTORS

### Composition

The Board of the Group is collectively responsible for overseeing the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board comprises a total of eight Directors, with one executive Director, three non-executive Directors and four independent non-executive Directors as at 31 March 2015. One of the independent non-executive Directors, Mr. HA Tak Kong, has appropriate professional qualifications in accounting pursuant to Rule 3.10 of the Listing Rules. Each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Group is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. All Directors have access to the Company Secretary for advise on the board procedures and regulatory matters. Any Director and member of audit committee of the Group may take independent professional advice if they so wish at the expense of the Group, as arranged by the Company Secretary.

# CORPORATE GOVERNANCE REPORT



## Function

In view of the simple structure of the Group, all significant decision making is carried out by the executive Director and the Chairman of the Board while the day-to-day investment decision is based on the professional recommendation of the investment manager.

None of the existing non-executive Directors of the Group is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, one-third of the Directors of the Company (both executive and non-executive) are subject to retirement by rotation at each annual general meeting under the articles of association of the Group. As such, the Group considers that sufficient measures have been taken to ensure that the Group's corporate governance practices are similar to those in the Code.

All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. During the year ended 31 March 2015, the Board convened a total of seventeen meetings. The Directors can attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Group. The number of Board meetings attended by each Director during the year ended 31 March 2015 is set out in the following table. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a Director.

Name of Directors	Attendance
<b>Executive Director</b>	
Mr. CHAN Cheong Yee	14/(17)
<b>Non-executive Directors</b>	
Mr. LIAO Jintian	15/(17)
Mr. ZHOU Han Jie	10/(17)
Ms. LEE Kar Ying (appointed on 20 March 2015)	N/A
Mr. ZHOU Weiquan (resigned on 30 July 2014)	0/(7)
<b>Independent Non-executive Directors</b>	
Mr. HA Tak Kong	15/(17)
Mr. TSANG Hin Man Terence (appointed on 1 April 2014)	5/(17)
Mr. LUK Simon (appointed on 2 July 2014)	9/(11)
Ms. LIU Xiaoyin (appointed on 20 March 2015)	N/A
Mr. LEUNG Kwong Kin (resigned on 2 July 2014)	1/(5)
Mr. LO Chi Ming (resigned on 17 April 2014)	N/A

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board as at 31 March 2015. All of them are free to exercise their individual judgments.

## COMPANY SECRETARY

Mr. CHAN Kwan Pak was appointed as the Company Secretary of the Company on 16 March 2015. He reports to the Chairman of the Company and assists the Board in functioning effectively and efficiently. He has taken no less than 15 hours of relevant professional training during the year ended 31 March 2015.



# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Company has a remuneration committee for determining the remuneration of the Directors. The members of the remuneration committee are: Mr. HA Tak Kong, Mr. LIAO Jintian, Mr. LUK Simon (appointed on 2 July 2014), Mr. LO Chi Ming (resigned on 17 April 2014) and Mr. LEUNG Kwong Kin (resigned on 2 July 2014). During the year ended 31 March 2015, the committee held three meetings to discuss remuneration related matters. The number of meetings attended by each committee member during the year ended 31 March 2015 is set out in the following table. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a committee member.

### Attendance

Mr. HA Tak Kong	3/(3)
Mr. LIAO Jintian	1/(3)
Mr. LUK Simon	2/(2)
Mr. LO Chi Ming	N/A
Mr. LEUNG Kwong Kin	N/A

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

## NOMINATION OF DIRECTORS

The nomination committee was set up in March 2012. The members of the nomination committee are Mr. HA Tak Kong, Mr. LIAO Jintian, Mr. TSANG Hin Man Terence (appointed on 29 April 2014) and Mr. LO Chi Ming (resigned on 17 April 2014). Mr. HA Tak Kong is the chairman of the nomination committee. During the year ended 31 March 2015, the committee held three meetings to discuss nomination related matters. The number of meetings attended by each committee member during the year ended 31 March 2015 is set out in the following table. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a committee member.

### Attendance

Mr. HA Tak Kong	3/(3)
Mr. LIAO Jintian	3/(3)
Mr. TSANG Hin Man Terence	0/(3)
Mr. LO Chi Ming	N/A

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

# CORPORATE GOVERNANCE REPORT



## AUDIT COMMITTEE

The audit committee comprises the following independent non-executive Directors, namely, Mr. HA Tak Kong, Mr. TSANG Hin Man Terence (appointed on 29 April 2014), Mr. LUK Simon (appointed on 2 July 2014), Mr. LO Chi Ming (resigned on 17 April 2014) and Mr. LEUNG Kwong Kin (resigned on 2 July 2014). Mr. HA Tak Kong serves as the chairman of the audit committee. No member of the audit committee is a member of the former or existing auditor of the Company. During the year ended 31 March 2015, the audit committee held two committee meetings. The number of meetings attended by each committee member during the year ended 31 March 2015 is set out in the following table. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a committee member.

### Attendance

Mr. HA Tak Kong	2/(2)
Mr. TSANG Hin Man Terence	2/(2)
Mr. LUK Simon	2/(2)
Mr. LO Chi Ming	N/A
Mr. LEUNG Kwong Kin	N/A

Responsibilities of the audit committee include:

- (1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;
- (2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and
- (3) to review the interim and annual accounts. The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company for the year ended 31 March 2015.

## GENERAL MEETINGS

During the year ended 31 March 2015, the Company held one annual general meeting and one extraordinary general meeting. The number of general meetings attended by each Director during the year ended 31 March 2015 is set out in the following table. Figure in brackets indicates the maximum number of meetings in the period in which the individual was a Director.

### Attendance

Mr. LIAO Jintian	1/(2)
Mr. CHAN Cheong Yee	0/(2)
Mr. ZHOU Han Jie	1/(2)
Ms. LEE Kar Ying (appointed on 20 March 2015)	N/A
Mr. ZHOU Weiquan (resigned on 30 July 2014)	N/A
Mr. HA Tak Kong	2/(2)
Mr. TSANG Hin Man Terence (appointed on 1 April 2014)	0/(2)
Mr. LUK Simon (appointed on 2 July 2014)	2/(2)
Ms. LIU Xiaoyin (appointed on 30 March 2015)	N/A
Mr. LO Chi Ming (resigned on 17 April 2014)	N/A
Mr. LEUNG Kwong Kin (resigned on 2 July 2014)	N/A

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE FUNCTION

No corporate governance committee has been established and the Board is responsible for performing corporate governance functions. This includes developing and reviewing Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, and the Company's policies and practices on compliance with legal and regulatory requirements etc. During the year ended 31 March 2015, the Board has reviewed the Company's policies and practices on corporate governance.

## AUDITORS' REMUNERATION

For the year ended 31 March 2015, services provided to the Group by its external auditors, Elite Partners CPA Limited, and the respective fees paid/payable are set out as follows:

HK\$

Elite Partners CPA Limited	
– Audit services	350,000
– non-assurance services	170,000
	<hr/>
	520,000
	<hr/>

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## INTERNAL CONTROL AND RISK MANAGEMENT

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

The management of the Group has conducted a review on the Group's internal control and risk management system for the year ended 31 March 2015 with no material weakness found. The management will continue to improve and strengthen its control in order to enhance the corporate governance and safeguard the interest of its shareholders.

# CORPORATE GOVERNANCE REPORT



## SHAREHOLDERS' RIGHTS

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

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

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

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

### **Procedures for Shareholders Putting Enquiries to the Board**

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

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

## COMMUNICATIONS WITH SHAREHOLDERS

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

# INDEPENDENT AUDITOR'S REPORT



開元信德會計師事務所有限公司  
ELITE PARTNERS CPA LIMITED  
Certified Public Accountants

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

We have audited the consolidated financial statements of China Investment and Finance Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 89, which comprise the consolidated statement of financial position as at 31 March 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Directors' responsibility for the consolidated financial statements**

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

## **Auditor's responsibility**

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

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

# INDEPENDENT AUDITOR'S REPORT



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

## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2015, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **Elite Partners CPA Limited**

*Certified Public Accountants*

Hong Kong, 5 June 2015

### **Yip Kai Yin**

Practising Certificate Number P05131

Suites 2B-4A, 20th Floor, Tower 5,  
China Hong Kong City,  
33 Canton Road, Tsim Sha Tsui,  
Hong Kong

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Gross proceeds from disposal of securities		<b>349,285</b>	301,048
<b>Revenue</b>	8(a)	<b>12,187</b>	8,319
Net realised (loss)/gain on disposal of financial assets held for trading		<b>(450)</b>	7,689
Net realised gain/(loss) on disposal of available-for-sale financial assets		<b>10,460</b>	(3,491)
Net unrealised gain/(loss) on financial assets held for trading		<b>9,617</b>	(571)
Net unrealised loss on derivative financial instruments		<b>(4,767)</b>	(6,289)
Loss on derecognition of derivative financial instrument		–	(18,921)
Impairment loss on available-for-sale financial asset		–	(55,277)
Impairment loss on other receivables		–	(891)
Other income	8(b)	<b>609</b>	362
Administrative expenses		<b>(24,845)</b>	(24,264)
<b>Profit/(Loss) from operations</b>	10	<b>2,811</b>	(93,334)
Finance cost	11	<b>(66)</b>	(74)
<b>Profit/(Loss) before tax</b>		<b>2,745</b>	(93,408)
Income tax expense	12	<b>(2,553)</b>	(154)
<b>Profit/(Loss) for the year</b>		<b>192</b>	(93,562)
<b>Profit/(Loss) attributable to owners of the Company</b>	13	<b>192</b>	(93,562)
<b>Dividend</b>	14	–	–
<b>Earnings/(Loss) per share</b>			
– Basic, HK cents	15	<b>0.02</b>	(16.09)
– Diluted, HK cents	15	<b>0.02</b>	(16.09)

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
<b>Profit/(Loss) for the year</b>	<b>192</b>	(93,562)
<b>Other comprehensive income:</b>		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating foreign operations		
Exchange difference arising during the year	<b>117</b>	315
Available-for-sale financial assets		
Net gain/(loss) arising on revaluation of available-for-sale financial assets during the year	<b>8,818</b>	(1,770)
Reclassification upon impairment of available-for-sale financial assets	–	3,273
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year	<b>(6,562)</b>	(5,851)
	<b>2,256</b>	(4,348)
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<b>2,373</b>	(4,033)
<b>Total comprehensive income/(expense) for the year</b>	<b>2,565</b>	(97,595)
<b>Total comprehensive income/(expense) attributable to owners of the Company</b>	<b>2,565</b>	(97,595)



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	17	709	31,521
Deposit paid for acquisition of investments	18	20,000	–
Available-for-sale financial assets	19	122,505	269,899
Derivative financial instruments	20	–	624
		<u>143,214</u>	<u>302,044</u>
<b>Current assets</b>			
Available-for-sale financial assets	19	85,666	–
Derivative financial instruments	20	9,077	13,844
Financial assets held for trading	21	38,699	9,591
Other receivable, prepayments and deposits	23	141,266	64,464
Tax recoverable		–	37
Cash and cash equivalents	24	75,231	59,269
		<u>349,939</u>	<u>147,205</u>
Assets associated with disposal group held for sale	25	32,669	–
		<u>382,608</u>	<u>147,205</u>
<b>Current liabilities</b>			
Accruals		737	438
Current tax liabilities		192	308
		<u>929</u>	<u>746</u>
Liabilities associated with disposal group held for sale	25	216	–
		<u>1,145</u>	<u>746</u>
<b>Net current assets</b>		<u>381,463</u>	<u>146,459</u>
<b>Total assets less current liabilities</b>		<u>524,677</u>	<u>448,503</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities	26	2,503	–
<b>Net assets</b>		<u>522,174</u>	<u>448,503</u>
<b>Capital and reserves</b>			
Share capital	27	183,074	116,316
Reserves	29	339,100	332,187
<b>Total equity</b>		<u>522,174</u>	<u>448,503</u>
<b>Net asset value per share (in HK\$)</b>	30	<u>0.57</u>	<u>0.77</u>

The consolidated financial statements on pages 22 to 89 were approved and authorised for issue by the board of directors on 5 June 2015 and signed on its behalf by:

**CHAN Cheong Yee**  
Director

**LEE Kar Ying**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Available- for-sale investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	116,316	486,186	9,941	612	(66,957)	546,098
Loss for the year	–	–	–	–	(93,562)	(93,562)
Other comprehensive (expenses)/income for the year	–	–	(4,348)	315	–	(4,033)
Total comprehensive (expenses)/ income for the year	–	–	(4,348)	315	(93,562)	(97,595)
At 31 March 2014 and 1 April 2014	116,316	486,186	5,593	927	(160,519)	448,503
Profit for the year	–	–	–	–	192	192
Other comprehensive income for the year	–	–	2,256	117	–	2,373
Total comprehensive income for the year	–	–	2,256	117	192	2,565
Issue of shares under open offers	58,158	–	–	–	–	58,158
Issue of shares under placement of shares	8,600	6,235	–	–	–	14,835
Share issue expenses	–	(1,887)	–	–	–	(1,887)
<b>At 31 March 2015</b>	<b>183,074</b>	<b>490,534</b>	<b>7,849</b>	<b>1,044</b>	<b>(160,327)</b>	<b>522,174</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax	2,745	(93,408)
Adjustments for:		
Depreciation	2,527	2,574
Interest income	(12,026)	(7,757)
Dividend income	(161)	(562)
Interest expenses	66	74
Net realised (gain)/loss on disposal of available-for-sale financial assets	(10,460)	3,491
Net realised loss/(gain) on financial assets held for trading	450	(7,689)
Net unrealised (gain)/loss on financial assets held for trading	(9,617)	571
Net unrealised loss on derivative financial instruments	4,767	6,289
Loss on derecognition of derivative financial instrument	–	18,921
Impairment loss on available-for-sale financial asset	–	55,277
Impairment loss on other receivables	–	891
Loss on disposal of property, plant and equipment	–	614
	<b>(21,709)</b>	(20,714)
Operating loss before working capital changes	(21,709)	(20,714)
Purchase of financial assets held for trading	(354,952)	(265,337)
Purchase of available-for-sale financial assets	(87,219)	(85,000)
Proceeds from disposal of financial assets held for trading	335,011	276,325
Proceeds from disposal of available-for-sale financial assets	162,287	24,723
Increase in deposit paid for acquisition of investment	(20,000)	–
(Increase)/Decrease in other receivables, prepayments and deposits	(74,246)	31,578
Increase/(Decrease) in accruals	515	(150)
	<b>(60,313)</b>	(38,575)
Cash used in operations	(60,313)	(38,575)
Interest paid	(66)	(74)
Tax paid	(129)	(302)
	<b>(60,508)</b>	(38,951)
Net cash used in operating activities	(60,508)	(38,951)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	2015 HK\$'000	2014 HK\$'000
<b>Cash flows from investing activities</b>		
Interest received	9,468	6,181
Dividend received from financial assets held for trading	161	562
Purchase of property, plant and equipment	(26)	(1,841)
Net cash generated from investing activities	9,603	4,902
<b>Cash flows from financing activities</b>		
Proceeds from issuing of shares	72,993	–
Share issue expenses	(1,887)	–
Net cash generated from financing activities	71,106	–
<b>Net increase/(decrease) in cash and cash equivalents</b>	20,201	(34,049)
Cash and cash equivalents at the beginning of year	59,269	93,282
Effect of foreign exchange rate changes, net	14	36
<b>Cash and cash equivalents at the end of year</b>	79,484	59,269
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	6,080	47,997
Deposits at other financial institution	69,151	11,272
Cash and cash equivalents included in disposal group held for sale	4,253	–
	79,484	59,269

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 1. GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

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

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

### (a) Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

Except for as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (a) Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year (Continued)

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

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

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

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

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

The Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 April 2014), the application of the amendments has had no impacts on the disclosures or the amounts recognised in the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (b) New and revised Standards and Interpretations issued but not yet effective

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

HKFRS 9	Financial Instruments <sup>6</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>4</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>1</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle <sup>3</sup>

<sup>1</sup> Effective for accounting periods beginning on or after 1 July 2014

<sup>2</sup> Effective for accounting periods beginning on or after 1 July 2014 with limited exceptions

<sup>3</sup> Effective for accounting periods beginning on or after 1 January 2016

<sup>4</sup> Effective for first annual financial statements beginning on or after 1 January 2016

<sup>5</sup> Effective for accounting periods beginning on or after 1 January 2017

<sup>6</sup> Effective for accounting periods beginning on or after 1 January 2018

#### *HKFRS 9 Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” measurement category for certain simple debt instruments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (b) New and revised Standards and Interpretations issued but not yet effective (Continued)

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (b) New and revised Standards and Interpretations issued but not yet effective (Continued)

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

### Basis of preparation

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Basis of preparation (Continued)

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

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

The significant accounting policies are set out below.

### Basis of consolidation

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### **Basis of consolidation (Continued)**

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

### **Non-current assets held for sale**

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

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

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

### **Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is measured at fair value of the consideration received or receivable and recognised in profit or loss as follows:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Leasing

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

#### *The Group as lessor*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

#### *The Group as lessee*

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

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

### Foreign currencies

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Foreign currencies (Continued)

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

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

### Borrowing costs

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

### Employee benefits

#### *Retirement benefit costs*

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

#### *Short-term employee benefits*

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Taxation

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Building	5%
Motor vehicle	30%
Leasehold improvement	12.5% to 33.3%
Office equipment	20%
Furniture and fittings	20%

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

### Impairment of property, plant and equipment

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Impairment of property, plant and equipment (Continued)

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

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

### Provisions

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

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

### Financial instruments

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

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

#### *Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Financial instruments (Continued)

#### *Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets designed as at FVTPL.

#### *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Financial instruments (Continued)

#### *Financial assets at FVTPL (Continued)*

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

#### *AFS financial assets*

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

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

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

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

#### *Loans and receivables*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Financial instruments (Continued)

#### *Impairment of financial assets*

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

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

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

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

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

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Financial instruments (Continued)

#### *Impairment of financial assets (Continued)*

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

#### *Financial liabilities and equity instruments*

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

#### *Equity instruments*

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

#### *Financial liabilities*

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

#### *Effective interest method*

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

#### *Derivative financial instruments*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Financial instruments (Continued)

#### *Embedded derivatives*

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

#### *Derecognition*

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

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

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

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

### **Cash and cash equivalents**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Related parties

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

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

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

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

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

### Key sources of estimation uncertainty

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### *Fair value measurements and valuation processes*

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

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

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

## 5. CAPITAL RISK MANAGEMENT

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 6. FINANCIAL INSTRUMENTS

### Categories of financial instruments

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

	Financial assets at FVTPL HK'000	Loan and receivables HK'000	AFS financial assets HK'000	Other financial liabilities HK'000	Total HK'000
<b>2015</b>					
AFS financial assets	-	-	208,171	-	208,171
Financial assets held for trading	38,699	-	-	-	38,699
Derivative financial instruments	9,077	-	-	-	9,077
Deposit paid for acquisition of investment	-	20,000	-	-	20,000
Other receivables, and deposits	-	141,169	-	-	141,169
Bank and cash balances	-	75,231	-	-	75,231
	<b>47,776</b>	<b>236,400</b>	<b>208,171</b>	<b>-</b>	<b>492,347</b>
Accruals	-	-	-	737	737
	Financial assets at FVTPL HK'000	Loan and receivables HK'000	AFS financial assets HK'000	Other financial liabilities HK'000	Total HK'000
<b>2014</b>					
AFS financial assets	-	-	269,899	-	269,899
Financial assets held for trading	9,591	-	-	-	9,591
Derivative financial instruments	14,468	-	-	-	14,468
Other receivables and deposit	-	64,312	-	-	64,312
Bank and cash balances	-	59,269	-	-	59,269
	<b>24,059</b>	<b>123,581</b>	<b>269,899</b>	<b>-</b>	<b>417,539</b>
Accruals	-	-	-	438	438

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 6. FINANCIAL INSTRUMENTS (Continued)

### Financial risk management objectives and policies

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

### Foreign currency risk

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

	2015			2014		
	AFS financial assets HK\$'000	Other receivables HK\$'000	Cash and cash equivalents HK\$'000	AFS financial assets HK\$'000	Other receivables HK\$'000	Cash and cash equivalents HK\$'000
Renminbi ("RMB")	-	-	-	-	-	15,087
United States Dollar ("USD")	-	-	18,491	14,274	61,400	8,562
	-	-	18,491	14,274	61,400	23,649

### Sensitivity analysis

As HK\$ is pegged to USD, the Group does not expect any significant movements in the USD/HK\$ exchange rates.

The following table shows the sensitivity analysis of a 5% (2014: 5%) increase/decrease in RMB against the HKD. 5% (2014: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% (2014: 5%) change in foreign currency rates. A positive number below indicates a decrease in profit or loss and equity where the HKD weakens 5% (2014: 5%) against RMB. For a 5% (2014: 5%) strengthening of HKD against RMB and USD, an equal and opposite impact would exist on profit or loss and equity.

	2015 HK\$'000	2014 HK\$'000
Profit or loss and equity	-	754

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 6. FINANCIAL INSTRUMENTS (Continued)

### Interest rate risk

The Group's fair value interest rate risk relates debt investment carried at fixed rate included in AFS financial assets. The Group's cash flow interest rate risk is mainly concentrated on the bank balances carried at floating interest rate. The Group currently does not have a hedge policy against the interest rate exposure. However, the management monitors interest rate exposure and will consider the hedging significant interest rate exposure as needed.

### Sensitivity analysis

Assuming the bank balance and debt securities at 31 March 2015 was outstanding for the whole year, if the interest rate was 50 basis points higher or lower and all other variables were held constant, the Group's:

- (i) profit for the year ended 31 March 2015 would increase or decrease by approximately HK\$376,000 (2014: loss would decrease or increase by approximately HK\$296,000). This is mainly attributable to the Group's exposure to floating interest rate on its bank balance; and
- (ii) other comprehensive income for the year ended 31 March 2015 would decrease or increase by approximately HK\$556,000 and HK\$561,000 respectively (2014: approximately HK\$1,538,000 and HK\$1,614,000). This is mainly as a result of the changes in the fair value of fixed rate debt instruments.

### Equity price risk

The Group's equity price risk relates to equity price changes arising from listed securities stated in financial assets held for trading. The Group's listed securities are listed on the Stock Exchange of Hong Kong Limited. Decisions to buy and sell listed securities are rested with assigned investment managers and governed by specific investment guidelines. The Group's equity price risk is mainly concentrated on equity securities operating in two industry sectors quoted in the Stock Exchange of Hong Kong Limited.

### Sensitivity analysis

If the price of the respective investments held by the Group as financial assets held for trading were higher or lower by 5% as at 31 March 2015 (2014: 5%), the Group's profit for the year ended 31 March 2015 would increase or decrease by approximately HK\$1,935,000 (2014: loss would decrease or increase by approximately HK\$480,000).

### Credit risk

As at 31 March 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 6. FINANCIAL INSTRUMENTS (Continued)

### Credit risk (Continued)

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual other receivables and debt investment at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. The Group does not provide any financial guarantees which would expose the Group to credit risk.

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

#### *Collateral held as security and other credit enhancements*

The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except for other receivables as disclosed in Note 23. Credit risks associated with the other receivables are mitigated because the other receivables are secured by a forestry ownership certificate and personally guaranteed by three independent third parties. The carrying amount of the other receivables as at 31 March 2015 amounted to approximately HK\$nil (2014: HK\$61,400,000). The Group is not permitted to sell or re-pledge the collateral in the absence of default by the counterparties.

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

### Liquidity risk

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

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents that is adequate in management discretion. In formulating their strategy, management would consider the financing of the Group's operations and the effects of fluctuation in operating and investing cash flows. As at 31 March 2015, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations and to raise funds through issue and allotment of new shares to meet its debt obligations and investment project opportunities as they fall due or arise.

The remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date of the Group can be required to pay, are within one year or on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FAIR VALUE MEASUREMENT

- (i) *Fair value of the Group's financial assets that are measured at fair value on a recurring basis*  
At 31 March 2015, the Group had the following financial instruments carried at fair value all of which are based on the Level 1, Level 2 and Level 3 of the fair value hierarchy:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Level 1:		
Financial assets at fair value through profit or loss		
– Financial assets held for trading	<b>38,699</b>	9,591
Level 2:		
AFS financial assets		
– Debt security	–	14,274
Level 3:		
Financial assets at fair value through profit or loss		
– Derivative financial instruments	<b>9,077</b>	14,468
AFS financial assets		
– Equity securities	<b>74,395</b>	75,864
– Debt securities	<b>133,776</b>	179,761
	<b>255,947</b>	293,958

There were no transfers among all Levels in both years.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FAIR VALUE MEASUREMENT (Continued)

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

Financial assets	2015 HK\$'000	2014 HK\$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
						Range	
<i>AFS financial assets</i>							
Listed debt security	-	14,274	Level 2	Recent transaction price	N/A	N/A	N/A
Unlisted equity securities	<b>74,395</b>	75,864	Level 3	Discount cash flow	Free cash flow	N/A	The higher the free cash flow, the higher the fair value
					Discount rate	12.2% to 17.2% (2014: 14.18%)	The higher the discount rate, the lower the fair value
					Discount for lack of marketability	15.2% (2014: 15.2%)	The higher the discount for lack of marketability, the lower the fair value
Unlisted debt security	<b>35,311</b>	35,297	Level 3	Discount cash flow	Discount rate	4.18% (2014: 4.74%)	The higher the discount rate, the lower the fair value
Unlisted convertible debt securities (debt component)	<b>98,465</b>	144,464	Level 3	Discount cash flow	Discount rate	5.15% to 17.87% (2014: 5.48% to 11.69%)	The higher the discount rate, the lower the fair value

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FAIR VALUE MEASUREMENT (Continued)

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

Financial assets	2015 HK\$'000	2014 HK\$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs	Relationship of unobservable inputs to fair value	
						Range	
<i>Financial assets at FVTPL</i>							
Financial assets held for trading	<b>38,699</b>	9,591	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Derivative financial instruments	<b>9,077</b>	14,468	Level 3	Binomial Option Pricing Model	Value of conversion share	N/A	The higher the value of conversion share, the higher the fair value
					Expected volatility	44.24% to 57.76% (2014: 34.67% to 51.21%)	The higher the expected volatility, the higher the fair value

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FAIR VALUE MEASUREMENT (Continued)

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

Reconciliation of Level 3 fair value measurements

2015

### Financial assets

	Derivative financial instruments	Available-for-sale financial assets	
	Embedded derivative HK\$'000	Equity securities HK\$'000	Debt securities HK\$'000
At 1 April 2014	14,468	75,864	179,761
Total gains or losses			
in profit or loss	(4,767)	–	–
in other comprehensive income	–	(1,469)	6,213
Purchase	–	–	–
Disposal	(624)	–	(52,198)
At 31 March 2015	<u>9,077</u>	<u>74,395</u>	<u>133,776</u>
<b>Total loss recognised in the consolidated statement of profit or loss relating to assets held at 31 March 2015</b>	<u>(4,767)</u>	<u>–</u>	<u>–</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 7. FAIR VALUE MEASUREMENT (Continued)

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

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

- (ii) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial assets and financial liabilities carried at amortised cost are not materially different from their fair values as at 31 March 2015 and 2014 due to their short-term maturities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 8. REVENUE AND OTHER INCOME

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

	2015 HK\$'000	2014 HK\$'000
(a) Revenue:		
Dividend income from financial assets held for trading	161	562
Interest income from debt securities	10,527	7,470
Interest income from other receivables	1,430	–
Interest income from bank accounts	69	287
	<hr/> 12,187 <hr/>	<hr/> 8,319 <hr/>
(b) Other income:		
Net foreign exchange gain	18	362
Sundry income	591	–
	<hr/> 609 <hr/>	<hr/> 362 <hr/>
	<hr/> 12,796 <hr/>	<hr/> 8,681 <hr/>

## 9. SEGMENT INFORMATION

For the year ended 31 March 2015 and 2014, the Group's turnover and results were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one and the only business segment since these transactions are subject to common risks and returns. The management monitors the operating results of its business for the purpose of making decision about resource allocation and performance assessment. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 9. SEGMENT INFORMATION (Continued)

### Geographical information

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

	Revenue		Non-current assets	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Hong Kong	12,187	8,319	709	1,443
The People's Republic of China ("PRC") (not including Hong Kong)	–	–	–	30,078
	<b>12,187</b>	<b>8,319</b>	<b>709</b>	<b>31,521</b>

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

## 10. PROFIT/(LOSS) FROM OPERATION

	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) from operation has been arrived at after charging:		
Directors' remunerations		
– Fees	1,103	730
– Other remunerations	62	–
Total directors' remunerations	<b>1,165</b>	<b>730</b>
Staff costs		
– Salaries	4,756	4,634
– Provident fund contributions	99	95
Total staff costs (excluding directors' remunerations)	<b>4,855</b>	<b>4,729</b>
Auditors' remuneration	350	350
Depreciation	2,527	2,574
Investment manager's fee	960	960
Loss on disposal of property, plant and equipment	–	613
Operating lease payments in respect of office premise	<b>2,056</b>	<b>3,345</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 11. FINANCE COST

	2015 HK\$'000	2014 HK\$'000
Margin financing interest wholly repayable within five years	66	74

## 12. INCOME TAX EXPENSE

	2015 HK\$'000	2014 HK\$'000
<i>Current tax:</i>		
Hong Kong Profits Tax:		
Provision for the year	66	176
Over-provision in respect of prior year	(30)	(22)
	36	154
PRC Enterprise Income Tax:		
Provision for the year	14	–
	50	154
<i>Deferred tax:</i>		
Charges for the year	2,503	–
	2,553	154

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 12. INCOME TAX EXPENSE (Continued)

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

	2015 HK\$'000	2014 HK\$'000
Profit/(Loss) before tax	<u>2,745</u>	<u>(93,408)</u>
Tax at the statutory tax rate	453	(15,412)
Tax effect of non-deductible expenses	4,277	14,403
Tax effect of non-taxable income	(4,576)	(1,149)
Over provision in respect of prior years	(30)	(22)
Tax effect on temporary differences not recognised	–	104
Effect of different tax rates of subsidiaries operating in other jurisdiction	(124)	(183)
Tax effect of tax losses not recognised	<u>2,553</u>	<u>2,413</u>
Tax charge for the year	<u>2,553</u>	<u>154</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for both years.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25% (2014: 25%).

## 13. PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit/(Loss) attributable to owners of the Company includes a loss of HK\$8,562,000 (2014: HK\$91,724,000) which has been dealt with in the financial statements of the Company.

## 14. DIVIDENDS

The directors do not recommend the payment of a dividend for the year ended 31 March 2015 and 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of HK\$192,000 (2014: loss of HK\$93,562,000) and the weighted average number of approximately 796,129,000 (2014: 581,580,000) ordinary shares in issue during the year, calculated as follows:

	<b>2015</b>	2014
	<b>Number</b>	Number
	<b>of shares</b>	of shares
	<b>'000</b>	<b>'000</b>
As at 1 April	<b>581,580</b>	581,580
Issue of shares under open offers	<b>200,765</b>	–
Issue of shares under placement of shares	<b>13,784</b>	–
	<hr/>	<hr/>
Weighted average number of shares	<b>796,129</b>	581,580
	<hr/>	<hr/>

There were no potential dilutive shares for both years, therefore the basic and diluted earnings/(loss) per share is the same.

## 16. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

### (a) Directors

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

	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fees		
Executive directors	<b>390</b>	290
Non-executive directors	<b>312</b>	–
Independent non-executive directors	<b>401</b>	440
	<hr/>	<hr/>
	<b>1,103</b>	730
	<hr/>	<hr/>
Other emoluments		
Basic salaries and other benefits	<b>60</b>	–
Retirement scheme contributions	<b>2</b>	–
	<hr/>	<hr/>
	<b>1,165</b>	730
	<hr/>	<hr/>

No directors waived any emoluments and no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2014: nil).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (a) Directors (Continued)

The emoluments paid or payable to each of the ten (2014: eight) directors are as follows:

	Fees HK\$'000	Basic salaries and other benefits HK\$'000	Retirement scheme contributions HK\$'000	2015  Total emoluments HK\$'000	2014  Total emoluments HK\$'000
<b>Executive director</b>					
Mr. CHAN Cheong Yee	390	–	–	390	290
<b>Non-executive directors</b>					
Mr. LIAO Jin Tian	210	60	2	272	–
Mr. ZHOU Weiquan (note i)	–	–	–	–	–
Mr. ZHOU Han Jie (note ii)	90	–	–	90	–
Ms. LEE Kar Ying (note iii)	12	–	–	12	–
Sub-total	312	60	2	374	–
<b>Independent non-executive directors</b>					
Mr. HA Tak-kong	130	–	–	130	130
Mr. LO Chi Ming (note iv)	6	–	–	6	130
Mr. LEUNG Kwong Kin (note v)	30	–	–	30	130
Mr. CHEN Kai Zhi (note vi)	–	–	–	–	50
Mr. TSANG Hin Man Terence (note vii)	130	–	–	130	–
Mr. LUK Simon (note viii)	100	–	–	100	–
Mr. LIU Xiaoyin (note iii)	5	–	–	5	–
Sub-total	401	–	–	401	440
Total	1,103	60	2	1,165	730

Notes:

- i. Resigned on 30 July 2014
- ii. Resigned on 1 June 2015
- iii. Appointed 20 March 2015
- iv. Resigned on 17 April 2014
- v. Resigned on 2 July 2014
- vi. Not re-elected at the annual general meeting at 29 August 2013
- vii. Appointed on 1 April 2014
- viii. Appointed on 2 July 2014

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2014: nil) was director of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining four (2014: five) individuals were as follows:

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Basic salaries and other benefits	<b>3,625</b>	3,636
Contributions to retirements benefits scheme	<b>52</b>	51
	<b>3,677</b>	3,687

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

	<b>2015</b>	2014
HK\$Nil to HK\$999,999	<b>3</b>	4
HK\$1,000,000 to HK\$1,499,999	<b>1</b>	1

No emoluments were paid to these individuals as inducement to join or upon joining the Group or as compensation for loss of office for the year (2014: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvement HK\$'000	Office equipment HK\$'000	Furniture and fittings HK\$'000	Motor vehicle HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2013	35,001	672	35	165	405	36,278
Additions	-	1,807	34	-	-	1,841
Disposals	-	(672)	-	(165)	-	(837)
Exchange realignment	308	-	-	-	-	308
At 31 March 2014 and 1 April 2014	35,309	1,807	69	-	405	37,590
Additions	-	-	26	-	-	26
Transfer to investment properties	(25,752)	-	-	-	-	(25,752)
Transfer to disposal group held for sale	(9,627)	-	-	-	-	(9,627)
Exchange realignment	70	-	-	-	-	70
<b>At 31 March 2015</b>	<b>-</b>	<b>1,807</b>	<b>95</b>	<b>-</b>	<b>405</b>	<b>2,307</b>
<b>Accumulated depreciation and impairment</b>						
At 1 April 2013	3,436	83	16	33	122	3,690
Charge for the year	1,766	645	11	30	122	2,574
Written back on disposal	-	(161)	-	(63)	-	(224)
Exchange realignment	29	-	-	-	-	29
At 31 March 2014 and 1 April 2014	5,231	567	27	-	244	6,069
Charge for the year	802	620	18	-	122	1,562
Transfer to investment properties	(4,137)	-	-	-	-	(4,137)
Transfer to disposal group held for sale	(1,907)	-	-	-	-	(1,907)
Exchange realignment	11	-	-	-	-	11
<b>At 31 March 2015</b>	<b>-</b>	<b>1,187</b>	<b>45</b>	<b>-</b>	<b>366</b>	<b>1,598</b>
<b>Carrying amounts At 31 March 2015</b>	<b>-</b>	<b>620</b>	<b>50</b>	<b>-</b>	<b>39</b>	<b>709</b>
At 31 March 2014	30,078	1,240	42	-	161	31,521

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 18. DEPOSIT PAID FOR ACQUISITION OF INVESTMENTS

The deposit paid is unsecured, interest-free, refundable, and placed with the potential vendor, an individual and independent third party to the Group. During the year, the Group had active negotiation with the vendor but such negotiation had not been concluded as at 31 March 2015. The directors of the Company considered that further information is to be obtained in order to make the decision on this potential investment.

## 19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale investments comprise:

	2015 HK\$'000	2014 HK\$'000
Unlisted equity securities (note 1)	79,800	79,800
Fair value adjustment	(5,405)	(3,936)
	<u>74,395</u>	<u>75,864</u>
Listed debt securities (note 2)	–	18,720
Fair value adjustment	–	(4,446)
	<u>–</u>	<u>14,274</u>
Unlisted convertible debt securities (note 3)	85,521	130,787
Fair value adjustment	12,944	13,677
	<u>98,465</u>	<u>144,464</u>
Unlisted debt security (note 4)	35,000	35,000
Fair value adjustment	311	297
	<u>35,311</u>	<u>35,297</u>
Total	<u>208,171</u>	<u>269,899</u>
Analysed for reporting purpose as:		
Current	85,666	–
Non-current	122,505	269,899
	<u>208,171</u>	<u>269,899</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

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

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

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

### Note 1: Unlisted equity securities

Name of investee companies	Place of incorporation/ establishment	Percentage of effective interest held		At cost		Fair value adjustment		At fair value		Net assets attributable to the investments	
				2015	2014	2015	2014	2015	2014	2015	2014
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Forest Investment Company Limited (note a)	Hong Kong	29.00%	29.00%	34,800	34,800	845	1,500	35,645	36,300	35,358	40,219
Plexson Limited (note b)	Hong Kong	15.00%	15.00%	45,000	45,000	(6,250)	(5,436)	38,750	39,564	33,762	35,657
				<u>79,800</u>	<u>79,800</u>	<u>(5,405)</u>	<u>(3,936)</u>	<u>74,395</u>	<u>75,864</u>		

### Note 2: Listed debt securities

Name of investee companies	Place of incorporation/ establishment	At cost		Fair value adjustment		At fair value		Bond interest income	
		2015	2014	2015	2014	2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hidili Industry International Development Limited (note c)	Cayman Islands	-	18,720	-	(4,446)	-	14,274	2,018	2,147

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

### Note 3:

#### Unlisted convertible debt securities

Name of investee companies	Place of incorporation	At cost		Fair value adjustment		At fair value		Bond interest income	
		2015	2014	2015	2014	2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
IGO Seating Limited (note d)	Hong Kong	38,097	38,097	10,013	4,413	48,110	42,510	398	400
Yuet Join Industrial Limited (note e)	Hong Kong	47,424	47,424	2,931	2,332	50,355	49,756	2,500	2,637
Yiu Tec Metal Engineering Limited (note f)	Hong Kong	-	45,265	-	6,933	-	52,198	3,861	431
		<b>85,521</b>	<b>130,786</b>	<b>12,944</b>	<b>13,678</b>	<b>98,465</b>	<b>144,464</b>	<b>6,759</b>	<b>3,468</b>

### Note 4:

#### Unlisted debt security

Name of investee company	Place of incorporation establishment	At cost		Fair value adjustment		At fair value		Bond interest income	
		2015	2014	2015	2014	2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Full Ever Industrial Company Limited (note g)	Hong Kong	35,000	35,000	311	297	35,311	35,297	1,750	537

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

Notes:

- (a) Forest Investment Company Limited (“Forest”), a private company with limited liability, is principally engaged in trading and dyeing of fabrics in the PRC. As disclosed in Note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Forest. Accordingly, investment in Forest has been designated upon initial recognition as an available-for-sale financial asset.
- (b) Plexson Limited (“Plexson”), a private company with limited liability, is principally engaged in manufacturing and dyeing of fabrics and yarns in the PRC. As disclosed in Note 4, the Group has not been in a position to exercise any significant influence over the financial and operating policies of Plexson. Accordingly, investment in Plexson has been designated upon initial recognition as an available-for-sale financial asset.
- (c) As at 31 March 2014, the Group held debt securities issued by Hidili Industry International Development Limited (“Hidili Industry”), a listed company in Hong Kong which is principally engaged in mining and sale of coke, raw coal and clean coal, with fixed coupon rate 8.63% and date of maturity on 11 April 2015.

During the year ended 31 March 2015, Hidili Industry repurchased all its debt securities held by the Group with nominal value of USD3,000,000 (equivalent to HK\$23,400,000) for a consideration of USD2,280,500 (equivalent to HK\$17,788,000), resulting in a loss of approximately HK\$932,000 was recognised in profit or loss.

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

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

Notes: (Continued)

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

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

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

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

During the year ended 31 March 2015, had expressed its willingness of redemption to Yiu Tec for the convertible bonds at par. Upon the agreed redemption agreement, a gain of approximately HK\$4,110,000 was recognised in the profit or loss.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 20. DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Embedded derivatives in convertible bonds	<u>9,077</u>	<u>14,468</u>
Analysed for reporting purposes as:		
Current	9,077	13,844
Non-current	<u>-</u>	<u>624</u>
	<u>9,077</u>	<u>14,468</u>

Note:

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

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

Net unrealised loss on derivative financial instruments of approximately HK\$4,767,000 (2014: HK\$6,289,000) had been recognised in profit or loss during the year.

As disclosed in Note 34(a), the conversion option embedded in convertible bonds issued by Double Sky was lapsed and a loss of approximately HK\$18,921,000 was incurred in profit or loss during year ended 31 March 2014.

## 21. FINANCIAL ASSETS HELD FOR TRADING

	2015 HK\$'000	2014 HK\$'000
Listed equity securities in Hong Kong, at fair value	<u>38,699</u>	<u>9,591</u>

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Details of listed equity securities as at 31 March 2015 are as follows:

Name of investee company	Place of incorporation	Number of share held	Percentage of interest held	Accumulated unrealised		Market value	Net assets attributable to the investments	Dividend received during the year	Dividend cover
				Cost	gain/(loss)				
				HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Hao Wen Holdings Limited ("Hao Wen") (note a)	Cayman Islands	29,060,000	0.68%	8,180	(5,536)	2,644	2,341	-	N/A
China New Economy Fund Limited ("China New Economy") (note b)	Cayman Islands	2,700,000	0.52%	1,201	(377)	824	2,372	-	N/A
Town Health International Medical Group Limited ("Town Health") (note c)	Bermuda	12,166,000	0.22%	15,630	12,960	28,590	2,460	-	0.22
WLS Holdings Limited ("WLS") (note d)	Bermuda	4,580,000	0.72%	4,053	2,588	6,641	900	-	N/A



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes:

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

- (a) Hao Wen is principally engaged in trading of biodegradable containers, money lending business, manufacturing and sale of biomass fuel. The audited consolidated loss attributable to shareholders of Hao Wen for the year ended 31 December 2014 was approximately RMB13 million (2013: approximately RMB118 million). At 31 December 2014, the audited consolidated net asset value of Hao Wen was approximately RMB390 million (2013: approximately RMB47 million).
- (b) China New Economy is principally engaged in direct investments, including securities trading and equity fund. The audited consolidated profit attributable to shareholders of China New Economy for the year ended 31 December 2014 was approximately HK\$136 million (2013: approximately HK\$11 million). At 31 December 2014, the audited consolidated net asset value of China New Economy was approximately HK\$452 million (2013: approximately HK\$254 million).
- (c) Town Health is principally engaged in healthcare, dental and pharmaceutical business in PRC and Hong Kong and also securities and properties investments. The audited consolidated profit attributable to shareholders of Town Health for the year ended 31 December 2014 was approximately HK\$85 million (2013: approximately HK\$50 million). At 31 December 2014, the audited consolidated net asset value of Town Health was approximately HK\$2,460 million (2013: approximately HK\$1,493 million).
- (d) WLS is principally engaged in construction business including scaffolding and fitting out, management contracting services and equipment installation and maintenance services. The audited consolidated loss attributable to shareholders of WLS for the year ended 31 December 2014 was approximately HK\$61 million (2013: approximately HK\$14 million). At 31 December 2014, the audited consolidated net asset value of WLS was approximately HK\$93 million (2013: approximately HK\$128 million).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 21. FINANCIAL ASSETS HELD FOR TRADING (Continued)

Notes: (Continued)

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 22. PARTICULARS OF MAJOR INVESTMENTS HELD BY THE GROUP

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Group discloses its list of all investments with a value greater than 5 percent of the Group's gross assets and at least the 10 largest investments as at 31 March 2015 and 2014 respectively as follows:

### As at 31 March 2015

Name of investee companies	Cost HK\$'000	Fair value HK\$'000	Dividend/ Interest received HK\$'000	Dividend cover
IGOSeating Limited (note 19(d))	50,000	54,565	398	N/A
Yuet Join Industrial Limited (note 19(e))	50,000	52,977	2,500	N/A
Plexson Limited (note 19(b))	45,000	38,750	–	N/A
Full Ever Industrial Company Limited (note 19(g))	35,000	35,311	1,750	N/A
Forest Investment Company Limited (note 19(a))	34,800	35,645	–	N/A
Town Health International Medical Group Limited (note 21(c))	15,630	28,590	–	0.22
Hao Wen Holdings Limited (note 21(a))	8,180	2,644	–	N/A
WLS Holdings Limited (note 21(d))	4,053	6,641	–	N/A
China New Economy Fund Limited (note 21(b))	1,201	824	–	N/A

\* As at 31 March 2015, the Group only held nine investments which have been listed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 22. PARTICULARS OF MAJOR INVESTMENTS HELD BY THE GROUP (Continued)

As at 31 March 2014

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 23. OTHER RECEIVABLE, PREPAYMENTS AND DEPOSITS

	2015 HK\$'000	2014 HK\$'000
Interest receivable from debt securities	2,558	2,208
Other receivables	136,823	61,400
Receivable from other financial institution	1,077	–
Deposits paid	711	704
	<hr/>	<hr/>
Financial assets	141,169	64,312
Prepayments	97	152
	<hr/>	<hr/>
	141,266	64,464

As at 31 March 2015, other receivables represent the consideration receivable arising from the disposal of available-for-sale financial assets. As at 31 March 2014, amount of approximately HK\$61,400,000 represents the consideration receivable from disposal of available-for sale financial asset. The amount was fully settled during the year.

## 24. CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Cash and bank balances	6,080	47,997
Deposits at other financial institution	69,151	11,272
	<hr/>	<hr/>
	75,231	59,269

Included in cash and cash equivalents are approximately HK\$18,491,000 (2014: HK\$8,562,000) and HK\$nil (2014: HK\$15,087,000) and which are denominated in USD and RMB respectively, a currency other than the functional currency of the relevant group entity.

The effective interest rate of the deposits range from 0.01% to 0.5% (2014: 0.01% – 0.5%) per annum and all of them have a maturity within three months from initial inception.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 25. DISPOSAL GROUP HELD FOR SALE

On 31 March 2015, the Company entered into the agreement with Perfect Scheme Limited, an independent third party, pursuant to which the Company has conditional agreed to sell 100% of the issued share capital of Garron International Strategic Limited, a wholly-owned subsidiary of the Company at the consideration of HK\$39,000,000, which will be satisfied by HK\$1,000,000 in cash and issuance of 76,000,000 shares of Lerado Group (Holding) Company Limited, a holding company of Perfect Scheme Limited, which shares is listed on the Stock Exchange of Hong Kong Limited (the "Disposal"). Accordingly, all the assets and liabilities attributable to Garron International Strategic Limited and its subsidiary ("Disposal Group") have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 March 2015. The Disposal Group was not a separate major line of business or geographical area of operation, therefore, the Disposal was not classified as discontinued operation. As the net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, no impairment loss has been recognised. The transaction was completed on 17 April 2015.

The major classes of assets and liabilities of the production line classified as held for sale are as follows:

	<b>2015 HK\$000</b>
Property	7,720
Investment properties	20,694
Other receivables, prepayment and deposit	2
Cash and cash equivalent	4,253
	<hr/>
Total assets classified as held for sale	<b>32,669</b>
	<hr/>
Accrual and total liabilities classified as held for sale	<b>216</b>
	<hr/>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 26. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised in the consolidated statement of financial position mainly arising from the unrealised gain on financial assets held for trading. The movements during the year are as follows:

	HK\$'000
Charged to profit or loss for the year	2,503
<b>At 31 March 2015</b>	<b>2,503</b>

At the end of the reporting period, the Group has unused tax losses of HK\$65,100,000 (2014: HK\$62,551,000) available for offsetting against future profits that may be carried forward indefinitely. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future taxable profits.

## 27. SHARE CAPITAL

	Number of ordinary shares of HK\$0.20 each '000	HK\$'000
<i>Authorised:</i>		
At 31 March 2014 and 2015	6,000,000	1,200,000
<i>Issued and fully paid:</i>		
At 1 April 2013 and 31 March 2014	581,580	116,316
Issue of shares under open offers (note a)	290,790	58,158
Issue of shares under placement of shares (note b)	43,000	8,600
<b>At 31 March 2015</b>	<b>915,370</b>	<b>183,074</b>

Notes:

- (a) On 2 July 2014, 290,790,000 ordinary shares of HK\$0.20 each in the Company were issued at a subscription price of HK\$0.20 per share by way of open offer. The net proceeds will amount to approximately HK\$56,271,000 which are used for future investments opportunities of the Group and general working capital of the Group. These new shares rank pari passu in all respect with existing shares.
- (b) On 19 November 2014, the Company entered into a subscription agreement to subscribe a total of 43,000,000 shares of HK\$0.20 each in the Company to Cashcow Development Limited at a price of HK\$0.345. The net proceeds from the subscription are used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company. These new shares rank pari passu in all respect with existing shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 28. SHARE OPTION SCHEME

The Company's share option scheme (the Scheme), was adopted pursuant to a resolution passed on 29 August 2013 for the primary purpose of providing incentives to directors and eligible employees. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company. No share options were granted, lapsed or cancelled during the year ended 31 March 2014 and 2015.

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

## 29. RESERVE

### The Group

	Share premium HK\$'000	Available- for-sale investment revaluation reserve HK\$'000 (note a)	Exchange reserve HK\$'000 (note b)	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2013	486,186	9,941	612	(66,957)	429,782
Loss for the year	–	–	–	(93,562)	(93,562)
Other comprehensive (expenses)/ income for the year	–	(4,348)	315	–	(4,033)
Total comprehensive (expenses)/ income for the year	–	(4,348)	315	(93,562)	(97,595)
At 31 March 2014 and 1 April 2014	486,186	5,593	927	(160,519)	332,187
Profit for the year	–	–	–	192	192
Other comprehensive income for the year	–	2,256	117	–	2,373
Total comprehensive income for the year	–	2,256	117	192	2,565
Issue of shares under placement of shares	6,235	–	–	–	6,235
Share issue expenses	(1,887)	–	–	–	(1,887)
<b>At 31 March 2015</b>	<b>490,534</b>	<b>7,849</b>	<b>1,044</b>	<b>(160,327)</b>	<b>339,100</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 29. RESERVE (Continued)

Notes:

- (a) The available-for-sale investment revaluation reserve represents cumulative gains and losses arising on the revaluation of available-for-sale investments that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those available-for-sale investments are disposed of or are determined to be impaired.
- (b) Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

## 30. NET ASSET VALUE PER SHARE

Net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$522,174,000 (2014: approximately HK\$448,503,000) by the number of shares in issue at 31 March 2015, being 915,370,000 (2014: 581,580,000).

## 31. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2015 and 2014, the Group had entered into the following transactions with the investment manager of the Group which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

	2015 HK\$'000	2014 HK\$'000
China Everbright Securities (HK) Limited		
Investment manager's fee	960	960
Broker fee	1,606	1,350
Custodian fee	12	10
Interest expenses	66	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 31. RELATED PARTY TRANSACTIONS (Continued)

Note:

The Company has entered into the agreement with China Everbright Securities (HK) Limited (“EBSHK”) on 6 November 2012, pursuant to which EBSHK agreed to provide investment management services to the Company for a period of three years from 6 November 2012.

EBSHK shall be deemed as a connected person of the Company pursuant to Rule 14A.08 of the Listing Rules upon the agreement becoming effective. The maximum aggregate fee to be payable by the Group to EBSHK shall not exceed HK\$960,000 per annum.

The independent non-executive directors of the Company considered that the above investment management agreement is in the best interests of the Company and was entered into on normal commercial terms, in the ordinary course of business of the Company and that investment management fee is calculated in accordance with the above agreement and is fair and reasonable so far as the shareholders are concerned.

Remuneration for key management personnel, including amounts paid to the directors of the Company and certain of the highest paid employees are disclosed in note 16 to the consolidated financial statements.

## 32. RETIREMENT BENEFITS SCHEME

The Group has participated in a defined contribution Mandatory Provident Fund Scheme (the “Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. Under the scheme, each of the Group (the employer) and its employees makes monthly contributions to the Scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a maximum contribution of HK\$1,500 per month since 1 June 2014 (HK\$1,250 before 1 June 2014) and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contributions payable in the future years.

The total contributions charged to the consolidated statement of profit or loss for the year ended 31 March 2015 amounted to HK\$101,000 (2014: HK\$95,000), representing contributions payable to the Scheme by the Group in respect of the year ended 31 March 2015.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 33. COMMITMENTS

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

	2015 HK\$'000	2014 HK\$'000
Within one year	2,052	2,320
More than one year but not exceeding five years	–	2,052
	<u>2,052</u>	<u>4,372</u>

## 34. LITIGATIONS

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

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

(b) On 6 June 2014, the Company received a High Court action issued on 5 June 2014 wherein Mr. Zhou Weiquan, a then non-executive director (duties, rights and position suspended from 4 June 2014 and resigned on 30 July 2014) claims against the Company and other directors for inspection of documents and for obtaining copies of those documents from the Company.

On 5 August 2014, the Company has received the Court of First Instance has approved that the originating summons issued on 5 June 2014 dated on 4 August 2014, is to be discontinued against the Company.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 6 June 2014 and 5 August 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 34. LITIGATIONS (Continued)

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

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

On 2 July 2014, a notice of discontinuance (the “Notice of Discontinuance”) has been filed by Mr. Wei Zhuofu with the High Court of the Hong Kong Special Administrative Region of the People’s Republic of China, whereby the Plaintiffs wholly discontinued the action in relation to the 1st Originating Summons taken against the Company and six directors of the Company, namely, Mr. Chan Cheong Yee, Mr. Liao Jintian, Mr. Zhou Han Jie, Mr. Ha Tak Kong, Mr. Leung Kwong Kin (resigned on 2 July 2014) and Mr. Tsang Hin Man Terrence.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 16 June 2014, 17 June 2014, 19 June 2014 and 2 July 2014 respectively.

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

On 13 August 2014, the Company has received the Court of First Instance has approved that the 2nd Originating Summons dated on 12 August 2014, is to be discontinued against the Company.

For further details of the above litigation proceedings, please refer to the Company’s announcements dated 25 June 2014 and 13 August 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of principal subsidiaries at 31 March 2015 are as follows:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Interest held		Principal activities
			2015	2014	
<b>Directly hold:</b>					
Profit Eternal Global Investments Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Champion Elite Holdings Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Baiye Global Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Baiye Holding Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Qifeng Holdings Limited	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
Rich Fortune Investment Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Investment holding
Garron International Strategic Limited	Hong Kong	Ordinary shares HK\$100	100%	100%	Investment holding
Garron Consultancy Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Trading of securities
China Investment and Financing Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Trading of securities
New Express Investment Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	Investment holding
Jetland Global Investments Ltd	The British Virgin Islands	Ordinary shares US\$1	100%	100%	Investment holding
<b>Indirectly hold:</b>					
廣州凱潤企業管理服務有限公司	PRC	USD\$5,000,000	100%	100%	Consultancy service

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 35. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

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

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

As at 31 March 2015, all subsidiaries of the Company are wholly-owned. Accordingly, no details of material non-controlling interests presented.

## 36. FINANCIAL INFORMATION OF THE COMPANY

	Notes	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		709	1,443
Investment in subsidiaries		1	1
		<b>710</b>	<b>1,444</b>
<b>Current assets</b>			
Other receivables, prepayments and deposits		18,307	704
Amounts due from subsidiaries	a	474,574	390,012
Cash and cash equivalents		3,592	43,709
		<b>496,473</b>	<b>434,425</b>
<b>Current liabilities</b>			
Accruals		737	360
Amounts due to subsidiaries	a	3,836	5,443
		<b>4,573</b>	<b>5,803</b>
<b>Net current assets</b>		<b>491,900</b>	<b>428,622</b>
<b>Net assets</b>		<b>492,610</b>	<b>430,066</b>
<b>Capital and reserves</b>			
Share capital		183,074	116,316
Reserves	b	309,536	313,750
<b>Total equity</b>		<b>492,610</b>	<b>430,066</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 36. FINANCIAL INFORMATION OF THE COMPANY (Continued)

Notes:

- (a) The amounts due from/(to) subsidiaries are unsecured, interest-free and recoverable/(repayable) on demand.
- (b) Movement in reserves during the year

	<b>Share premium</b> HK\$'000	<b>Accumulated losses</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2013	486,186	(80,712)	405,474
Loss and total comprehensive expenses for the year	–	(91,724)	(91,724)
At 31 March 2014 and 1 April 2014	486,186	(172,436)	313,750
Loss and total comprehensive expenses for the year	–	(8,562)	(8,562)
Issue of shares under placement of shares	6,235	–	6,235
Share issue expenses	(1,887)	–	(1,887)
<b>At 31 March 2015</b>	<b>490,534</b>	<b>(180,998)</b>	<b>309,536</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

## 37. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the elsewhere to these consolidated financial statements, the Group had following events after the reporting period:

- (a) On 20 January 2015, the Company proposed to effect the capital reduction of issued shares and sub-division of unissued share which subsequently became effective on 21 May 2015 being approved by the shareholders of the Company. The capital reduction of issued shares and sub-division of unissued share involved the following:
  - (i) the paid-up capital of each of the issued shares be reduced from HK\$0.20 to HK\$0.01 per issued share by cancelling the paid-up capital to the extent of HK\$0.19 per issued share by way of a reduction of capital, so as to form new shares with par value of HK\$0.01 each;
  - (ii) the credit arising from the capital reduction be applied to offset the entire accumulated losses of the Company as at the effective date of the capital reduction with the remaining balance of such credit (if any) to be transferred to the capital reduction reserve account of the Company or other reserve account of the Company which may be utilised by the directors of the Company as a distributable reserve in accordance with all applicable laws and the memorandum and articles of association of the Company and as the board of directors considers appropriate; and
  - (iii) immediately following the capital reduction, each of the authorised but unissued shares with par value of HK\$0.20 each be subdivided into twenty unissued new shares with par value of HK\$0.01 each, and such new shares shall rank pari passu in all respects with each other and have rights and privileges and be subject to the restrictions contained in the memorandum and articles of association of the Company.
- (b) On 21 May 2015, the Company entered into a subscription agreement to issue and allot a total of 130,000,000 shares of HK\$0.01 each in the Company to Wonder Time Holdings Limited at a price of HK\$0.275. The net proceeds from the subscription will be used for the general working capital of the Group and for future investments pursuant to the investment objectives of the Company. These new shares rank pari passu in all respect with existing shares. This transaction has been completed on 2 June 2015.

# FIVE YEARS FINANCIAL SUMMARY

Year ended 31 March 2015

	Year ended 31 March				
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>RESULTS</b>					
Revenue	<b>12,187</b>	8,319	7,610	5,411	188
Profit/(Loss) before tax	<b>2,745</b>	(93,408)	(14,595)	610	(8,319)
Income tax expenses	<b>(2,553)</b>	(154)	(169)	(250)	–
Profit/(Loss) attributable to owners of the Company	<b>192</b>	(93,562)	(14,764)	360	(8,319)
Earnings/(Loss) per share – Basic and diluted (HK cents)	<b>0.02</b>	(16.09)	(2.54)	0.07	(9.95)
<b>At 31 March</b>					
	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Non-current assets	<b>143,214</b>	302,044	310,061	473,706	652
Current assets	<b>382,608</b>	147,205	237,044	72,401	11,558
Current liabilities	<b>(1,145)</b>	(746)	(1,007)	(1,915)	(160)
Non-current liabilities	<b>(2,503)</b>	–	–	–	(16,000)
Shareholders' fund/ (Capital deficiency)	<b>522,174</b>	448,503	546,098	544,192	(3,950)