EVERCHINA INT'L HOLDINGS COMPANY LIMITED
潤 中 國 際 控 股 有 限 公 司

Stock Code: 202

2016
Annual Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

BOARD COMMITTEES

Audit Committee

Mr. Ho Yiu Yue, Louis *(Committee Chairman)*
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

Remuneration Committee

Mr. Ho Yiu Yue, Louis *(Committee Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Lam Cheung Shing, Richard

Nomination Committee

Mr. Ko Ming Tung, Edward *(Committee Chairman)*
Mr. Ho Yiu Yue, Louis
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok, Freeman

LISTING INFORMATION

Stock Code: 202
Board Lot: 5,000 shares

REGISTERED OFFICE

15/F., CCB Tower
3 Connaught Road Central
Hong Kong

WEBSITE

www.everchina202.com.hk

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F., Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

SOLICITORS

K&L Gates
Patrick Mak & Tse

SHARE REGISTRAR

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

PRINCIPAL BANKERS

The Bank of East Asia Limited
Fubon Bank (Hong Kong) Limited

INVESTOR RELATIONS CONSULTANT

PR ASIA Consultants Ltd
5/F., Euro Trade Centre
13–14 Connaught Road Central
Hong Kong

MANAGEMENT STATEMENT

Dear Shareholders:

On behalf of the board (the "Board") of directors (the "Directors") of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 March 2016.

RESULTS

Results of Operations

For the year ended 31 March 2016, revenue of the Group from continuing operations amounted to HK$86,811,000, representing an increase of 68.4% from HK$51,544,000 for the last year. The increase in revenue was mainly attributable to recognition of entire year of revenue contributed by the Holiday Inn Wujiaochang of the hotel operation segment.

Despite the improvement in revenue, the Group still recorded a loss of HK$685,870,000, representing an increase of 41.2% as compared with last year. The loss was principally attributable to the net effect of: (i) a gain on loss of significant influence of an associate of HK$882,107,000 resulting from the reclassification of the investment in Heilongjiang Interchina from an associate to the financial assets at fair value through profit or loss; (ii) net loss on financial assets at fair value through profit or loss of HK$896,143,000 (2015: HK$143,476,000) as the result of the unstable investment market conditions; (iii) an impairment loss recognised in respect of mining rights of HK$598,136,000 (2015: HK$194,200,000) for the year; (iv) an increase of overall operating expenses (including staff costs, amortisation and depreciation and administrative costs) by 65.6% to HK$128,104,000 (2015: HK$77,351,000); and (v) an impairment loss of HK$34,998,000 was recognised on trade and other receivables and prepayments for the year (2015: Nil).

Basic loss per share (including continuing and discontinued operations) amounted at HK11.280 cents, compared with the basic loss per share of HK6.632 cents the previous year.

BUSINESS REVIEW

Investment in Heilongjiang Interchina

During the year, the Group's environmental water treatment operation was mainly conducted by Heilongjiang Interchina. As at 31 March 2015, the Group holds 227,312,500 shares of Heilongjiang Interchina, representing 15.62% of the issued share capital of Heilongjiang Interchina. As at 31 March 2015, the Group was able to exercise significant influence over Heilongjiang Interchina because Mr. Zhu Yongjun ("Mr. Zhu"), the former executive director and the chairman of Heilongjiang Interchina was the Group's representative in the board of Heilongjiang Interchina. The investment in Heilongjiang Interchina was accounted for as an associate of the Group for the year ended 31 March 2015. However, as disclosed in the 2014 annual report of Heilongjiang Interchina, Mr. Zhu decided not to participate in nomination as member of the board of Heilongjiang Interchina in the first meeting of the sixth session of the board of directors of Heilongjiang Interchina held on 9 May 2015. Therefore, Mr. Zhu ceased to be an executive director and the chairman of Heilongjiang Interchina since 9 May 2015. As the Group's significant influence over Heilongjiang Interchina is lost, it is according to the relevant Hong Kong Financial Reporting Standards to re-classify the investment in Heilongjiang Interchina from an associate company to financial assets at fair value through profit or loss thereafter. As a result, a gain on loss of significant influence of an associate of HK$882,107,000 was recognised for the year. The gain was the difference between the fair value of the 15.62% equity interest of Heilongjiang Interchina and the carrying amount of Heilongjiang Interchina at the date when significant influence was lost. At 31 March 2016, the market value of the investment in Heilongjiang Interchina's amounted to approximately RMB1,132,016,000 (equivalent to approximately HK$1,339,664,000) and unrealised loss on change in the fair value of this investment of HK$892,626,000 was recognised for the year.

MANAGEMENT STATEMENT

The Group's share of loss of an associate up to the date of reclassifying Heilongjiang Interchina as financial assets at fair value through profit or loss amounted to HK$1,138,000 for the year. (2015: profit of HK$29,050,000).

Property Investment Operation

The Group currently owns approximately total gross floor area of 19,620 sq.m. in Beijing Interchina Commercial Building, located in the CBD of Beijing, the PRC. At 31 March 2016, the carrying value of the Group's investment properties amounted to approximately HK$612,549,000 (31 March 2015: HK$634,250,000) and all of them have been fully let during the year.

Rental income slightly increased by 2% to approximately HK$26,998,000 (2015: HK$26,444,000). The segment profit amounted to approximately HK$31,957,000 (2015: HK$33,498,000). The decrease in profit was mainly attributable to the decrease in the unrealised fair value gain on investment properties from HK$18,133,000 for the last year to HK$14,300,000 for the year.

During the year, the Group continued to seek opportunity of acquisition of high quality property. In December 2015, the Group acquired 14 retail units located in a prime area on the north of the Bund, Shanghai with estimate market value of RMB685,000,000. Further details of the transaction are set out in the "Material Acquisition and Disposal" section. Upon completion of the acquisition, it can provide immediate annual rental income of not less than RMB21,560,000 (equivalent to approximately HK$25,666,000) to the Group.

Looking forward, the Group will closely monitor the property market and carefully identify the possible investment properties in order to strengthen the profitability of this segment.

Hotel Operation

The Group completed the acquisition of the Express by Holiday Inn Wujiaochang Shanghai ("Holiday Inn Wujiaochang") by the end of December 2014. It is a 20-storey hotel with total gross floor area of approximately 15,949 sq.m., and 296 guest rooms, located in Yangpu District, Shanghai, the PRC. Hence it was the first time the Group reported on the operations of the hotel on a full year basis. During the year, the Holiday Inn Wujiaochang contributed revenue of HK$37,124,000 to the Group, achieved an average daily rate of approximately HK$340 and an occupancy rate of around 80%. During the year, the Group shared the loss of HK$680,000 from the hotel operation segment (2015: HK$3,003,000). The loss was mainly attributable to the increase in depreciation of HK$13,561,000 for the hotel property for the year (2015: HK$3,604,000).

It expects that Holiday Inn Wujiaochang will continue providing the Group with a solid revenue stream as well as capital gain potentials.

Financing and Securities Investment Operation

As at 31 March 2016, total loan receivable under financing operation amounted to HK$273,173,000 (31 March 2015: HK$249,436,000) and total securities investment/financial assets at fair value through profit and loss stood at HK$1,528,024,000 (31 March 2015: HK$368,193,000). The increase in total securities investment/financial assets at fair value through profit and loss was mainly attributable to the reclassification of the investment in Heilongjiang Interchina from an associate to financial assets at fair value through profit and loss during the year. At 31 March 2016, the Group held listed securities, being 227,312,500 shares or approximately 15.62% interest in Heilongjiang Interchina (stock code: 600187) listed on Shanghai Stock Exchange and 57,957,000 shares or approximately 1.01% interest in KuangChi Science Limited (stock code: 439).

In April 2015, the Company entered into a bought and sold note with Ms. Pauline Po ("Ms. Po"), an independent third party, pursuant to which the Company disposed to Ms. Po 119,500,000 shares of Honbridge Holdings Limited (the "Disposal Shares") at a total consideration of HK$167,300,000 (the "Disposal"). Honbridge Holdings Limited is a company incorporated in the Cayman Islands with limited liabilities and the shares of which are listed on the GEM board of the Stock Exchange (Stock Code: 8137). The Disposal Shares were classified as financial assets at fair value through profit or loss in the accounts of the Group. Detail of the transaction was set out in the Company's announcement dated 28 April 2015. The Disposal completed on 4 May 2015 and recognised a loss of HK$9,924,000 for the year.

Segment revenue represents interest income from financing operation, increased by 29.6% to HK$22,689,000 as more loans were granted to customers during the year. The segment loss significantly increased by 662.8% to HK$847,900,000. The increase was mainly attributable to the significant increase in unrealised fair value loss of the securities investment from HK$143,476,000 for the last year to HK$882,862,000 for this year as a result of the stock market fluctuation in the PRC and Hong Kong during the year.

Going forward, the Group will continue to adopt a conservative approach to this segment for minimising the business risk.

Natural Resources Operation

The Group operates the natural resources operation through a non-wholly owned subsidiary of the Company, PT Satwa Lestari Permai ("SLP") which is a licensed mining company under the Laws of Indonesia. SLP owns mining licenses to conduct the activities of construction, production, sales transportation and processing/refinery of manganese ore in areas totaling approximately 2,000 hectare in and around the sub-district of Amfoang Selatan, sub-district of Takari and sub-district of Fatuleu, Kupang City Nusantara Timor Tenggara, Indonesia for a period of twenty years ("Mining Rights"), with estimate resources of approximately 18,800,000 tonnes. The estimate resource has no significant change during the year. Production has not been commenced since the Group acquired the Mining Rights in 2011. Therefore, this segment did not contribute any revenue to the Group for the year.

During the year, the manganese industry like all other metal material industries, has entered an extremely difficult period. Manganese ore benchmark price (referenced by 44% Mn grade lump published by United Nations Conference on Trade and Development) dropped by approximately 57% from US$4.17/dmtu at the beginning of 2015 to the low of US$1.81/dmtu in January 2016 which is the lowest price in the past ten years. Thus, the Company engaged an independent professional valuer in determining the recoverable amount of the Mining Rights, an impairment loss on the Mining Rights of HK$598,136,000 (2015: HK$194,200,000) had been identified and recognised in the consolidated financial statements for the year ended 31 March 2016. In the opinion of the Directors, the impairment loss was mainly due to continuous drop in the market price of manganese ore for the year. The carrying value of the Mining Rights at 31 March 2016 amounted to HK$271,880,000 (31 March 2015: HK$870,016,000).

The segment loss amounted to HK$599,536,000, representing an increase of 192.4% as compared with HK$205,007,000 for the last year. The loss was mainly represented the impairment loss recognised in respect of the Mining Rights and administrative expenses for the year.

MANAGEMENT STATEMENT

DISCONTINUED OPERATIONS

Environmental Water Treatment Operation

Following the re-classification of the investment in Heilongjiang Interchina from an associate company to financial assets at fair value through profit or loss, the Company has revisited the business plan and strategy of the Company in environmental water treatment operation and decided to discontinue this segment in 2016. This segment recorded no revenue for the past three years since 2014 and recorded segment loss of HK$143,000 (2015: HK$166,000).

Securities dealing and brokerage operation

The cessation of securities dealing and brokerage operation became effective on 31 July 2012 but has been pending the final approval by the Securities and Futures Commission. No revenue was recognised for the past two years. This segment recorded loss of HK$1,177,000 (2015: HK$29,512,000) for the year. The decrease was mainly attributed by the reversal of impairment loss of HK$32,521,000 on trade receivables during the year.

OUTLOOK

Looking forward in 2016, the outlook of global economy remains gloomy. The Group is still facing different challenges for its business development. In view of this, the Group will adopt more cautious investment strategies in order to maintain its competitiveness. Meanwhile, we will pay more attention to economic change and take every chance to identify any suitable investment opportunity including other new business operation in the market for the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

At 31 March 2016, the Group's total assets were HK$4,477,067,000 (31 March 2015: HK$5,900,132,000) and the total liabilities were HK$726,607,000 (31 March 2015: HK$919,398,000). At 31 March 2016, the equity reached HK$3,750,460,000 (31 March 2015: HK$4,980,734,000) and the current ratio of the Group was 4.9 (31 March 2015: 2.8)

At 31 March 2016, the Group's cash on hand and deposits in bank was HK$305,451,000 (31 March 2015: HK$468,859,000). Around 99% of the Group's cash on hand and deposits in bank was denominated in Renminbi with the rest mainly in Hong Kong dollars. At 31 March 2016, the Group's total borrowings comprising bank borrowings of HK$16,004,000 (31 March 2015: HK$21,916,000) and other borrowings of HK$537,408,000 (31 March 2015: HK$711,849,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$542,621,000 repayable within one year and HK$8,861,000 repayable after one year but within five years, and HK$1,930,000 repayable after five years. Around 87.7% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

As at 31 March 2016, the average cost of financing was around 6.7% (2015: 6.5%) per annum in 2016. The Group has maintained sufficient financial resources for daily operation, if there are appropriate merger and acquisition opportunities, additional financing may be funded for financing part of the merger and acquisitions.

Capital Structure

The Company's capital structure remained strong during the year as the gearing ratio (total outstanding borrowings over total assets) of the Group was 12.4% (2015: 12.4%). There has been no change in the share capital of the Company during the year. As at 1 April 2015 and 31 March 2016, the number of issued shares of the Company was 6,078,669,363.

Pledged of Assets

At 31 March 2016, the Group's investment properties with carrying amounts of HK$270,111,000 (31 March 2015: HK$284,539,000) was pledged as security for its liabilities. In addition, 187,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited held by the Group were also pledged to lender(s) to secure loan facilities granted to the Group.

Foreign Exchange Exposure

The Group's principal assets, liabilities, revenue and payments are denominated in Hong Kong dollars and Renminbi. Fluctuations of exchanges rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidation financial statement. During the year, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities.

Contingent Liability

The Group had no material contingent liabilities as at 31 March 2016 (2015: nil).

Capital Commitment

As at 31 March 2016, the Group had capital commitment of approximately HK$510,296,000 (31 March 2015: approximately HK$159,000,000). Details of the capital commitment of the Group are set out in note 35 of the consolidated financial statement.

Material Acquisition and Disposal

(i) In March 2014, the Group entered into a sale and purchase agreement with one of the minority shareholder of the SLP to further acquire the 30% equity interest in SLP at the consideration of HK$318,000,000 (the "Further Acquisition"). Upon the completion of the Further Acquisition, the Group's interest in SLP will increase from 65% to 95%. Detail of the transaction was set out in the Company's circular dated 7 July 2014. The Further Acquisition was completed on 11 September 2015 and resulted in an increase in equity interests of 30% in the SLP, which constituted a change in the Group's ownership interest in a subsidiary that does not result in a change of control.

(ii) On 24 December 2014, the Company entered into the purchase agreement with Shanghai Lai Yin Si Zhiye Company Limited (上海萊因思置業有限公司) (the "Vendor") in relation to purchase 14 retail units located at Levels 1 to 3 of at Above the Bund Square (白金灣廣場), No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC with total area 8,585.79 sq.m. (the "Properties") at the aggregate consideration of RMB616,000,000 (equivalent to approximately HK$733,333,000) (the "Proposed Acquisition"). As the Vendor is owned as 99% by Mr. Jiang Zhaobai ("Mr. Jiang"), an executive Director, the Chairman and a substantial shareholder of the Company and 1% by Mr. Jiang Lei, the brother of Mr. Jiang, and is therefore a connected person of the Company under the Listing Rules. The Proposed Acquisition constitutes major and connected transaction for the Company under the Listing Rules. The Proposed Acquisition was approved by the shareholders of the Company at the general meeting held on 11 March 2016. Detail of the transaction was set out in the Company's circular dated 19 February 2016.

Future plans for material investments or capital assets

The Group did not have any future plans for material investments or capital assets as at 31 March 2016.

MANAGEMENT STATEMENT

Human Resources

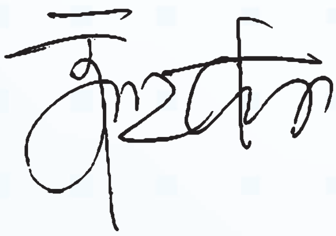
During the year, the Company has established an investment department and is responsible to evaluate any potential investment projects for the future expansion of the Group.

As at 31 March 2016, the Group employed approximately a total of 124 employees (31 March 2015: 120). The Group's emoluments policies are formulated on the performance of individual employee and are competitive in the market. During the year ended 31 March 2016, total staff costs (including Directors' emoluments) amounted to HK$34,906,000 for the year (2015: HK$19,354,000).

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, customers, employees and partners for their continuous support and encouragement.

On behalf of the Board



Jiang Zhaobai
Chairman

Hong Kong, 24 June 2016

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 53, has been appointed as an executive Director of the Company and Chairman of the Board in September 2012. He has over 25 years experience in real estate development and investment in the PRC and extensive experience in international investment including minerals, dairy and agricultural industries and property investment etc. He is also the chairman of the board of Shanghai Pengxin Group Co., Ltd. ("Pengxin Group"). Mr. Jiang is the founder of Pengxin Group and Shanghai Pengxin Real Estate Development Co., Ltd. ("Pengxin Real Estate"). He was the chairman of Pengxin Group during the period from April 1997 to May 2000 and the chairman of Pengxin Real Estate during the period from January 1995 to March 1997. Mr. Jiang was appointed as vice presidents of China Enterprise Directors Association from July 2010 to July 2015 and is currently a rotating chairman of New Shanghai Businessman Federation (上海新滬商聯合會). He graduated in Nanjing Institute of Architecture and Civil Engineering and was admitted to an Executive Master of Business Administration degree at China Europe International Business School in June 2005.

Mr. LAM Cheung Shing, Richard, Executive Director, Deputy Chairman and Chief Executive Officer

Mr. LAM Cheung Shing, Richard, aged 58, is the deputy chairman and chief executive officer of the Company since June 2009. In August 2001, Mr. Lam was appointed as an executive Director and deputy chief executive officer of the Company and was designated as the chairman of the Company during the period from May 2009 to June 2009. Mr. Lam is a fellow member of both Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Lam was admitted to the Master Degree of Business Administration in the Chinese University of Hong Kong in 2006. Mr. Lam spent over ten years in PriceWaterhouseCoopers, an international accounting firm and promoted to a senior audit manager, and is equipped with extensive experience in accountancy, taxation and corporate finance. Prior to joining the Group, Mr. Lam held senior positions in a number of listed companies in Hong Kong, including Sun Hung Kai & Co., Limited, Kingsway SW Asset Management Limited and U-Cyber Technology Holdings Limited.

Other than the directorship in the Company, currently, Mr. Lam is also an independent non-executive director of Lajin Entertainment Network Group Limited, the issued shares of which are listed on the GEM Board of the Stock Exchange. Besides, Mr. Lam was appointed as an independent non-executive director of Eagle Legend Asia Limited during the period from May 2013 to December 2014 and an executive director of Kai Yuan Holdings Limited during the period from December 2001 to July 2008 and re-designated as a non-executive director during the period from July 2008 to November 2008, all of which are companies whose shares are listed on the Main Board of the Stock Exchange. Mr. Lam was appointed as an executive director of China Pipe Group Limited, the issued shares of which are listed on the Stock Exchange, during the period from June 2007 to February 2009.

Mr. CHEN Yi, Ethan, Executive Director

Mr. CHEN Yi, Ethan, aged 33, joins the Company as an independent non-executive Director of the Company in February 2012 and re-designated to an executive Director of the Company since October 2014. He holds a bachelor's degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada and Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. Prior to this re-designation, Mr. Chen had been worked as the assistant vice president in investment of Wellbo Holdings Limited, an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and an analyst and assistant vice president of Rongying Investments Limited respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SHEN Angang, Executive Director

Mr. SHEN Angang, aged 60, has been appointed as an executive Director of the Company in February 2012. He has been the president and chairman of the board of directors of Shanghai AnShung Group Ltd. since 1995. He has rich experience in areas ranging from finance, investment, real estate and mining resources. Mr. Shen served as the cadre of the Science Committee of Shanghai. He also held the position as the general manager of Shanghai Industry and Trade Department of Shanghai Ocean Helicopter Professional Co., Ltd., and as the general manager of Shanghai Securities Department of Guizhou International Trust & Investment Corporation.

Mr. HO Yiu Yue, Louis, Independent Non-executive Director and the Chairman of the Audit Committee and the Remuneration Committee

Mr. HO Yiu Yue, Louis, aged 68 was appointed as an independent non-executive Director in April 2009. He is also the Chairman of the Audit Committee and the Remuneration Committee of the Company and a member of the Nomination Committee. He obtained a master degree of business administration in finance & operations research from Concordia University in Canada and is an associate member of both Hong Kong Institute of Certified Public Accountants and Australia Society of Certificate Practising Accountants. Mr. Ho had over 30 years working experience with international accounting professional firms and had been admitted as partner in Ernst & Young, PricewaterhouseCoopers and Arthur Andersen, focusing on technology risk, system and process assurance and risk consulting practices. During that period, Mr. Ho provided services and advices to numerous blue chip corporations in both Hong Kong and the PRC. Mr. Ho was an independent non-executive director of China Pipe Group Limited, whose shares are listed on the Main Board of the Stock Exchange.

Mr. KO Ming Tung, Edward, Independent Non-executive Director and the Chairman of the Nomination Committee

Mr. KO Ming Tung, Edward, aged 55, was appointed as an Independent Non-executive Director of the Company in April 2009. Mr. Ko obtained an external Bachelor of Laws Degree from the University of London in the United Kingdom in August 1986 and is a member of The Law Society of Hong Kong. Mr. Ko is the principal of Messrs. Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 24 years.

Other than the directorship in the Company, currently, Mr. Ko is also an independent non-executive director of Sinofert Holdings Limited, Wai Chun Group Holdings Limited and Chia Tai Enterprises International Limited, all of which are companies whose shares are listed on the Main Board of the Stock Exchange, and is an independent non-executive director of Chinese Energy Holdings Limited, whose shares are listed on the GEM Board of the Stock Exchange. Mr. Ko was previously a non-executive director of Harmonic Strait Financial Holdings Limited, whose shares are listed on the Main Board of the Stock Exchange.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor SHAN Zhemin, Independent Non-executive Director

Professor SHAN Zhemin, aged 44, was appointed as an independent non-executive Director in October 2014. She is also a member of the Audit Committee. She is a doctoral degree holder in Management from Shanghai University of Finance and Economics, a certified public accountant in China and a financial analyst in America. She is currently an associate professor, Director of the Institute of Finance (金融研究所) of Shanghai National Accounting Institute. She also acts as EMBA visiting professor of a number of reputable institutions including PBC School of Finance of Tsinghua University and Shanghai Advanced Institute of Finance (SAIF). Professor Shan possesses rich experience in the fields of accounting, financial management, corporate finance, investment and financing. She previously served as researcher of Department of Accountancy of City University of Hong Kong, associate professor of School of Accountancy of Shanghai University of Finance and Economics, senior investment manager of Securities Investment Head Office and internal audit expert of Investment Banking Head Office of Shenyin & Wanguo Securities Co., Ltd.

Other than the directorship in the Company, currently, Professor Shan is an independent director of each of Shanghai Metersbonwe Fashion and Accessories Co., Ltd (listed on Shenzhen Stock Exchange, stock code: 002269), Guangzheng Group Company Ltd (listed on Shenzhen Stock Exchange, stock code: 002524), Shanghai Lansheng Corporation (listed on Shanghai Stock Exchange, stock code: 600826) and ORG Packaging Co., Ltd. (listed on Shenzhen Stock Exchange, stock code: 002701). She is also an independent director of Shanghai Baosteel Gases Limited, a wholly-owned subsidiary of Baoshan Iron & Steel Co., Limited (listed on Shanghai Stock Exchange, stock code: 600019).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to the maintenance of good corporate governance practices and procedures. The Board and the management believe that a good corporate governance practices is essential to the success of the Company and enhancement of shareholders' value. The Company has adopted the Corporate Governance Code (the "CG Code") as contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance practices.

Throughout the year under review, the Company had complied with all the code provisions of the CG Code except for the deviations as stated below:

(i) Pursuant to the Code Provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term, subject to re-election. Currently all directors (including non-executive directors) are not appointed for a fixed term. However, according to Article 101 of the Articles of Association of the Company, one-third of the directors (including executive and non-executive Directors) shall retire each year and every director shall be subject to retirement by rotation at least once every three years. The retiring director shall be eligible for re-election. The Board believes that the current arrangement will give the Company sufficient flexibility to organise the composition of the Board to serve the needs of the Group.

(ii) Pursuant to the Code Provision E.2.1 of the CG Code, the chairman of the Board should attend the annual general meeting ("AGM") to answer questions at the AGM. Mr. Jiang Zhaobai, the chairman of the Board did not attend the 2015 AGM due to other business engagements. Mr. Lam Cheung Shing, Richard, being the executive director of the Company, attended the AGM on 2 September 2015 and was delegated to make himself available to answer questions if raised at the meeting.

The Board will continue to review and improve the corporate governance practices and procedures and make necessary changes when it considers appropriate.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the directors and relevant employees of the Company. Having made specific enquiry to all directors, the Company confirms that all directors have complied with the Model Code throughout the year under review.

THE BOARD

The Board represents the highest level of authority in the governance structure of the Company. It is mainly responsible for the overall strategic development of the Company and its subsidiaries (collectively the "Group"), monitoring the Group's business and financial performance, formulating and reviewing the Group's corporate governance policies set out in the Code Provision D.3.1 of the CG Code, as well as leading and supervising the management to ensure thorough implementation of the Board's decisions and effective performance of their duties.

While at all times the Board retains full responsibility for guiding and monitoring the operations of the Group, in discharging its duties, certain responsibilities are delegated to: (i) the Chief Executive Officer, being delegated with the day-to-day management of the businesses of the Group, is accountable to the Board; (ii) the senior management team of the Group, being delegated with the responsibilities to deal with daily operational functions, is answerable to the Executive Directors; and (iii) the standing Board committees of the Company namely: the Audit Committee, the Remuneration Committee and the Nomination Committee. Each committee's constitution, powers duties and functions are clearly defined by its terms of reference, and the committees are accountable to the Board.

Composition of the Board

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors. The details of the composition of the Board are as follows:

Name of Director	Year of service in the Group
Executive Directors	
Mr. Jiang Zhaobai *(Chairman)*	3.5 years
Mr. Lam Cheung Shing, Richard *(CEO)*	15.4 years
Mr. Chen Yi, Ethan	4.1 years
Mr. Shen Angang	4.1 years
Independent Non-executive Directors	
Mr. Ho Yiu Yue, Louis	7 years
Mr. Ko Ming Tung, Edward	7 years
Professor Shan Zhemin	1.4 year

All directors (including executive and non-executive directors) are not appointed for a fixed term but are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the Executive Directors possess extensive experience in corporate and financial administration, project management, assets management and international business while the three Independent Non-Executive Directors possess professional knowledge and broad experience in finance, law and management respectively. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the shareholders and the Company. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge. To the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationships) among the members of the Board.

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

CORPORATE GOVERNANCE REPORT

In accordance with the Articles of Association of the Company, Mr. Jiang Zhaobai, Mr. Lam Cheung Shing, Richard and Mr. Ko Ming Tung, Edward shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, have offered themselves for re-election. The Nomination Committee has also recommended to the Board that they are eligible for re-election.

During the year ended 31 March 2016, four board meetings were held to review and approve financial results, evaluate operating performance, disposal of assets and business development including material acquisition and connected transaction.

Roles of Chairman and Chief Executive Officer

The positions of the Chairman and the Chief Executive Officer of the Company are held by two different Executive Directors, namely Mr. Jiang Zhaobai and Mr. Lam Cheung Shing, Richard respectively. Their roles and duties are segregated, with a clear division of responsibilities. Mr. Jiang Zhaobai, the Chairman, is to provide leadership and management of the Board while Mr. Lam Cheung Shing, Richard, the Chief Executive Officer, is responsible for the implementation of strategies and objectives set by the Board and answerable to the Board for the operations of the Group.

Functions of Corporate Governance

The Board is responsible for performing corporate governance duties to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuing professional development of Directors and senior management; to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Group's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year and up to the date of this report, the Board has performed the corporate governance duties in accordance with its terms of reference.

BOARD COMMITTEES

The Board has three committees namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of the committees has been established with written terms of reference that state its powers, duties and functions, which are available on the website of the Company and the Hong Kong Stock Exchange.

Audit Committee

The Audit Committee comprises three independent non-executive directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Professor Shan Zhemin. It is to oversee the financial reporting system, risk management and internal control systems of the Company, to review and monitor the external auditors' independence and objectivity, and to review the adequacy of resources, qualification and experience of staff of the accounting and financial reporting functions and their training programmes, and the effectiveness of the audit process in accordance with applicable standard.

During the year ended 31 March 2016, the Audit Committee held three meetings. The major work performed by the Audit Committee included reviewing the Group's internal controls, audit plans, annual report, interim reports, financial statements, approving the remunerations and terms of engagement of the external auditors and making recommendation to the Board on the re-appointment of external auditors.

Remuneration Committee

The Remuneration Committee comprises two independent non-executive directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Remuneration Committee) and Mr. Ko Ming Tung, Edward and one executive director namely, Mr. Lam Cheung Shing, Richard and is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company.

During the year ended 31 March 2016, the Remuneration Committee held one meeting. At the meeting, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration package of individual executive director.

Nomination Committee

The Nomination Committee comprises two independent non-executive directors, namely Mr. Ko Ming Tung, Edward (chairman of the Nomination Committee) and Mr. Ho Yiu Yue, Louis and one executive director namely, Mr. Lam Cheung Shing, Richard. It is responsible for review the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall identify suitable individuals qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, and assess the independence of independent non-executive directors.

The Board has adopted a board diversity policy effective in August 2013. All Board appointments will be based on merit and selection of candidates will be based on a range of diversity factors. The Nomination Committee is responsible for developing measurable objectives to implement this policy and for monitoring progress towards the achievement of these objectives.

During the year ended 31 March 2016, the Nomination Committee held one meeting. At the meeting, the Nomination Committee has reviewed the structure, size and diversity of the Board and discussed the re-election of retiring Directors at the annual general meeting.

ATTENDANCE RECORD OF THE MEETINGS

The number of meetings held by the Board, the Board Committees and the Company during the year ended 31 March 2016 and the attendance of each director are set out in the table below:

	Meetings attended/held during the terms of office				
Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General meeting*
Executive Directors					
Mr. Jiang Zhaobai	3/4	N/A	N/A	N/A	0/3
Mr. Lam Cheung Shing, Richard	4/4	N/A	1/1	1/1	3/3
Mr. Chen Yi, Ethan	4/4	N/A	N/A	N/A	0/3
Mr. Shen Angang	3/4	N/A	N/A	N/A	0/3
Independent Non-executive Directors					
Mr. Ho Yiu Yue, Louis	4/4	3/3	1/1	1/1	3/3
Mr. Ko Ming Tung, Edward	4/4	3/3	1/1	1/1	3/3
Professor Shan Zhemin	2/4	2/3	N/A	N/A	0/3

* including 2015 AGM held on 2 September 2015 and two general meetings held on 2 September 2015 and 11 March 2016 respectively.

DIRECTORS' TRAINING

During the year, the Company had provided to the directors monthly updates and presentations on changes and developments to the Group's business and to the legislative regulatory environments in which the Group operates. All directors are also encouraged to attend relevant training courses at the Company's expense. All directors are required to provide the Company with their record of training. The individual training record of each director received for the year ended 31 March 2016 is summarised below:

Name of Directors	Type of trainings
Mr. Jiang Zhaobai	B
Mr. Lam Cheung Shing, Richard	A, B
Mr. Chen Yi, Ethan	A, B
Mr. Shen Angang	B
Mr. Ho Yiu Yue, Louis	B
Mr. Ko Ming Tung, Edward	A, B
Professor Shan Zhemin	A, B

Note:

(A) Attending seminar(s)/programme(s)/conference(s)

(B) Reading materials relevant to the business or directors' duties

AUDITORS' REMUNERATION

During the year ended 31 March 2016, the remuneration paid/payable to Messrs. HLB Hodgson Impey Cheng Limited ("HLB"), the external auditors of the Company, for the provision of audit services and non-audit services are as follows:

Services Rendered	HK$
Audit services	1,800,000
Non-audit services:	
— Interim review	180,000
— Other services	120,000
	2,100,000

ACCOUNTABILITY AND AUDIT

The Board acknowledged responsibility for reviewing the accounts of the Company prepared by the management for the year ended 31 March 2016 and ensuring the accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgment and estimates made are fair and reasonable; and that the accounts are prepared on a going concern basis.

A statement by the auditors about their reporting responsibilities is contained in the Independent Auditors' Report on pages 26 to 27 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for maintaining sound and effective risk management and internal control systems to safeguard the Group's assets and shareholder's interest and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis. The Company has a process for identifying, evaluating, and managing the significant risks to the achievement of its operational objective. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The Company will carry out reviews on the effectiveness of the risk management and internal control systems from time to time in order to ensure that they are able to meet and deal with the dynamic and ever changing business environment.

For the year ended 31 March 2016, the Company engaged an independent professional adviser to conduct an internal control review and reached the conclusion that the Group's internal control system was in place and effective.

COMPANY SECRETARY

The company secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy, procedures and all applicable rules and regulations. The company secretary reports to the Board through the chief executive officer whilst all members of the Board have access to the advice of the company secretary.

Mr. Lau Chi Lok, Freeman, the company secretary of the Company is a full time employee of the Group and has day-to-day knowledge of the Company's affair. During the year, he has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

(i) Convening EGM and putting forward proposal at general meetings

In accordance with Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("CO"), the directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests must state the general nature of the business to be dealt with at the meeting; and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests may sent be sent to the Company in hard copy form or in electronic form; and must be authenticated by the person or persons making it. In accordance with Section 567 of the CO, the directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the CO and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Besides, Section 615 of the CO provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate. Such requests (a) may be sent to the Company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the CO provides that the Company that is required under Section 615 of the CO to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the annual general meeting (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

(ii) Procedure for Shareholders to propose a person for election as Director

In accordance with Article 101 of the Articles of Association of the Company, no person other than a retiring Director shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election and notice in writing by that person of his willingness to be elected shall have been lodged at the Company at least seven days before the date of the general meeting and that the period for lodgment of both of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

(iii) Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at 15/F, CCB Tower, 3 Connaught Road Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the chief executive officer of the Company.

INVESTORS RELATIONS

Communication with Shareholders

To promote effective communication with the public at large, the Company maintains a website (www.everchina202.com.hk) on which comprehensive information about the Company's major businesses, financial information and announcements, annual and interim reports and shareholders circulars are being made available.

The Company also has engaged a professional public relations consultancy company to organise various investor relations programs aiming at increasing the transparency of the Company, enhancing communication with shareholders and investors, increasing their understanding of and confidence in the Group's businesses and promoting market recognition of and support to the Company.

The Company recognises the importance of maintaining on-going communications with its shareholders and encourages them to attend shareholders' meetings to stay informed of the Group's businesses and convey any concerns they may have to the Directors and senior management. In addition, a shareholder may serve an enquiry to the Board at the Registered Office for the attention of the Board in written form, which shall state the nature of the enquiry and the reason for making the enquiry.

The chairman of the Board and members of the Board Committee will attend the annual general meeting to answer questions. Voting at general meetings of the Company is conducted by way of poll in accordance with the Listing Rules. The poll results will be announced at general meetings and published on the websites of the Stock Exchange and the Company.

Constitutional Documents

At the 2015 AGM, a special resolution was passed regarding the adoption of a new Articles of Association in respect of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3rd March, 2014. Summary of the key amendments to the Articles of Association are set out in the circular of the Company dated 29 July 2015.

REPORT OF DIRECTORS

The Directors of the Company present their report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of the principal subsidiaries is set out in note 41 to the consolidated financial statements.

BUSINESS REVIEW

A business review of the Group during the year and a discussion on the Group's future business development is shown in the "Management Statement" on pages 3 to 8 of this Annual Report. The Management Statement also forms part of this report of the directors. The description of possible risks and uncertainties that the Group may be facing are set out in notes 39 to the consolidated financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to environmental protection and the efficient use of resources. The Group encouraged the employees to develop good habits, conserve resources and energy to build a green and comfortable office environment. The Group has adopted various environmental policies which include minimising consumption of electricity and paper, waste reduction and promoting the use of electronic communication and storage. They are regularly reviewed and results are closely monitored.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and the PRC. Our establishment and operations accordingly shall comply with all the applicable laws and regulations in the jurisdictions where we have operations. Meanwhile, the Company is a company listed in Hong Kong. The Group also has to comply with the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange of Hong Kong").

As far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations that has a significant impact on the business and operation of the Group during the year.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Human resources are regarded as the most important and valuable assets of the Group. Competitive remuneration packages are provided to attract and motivate employees. In addition, to conform to the market standard, the Group regularly reviews the remuneration package of employees and makes necessary adjustments. Moreover, the Group understands the importance of maintaining good relationship with business partners is vital to achieve its long-term goals. Thus, management of the Group have kept good communication, promptly exchanged ideas and shared business update with them as and when appropriate. During the year, there was no material and significant dispute between the Group and its business partners.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss on page 28 of the annual report.

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

REPORT OF DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 109 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on pages 31 to 32 and note 33 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2016, the Company did not have any distributable reserves.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 17 to the consolidated financial statements.

Particulars of the major properties of the Group held for investment purposes at 31 March 2016 are set out on page 110 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements respectively.

BANK AND OTHER BORROWINGS

Particulars of bank and other borrowings of the Group as at 31 March 2016 are set out in note 29 to the consolidated financial statements.

DIRECTORS

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

Executive directors:
Mr. Jiang Zhaobai
Mr. Lam Cheung Shing, Richard
Mr. Chen Yi, Ethan
Mr. Shen Angang

Independent non-executive directors:
Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Professor Shan Zhemin

REPORT OF DIRECTORS

In accordance with the Company's articles of association, the Directors of the Company (including the Independent Non-Executive Directors) shall be subject to retirement by rotation at each annual general meeting. Mr. Jiang Zhaobai, Mr. Lam Cheung Shing, Richard and Mr. Ko Ming Tung, Edward shall retire by rotation at the forthcoming annual general meeting. All of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS OF SUBSIDIARIES

A list of the names of the directors of the Group's principal subsidiaries during the year and up to the date of this report can be found in the Company's website at www.everchina202.com.hk under "Company Info".

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in Section 469 of the Companies Ordinance) for the benefit of the Directors of the Company is currently in force and was in force throughout the year. The Company has arranged insurance cover in respect of legal action against its Directors. The insurance coverage is reviewed at least annually for ensuring that the Directors and officers are adequately protected against potential liabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2016, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares and underlying shares

Name of Director	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation	1,742,300,000	28.66%
Shen Angang	Beneficial owner	187,865,000	3.09%
Lam Cheung Shing, Richard	Beneficial owner	7,700,000	0.13%

Save as disclosed above, as at 31 March 2016, none of the Directors and chief executives of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

REPORT OF DIRECTORS

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirements under rule 13.51B(1) of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the changes/update of information of Directors are as follows:

— With effect from 16 July 2015, the monthly remuneration of Mr. Chen Yi, Ethan, an executive Director of the Company has been increased from HK$100,000 to HK$115,000.

— With effect from 1 January 2016, the monthly remuneration of Mr. Lam Cheung Shing, Richard, chief executive officer and an executive Director of the Company has been increased from HK$278,000 to HK$293,000.

— Mr. Ko Ming Tung, Edward is an independent non-executive director of Chia Tai Enterprises International Limited, whose shares commenced to be listed on the Main Board of the Stock Exchange on 3 July 2015. In addition, he has resigned as a non-executive director of Harmonic Strait Financial Holdings Limited whose shares commenced to be listed on the Main Board of the Stock Exchange with effect from 25 July 2015 and has been appointed as an independent non-executive director of Chinese Energy Holdings Limited whose shares are listed on the Main Board of the Stock Exchange on 17 August 2015.

— Professor Shan Zhemin, has been appointed as an independent director of ORG Packaging Company Limited, whose shares are listed on the Shenzhen Stock Exchange on 30 May 2016.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or its subsidiaries 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.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. During the year and up to the date of this report, the Company has not granted any share options under the Share Option Scheme. Particulars of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

REPORT OF DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:

Long positions in shares and underlying shares

Name of Substantial Shareholders	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation (Note)	1,742,300,000	28.66%
Rich Monitor Limited	Beneficial owner	1,033,300,000	17.00%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	11.66%

Note: The entire issued share capital of Rich Monitor Limited and Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 1,742,300,000 shares of the Company under the SFO.

Save as disclosed above, as at 31 March 2016, the Company has not been notified by any other person or corporation having interests or short positions in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

CONNECTED TRANSACTIONS

Details of connected transaction is set out in note 38(a) to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 38(b), (c) and (d) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of turnover attributable to the Group's five largest customers to the total turnover during the year was 50%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 14%.

Due to the nature of the activities of the Group, there is no major supplier contributed significantly in the Group's purchases for the year.

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

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2016.

REPORT OF DIRECTORS

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 37 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in note 42 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of its directors, the directors confirmed that the Company has maintained a sufficient public float as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the year.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 12 to 19.

AUDITORS

The consolidated financial statements for the year ended 31 March 2016 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Jiang Zhaobai
Chairman

Hong Kong, 24 June 2016

INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF
EVERCHINA INT'L HOLDINGS COMPANY LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of EverChina Int'l Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 28 to 108, which comprise the consolidated statements of financial position as at 31 March 2016, and 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 give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance 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 Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 24 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operations			
Revenue	7	**86,811**	51,544
Cost of sales		**(5,667)**	(2,386)
Other income and gain, net	8	**54,382**	37,502
Staff costs	9	**(34,906)**	(19,354)
Amortisation and depreciation		**(16,527)**	(6,809)
Administrative costs		**(76,671)**	(51,188)
Other operating expenses		**(48,484)**	(11,757)
Impairment loss recognised in respect of mining rights	19	**(598,136)**	(194,200)
Net loss on financial assets at fair value through profit or loss	15	**(896,143)**	(143,476)
Fair value change in investment properties	17	**14,300**	18,133
Loss from operations	10	**(1,521,041)**	(321,991)
Finance costs	11	**(42,887)**	(47,932)
Share of result of an associate	21	**(1,138)**	29,050
Gain on loss of significant influence of an associate	21	**882,107**	–
Loss on partial disposal of shares in an associate	21	**–**	(61,026)
Loss before taxation		**(682,959)**	(401,899)
Taxation	12	**(1,591)**	(54,009)
Loss for the year from continuing operations		**(684,550)**	(455,908)
Discontinued operations			
Loss for the year from discontinued operations	13	**(1,320)**	(29,678)
Loss for the year		**(685,870)**	(485,586)
Loss for year attributable to:			
Owners of the Company		**(685,672)**	(403,159)
Non-controlling interests		**(198)**	(82,427)
		(685,870)	(485,586)
Loss per share attributable to the owners of the Company	14	**HK cents**	HK cents
From continuing and discontinued operations			
— Basic and diluted		**(11.280)**	(6.632)
From continuing operations			
— Basic and diluted		**(11.258)**	(6.144)

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	2016 HK$'000	2015 HK$'000
Loss for the year	**(685,870)**	(485,586)
Other comprehensive (loss)/income for the year		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of overseas subsidiaries	**(207,479)**	9,143
Release of reserve upon loss of significant influence of an associate	**(18,976)**	–
Reclassification adjustment related to foreign operations disposal during the year	**–**	(1,733)
Share of other comprehensive income of an associate	**51**	26
Total comprehensive loss for the year	**(912,274)**	(478,150)
Total comprehensive loss attributable to:		
Owners of the Company	**(912,076)**	(397,257)
Non-controlling interests	**(198)**	(80,893)
	(912,274)	(478,150)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Investment properties	17	**612,549**	634,250
Property, plant and equipment	18	**536,429**	585,083
Mining rights	19	**271,880**	870,016
Goodwill	20	**63,807**	63,807
Interest in an associate	21	**–**	1,467,959
Other non-current assets	22	**26,254**	44,806
		1,510,919	3,665,921
Current assets			
Inventories	23	**9**	15
Trade and other receivables and prepayments	24	**858,084**	1,039,073
Amount due from an associate	21	**–**	107,297
Loan receivables	25	**273,173**	249,436
Financial assets at fair value through profit or loss	26	**1,528,024**	368,193
Tax recoverable		**1,407**	1,338
Cash and cash equivalents	27	**305,451**	468,859
		2,966,148	2,234,211
Total assets		**4,477,067**	5,900,132
Capital and reserves			
Share capital	31	**2,490,454**	2,490,454
Reserves		**1,217,194**	2,187,118
Equity attributable to owners of the Company		**3,707,648**	4,677,572
Non-controlling interests		**42,812**	303,162
Total equity		**3,750,460**	4,980,734
Non-current liability			
Deferred tax liabilities	30	**117,104**	123,457
Current liabilities			
Bank overdraft	29	**–**	212
Trade and other payables and deposits received	28	**53,828**	58,657
Tax payable		**2,263**	3,307
Bank borrowings	29	**16,004**	21,916
Other borrowings	29	**537,408**	711,849
		609,503	795,941
Total liabilities		**726,607**	919,398
Total equity and liabilities		**4,477,067**	5,900,132
Net current assets		**2,356,645**	1,438,270
Total assets less current liabilities		**3,867,564**	5,104,191

Approved by the Board of Directors on 24 June 2016 and signed on its behalf by:

Jiang Zhaobai
Director

Lam Cheung Shing, Richard
Director

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Equity attributable to owners of the Company								
	Share Capital HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Exchange reserve HK$'000	Statutory surplus reserve HK$'000	Retained earnings/ (accumulated losses) HK$'000	Sub-total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 April 2014	2,490,454	571,996	1,342,477	341,802	871	327,229	5,074,829	384,055	5,458,884
Exchange differences on translation of overseas subsidiaries	–	–	–	7,609	–	–	7,609	1,534	9,143
Reclassification adjustment upon disposal of associates	–	–	–	(1,733)	–	–	(1,733)	–	(1,733)
Share of other comprehensive income of an associate	–	–	–	26	–	–	26	–	26
Net loss for the year	–	–	–	–	–	(403,159)	(403,159)	(82,427)	(485,586)
Total comprehensive income /(loss) for the year	–	–	–	5,902	–	(403,159)	(397,257)	(80,893)	(478,150)
At 31 March 2015 and 1 April 2015	2,490,454	571,996	1,342,477	347,704	871	(75,930)	4,677,572	303,162	4,980,734
Exchange differences on translation of overseas subsidiaries	–	–	–	(207,479)	–	–	(207,479)	–	(207,479)
Share of other comprehensive income of an associate	–	–	–	51	–	–	51	–	51
Release of reserve upon loss of significant influence of an associate	–	–	–	(18,976)	–	–	(18,976)	–	(18,976)
Net loss for the year	–	–	–	–	–	(685,672)	(685,672)	(198)	(685,870)
Total comprehensive loss for the year	–	–	–	(226,404)	–	(685,672)	(912,076)	(198)	(912,274)
Acquisition of additional interest in subsidiaries	–	–	–	1,528	–	(59,376)	(57,848)	(260,152)	(318,000)
At 31 March 2016	**2,490,454**	**571,996**	**1,342,477**	**122,828**	**871**	**(820,978)**	**3,707,648**	**42,812**	**3,750,460**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

Special reserve

The special reserve represented the difference between the nominal value of shares of Burlingame International Company Limited ("Burlingame") and the nominal value of shares issued for the swap of the shares of Burlingame pursuant to the scheme of arrangement as set out in the document issued by the Company and Burlingame dated 27 July 2000.

Contributed surplus

Pursuant to a special resolution by the shareholders of the Company at a special general meeting held on 18 September 2009 and upon all conditions precedents to the capital reorganisation have been fulfilled on 9 April 2010, (i) the nominal value of each share was reduced from HK$0.10 to HK$0.01 by cancelling the Company's paid up capital to the extent of HK$0.09 on each share, (ii) part of the credit arising from capital reduction was utilised to set off accumulated loss of the Company and (iii) the remaining credit balance in the contributed surplus of the Company will be utilised in accordance with the bye-laws of the Company and all applicable laws.

Exchange reserve

Exchange reserve represents 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 the consolidated statement of profit or loss and other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to the consolidated statement of profit or loss on the disposal of the foreign operations.

Statutory surplus reserve

Statutory surplus reserve represents the appropriation of 10% of profit after taxation, calculated in accordance with the accounting standards and regulations applicable to subsidiaries of the Company established in the People's Republic of China ("PRC"). When the balance of such statutory reserve reaches 50% of the Group's registered capital, any further appropriation is optional.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES			
Loss before taxation — continuing operations		**(682,959)**	(401,899)
Loss before taxation — discontinued operations		**(1,320)**	(29,678)
Adjustments for:			
Depreciation of property, plant and equipment	18	**16,527**	6,809
Fair value change in investment properties	17	**(14,300)**	(18,133)
Impairment loss recognised in respect of trade and other receivables and prepayments	24	**41,977**	28,674
Impairment loss recognised in respect of other non-current assets	22	**10,674**	11,184
Impairment loss in respect of mining rights	19	**598,136**	194,200
Written off of property, plant and equipment	18	**–**	9,267
Written off of other non-current assets		**5,488**	–
Written off of trade and other receivables and prepayments		**1,659**	–
(Gain)/loss on disposal of property, plant and equipment	18	**(63)**	284
Loss on partial disposal of shares in an associate	21	**–**	61,026
Gain on loss of significant influence of an associate		**(882,107)**	–
Share of results of an associate	21	**1,138**	(29,050)
Net loss on financial assets at fair value through profit or loss		**882,862**	143,476
Interest income		**(2,734)**	(11,412)
Interest expenses	11	**42,887**	47,932
Operating cash flows before movements in working capital		**17,865**	12,680
Decrease in other non-current assets		**–**	2,167
Decrease/(increase) in inventories		**6**	(1)
Increase in loan receivables		**(23,737)**	(21,919)
Decrease in trade and other receivables and prepayments		**197,051**	567,992
Decrease/(increase) in financial assets at fair value through profit or loss		**287,260**	(323,160)
Decrease in amount due from an associate		**107,297**	–
Decrease in trade and other payables and deposits received		**(4,829)**	(8,306)
Cash generated from operating activities		**580,913**	229,453
Profits tax paid		**(9,057)**	(50,754)
Interest received		**2,734**	11,412
Net cash generated from operating activities		**574,590**	190,111

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	18	**(2,258)**	(526)
Net cash outflow arising from acquisition of subsidiaries	35	**–**	(564,502)
Acquisition of addition interest in a subsidiary		**(159,000)**	–
Proceeds on disposal of property, plant and equipment		**110**	–
Proceeds on partial disposal of share in an associate		**–**	391,509
Deposit paid for acquisition of investment property		**(218,698)**	–
Advanced from amounts due from an associate		**–**	(113,960)
Net cash used in investing activities		**(379,846)**	(287,479)
FINANCING ACTIVITIES			
Interest paid		**(42,887)**	(46,952)
New bank and other borrowings raised		**–**	801,147
Repayment of bank and other borrowings		**(180,353)**	(509,957)
Net cash (used in)/generated from financing activities		**(223,240)**	244,238
Net (decrease)/increase in cash and cash equivalents		**(28,496)**	146,870
Cash and cash equivalents at beginning of the year		**468,647**	321,777
Effect of change in foreign exchange rate		**(134,700)**	–
Cash and cash equivalents at end of the year		**305,451**	468,647
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	27	**305,451**	468,859
Bank overdraft	29	**–**	(212)
		305,451	468,647

The accompanying notes form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are located at 15th Floor, CCB Tower, 3 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding, hotel operation, property investment, financing and securities investment and natural resources during the year. The environmental water treatment operation was discontinued in the current year. (see note 13(b)).

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all amounts are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure provisions of 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 (Cap. 622). In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, except for the changes made to presentation and disclosures of certain information in the consolidated financial statements, the adoption of the New Hong Kong Companies Ordinance did not have any significant impact on the consolidated financial statements.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant are set out in note 5.

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

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

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

2. 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.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE (CAP. 622)

In the current year, the Group has applied, for the first time, a number of new standards, amendments and interpretations issued by the HKICPA (hereinafter collectively referred to as "new and revised HKFRSs"), which are effective for the Group's financial year beginning on 1 April 2015.

Amendments to HKAS 19	Defined Benefits Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle

The adoption of the above new and revised HKFRSs to existing standards does not result in substantial changes to the Group's accounting policies or financial results.

Amendments to HKAS 19: Defined Benefit Plans: Employee Contributions

The amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND NEW HONG KONG COMPANIES ORDINANCE (CAP. 622) *(Continued)*

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year is as follows:

- HKFRS 8 Operating Segments: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no significant impact on the Group.

- HKAS 16 Property, Plant and Equipment and HKAS 38 Intangible Assets: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Company does not apply the revaluation model for the measurement of these assets.

- HKAS 24 Related Party Disclosures: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 Business Combinations: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Company as the Company is not a joint arrangement and the Company did not form any joint arrangement during the year.

- HKFRS 13 Fair Value Measurement: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKFRS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 Investment Property: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisition of investment properties. The amendment has had no impact on the Group as the Group acquired investment properties during the year and the relevant transaction is classified as a purchase of asset.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instrument[3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[3]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
HKFRS 16	Lease[5]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.
3 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2019. Early application is permitted provided HKFRS 15 Revenue from Contracts with Customers is also applied.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new amendments for general hedge accounting. Another revised version of HKFRS 9 was issued in July 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' (FVTOCI) measurement category for certain simple debt instruments impairment.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in consolidated profit or loss;

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Key requirements of HKFRS 9: *(Continued)*

- 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 attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in consolidated 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; and

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

HKFRS 15 Revenue from Contracts with Customers

In May 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15. The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 12 Income Taxes regarding the recognition of deferred taxes at the time of acquisition and HKAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments should be applied prospectively to acquisitions of interests in joint operations (in which the activities of the joint operations constitute business as defined in HKFRS 3) occurring from the beginning of annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments to HKAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Company do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 16 and HKAS 41 Agriculture: Bearer Plants

The amendments to HKAS 16 and HKAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with HKAS 16, instead of HKAS 41. The produce growing on bearer plants continues to be accounted for in accordance with HKAS 41.

The directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 41 will have a material impact on the Group's consolidated financial statements as the Group is not engaged in agricultural activities.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. The directors of the Company anticipate that the application of these amendments to HKFRS 10 and HKAS 28 may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to HKFRS 10, HKFRS 12 and HKAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10, HKFRS 12 and HKAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Annual Improvements to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high qualify corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

HKFRS 16 Leases

The Group is a lessee of certain land and buildings which are currently classified as operating leases. The Group's current accounting policy for such lease is to record the rental expenses in the Group's consolidated income statement for the current year with the related operating lease commitments being separately disclosed. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the consolidated statement of financial position. Short- term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the Group's consolidated statement of financial position. In the Group's consolidated statement of comprehensive income, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The Group is yet to assess the full impact of the standard on its financial position and results of operations.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

— the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

— potential voting rights held by the Group, other vote holders or other parties;

— rights arising from other contractual arrangements; and

— any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described below.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate, the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment or a portion thereof is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest in an associate *(Continued)*

When the Group loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets or 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 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.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate.

After the disposal takes place, the Group accounts for any retained interest in the investment in accordance with HKAS 39 unless the retained interest continues to be an associate, in which case the Group uses the equity method.

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

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

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business net of discounts and sales related taxes and includes the following items:

(a) Rental income

Rental income, including rentals invoiced in advance, from properties under operating leases is recognised on a straight-line basis over the term of the relevant lease.

(b) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

(c) Hotel income

Revenue from room rental, food and beverage sales and other ancillary services in the hotel recognised when the relevant services have been rendered.

Property, plant and equipment

Property, plant and equipment, other than properties under development and construction in progress, are stated at cost less accumulated depreciation and impairment losses.

Property, plant and equipment including buildings and leasehold land 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.

Properties under development are stated at cost, less any impairment loss. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for mining structures, depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method at the following principal annual rates. 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.

Buildings — Hotel properties	Over the shorter of the estimated useful lives of 50 years and the terms of the leases
Leasehold improvements	Over the terms of the leases
Furniture and fixtures	15%
Equipment, motor vehicle and others	20%

Mining structures (including the main and auxiliary mine shafts) are depreciated on a unit-of production basis over the economically recoverable reserves of the mine concerned.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on the estimated selling prices less any estimated costs expected to be incurred to disposal.

Mining rights

Mining rights are stated at cost less accumulated amortisation and any impairment losses. The mining rights are amortised over the estimated useful lives of the mines in accordance with the production plan of the entities concerned and the proven and probable reserves of the mines using the unit of production method.

Exploration and evaluation expenditure

Exploration and evaluation assets include topographical and geological surveys, exploratory drilling, sampling and trenching and activities in relation to commercial and technical feasibility studies, and expenditure incurred to secure further mineralisation in existing manganese mine and to expand the capacity of a mine. Expenditure incurred prior to acquiring legal rights to explore an area is written off as incurred. Exploration and evaluation assets acquired in a business combination are initially recognised at fair value. They are subsequently stated at cost less accumulated impairment. When it can be reasonably ascertained that a mining property is capable of commercial production, exploration and evaluation costs are transferred to tangible or intangible assets according to the nature of the exploration and evaluation assets. If any project is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of tangible and intangible assets other than goodwill *(Continued)*

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

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

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

Financial instruments

Financial assets and financial liabilities are recognised 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) and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

— it has been acquired principally for the purpose of selling it in the near term; or

— on initial recognition it is 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.

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 incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item. Fair value is determined in the manner described in note 26.

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 trade and other receivables, loan receivables, amount due from an associate, bank balances and 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 where the recognition of interest would be immaterial.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(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 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; or

— the disappearance of an active market for that financial asset because of financial difficulties.

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

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 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.

Financial liabilities and equity instruments

Classification as debt or equity

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.

Other financial liabilities

Other financial liabilities (including trade and other payables, bank borrowings and other borrowings) are subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing cost ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition *(Continued)*

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.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income/statement of profit or loss because of items 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than 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 arising on investment in subsidiaries and an associate, 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax *(Continued)*

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

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

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

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

Current and deferred tax for the year

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the consolidated statement of profit or loss.

Cash and cash equivalents

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Provision

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 the 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Rehabilitation provision

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred prior to the production of related manganese. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in finance costs. Additional disturbances or changes in rehabilitation costs will be recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognised immediately in the consolidated statement of profit or loss.

Other non-current assets

Other non-current assets are stated at cost, less any identified impairment losses.

Art works and jade

Art works and jade are stated at cost less accumulated impairment loss.

Art works and jade are derecognised upon disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

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

Exchange differences 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 (see the accounting policies below); 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. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. 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

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group entity in the PRC participates in defined contribution retirement benefit plans (including Housing Provident Fund) organised by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The Group has no further obligation for post-employment benefits beyond the contributions made. The Group's contributions to these plans are charged to the consolidated statement of profit or loss as incurred.

Share-based compensation

The fair value of the employee services received in exchange for the grant of the share options and restricted share awards is recognised as an expense in the consolidated statement of profit or loss.

The total amount to be expensed over the vesting period is determined with reference to the fair value of the share options and restricted share awards granted. At the end of each reporting period, the Company revises its estimates of the number of share options that are expected to become exercisable and the number of restricted share awards that become vested. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of profit or loss, and a corresponding adjustment to equity in the consolidated statement of financial position will be made over the remaining vesting periods.

The proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium accounts where the share options are exercised and when the restricted are exercised and when the restricted share award are vested.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a holding company of the Group.

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

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

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

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Group.

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

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the most senior executive management that makes strategic decisions.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Estimated impairment of goodwill

The Group performs annual tests on whether there has been impairment of intangible assets in accordance with the accounting policy stated in note 4. The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations.

Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(a) current prices in an active market for properties of different nature, condition or location (or subject to different leases or other contracts), with adjustments to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions underlying management's estimate of fair value are those relating to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield, and actual transactions of the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group's management estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise judgments in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (i) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (ii) whether the carrying value of the asset can be supported by the net present value of the future cash flows which are estimated based upon the continuing use of the asset or disposal; (iii) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions applied by management to determine the level of impairment, including the discount rates and the growth rate assumptions in the cash flow projections, could material affect the net present value result in the impairment test.

Trade and other receivables

The aged debt profile of receivables are reviewed on a regular basis to ensure that the receivables are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of receivables are called into doubts, specific provisions for bad and doubtful debts are made based on credit status of the customers, the aged analysis of the receivables and past collection history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the statement of profit or loss. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong, Mainland China and overseas. The Group carefully evaluates tax implications of transactions in accordance with the prevailing tax regulations and makes tax provision accordingly. However, judgment is required in determining the Group's provision for income taxes as there are many transactions and calculations of which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provision in the periods in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers that it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Fair value of other financial assets and liabilities

The fair value of loan and receivables, financial assets and financial liabilities are accounted for or disclosed in the consolidated financial statements, the calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the consolidated financial statements.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Impairment of non-financial assets (other than goodwill)

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Production start date

The Group assesses the stage of mine under construction to determine when a mine moves into the production stage. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and is reclassified from"Properties under development to"Mining structures". Some of the criteria will include, but are not limited, to the following:

— the level of capital expenditure compared to the construction cost estimates

— completion of a reasonable period of testing of the mining plant and equipment

— ability to produce manganese in saleable form (within specifications)

— ability to sustain ongoing production of manganese

When a mine construction project moves into the production stage, the capitalisation of certain mine construction costs ceases and costs are either regarded as inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset if the initial estimate was originally recognised as part of an asset measured in accordance with HKAS 16 Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the profit or loss. As at 31 March 2016, no such provision is recognised as the production of the mine has not yet commenced (31 March 2015: nil).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

Manganese reserve and resource estimates

Manganese reserves are estimates of the amount of manganese that can economically and legally extracted from the Group's mining properties. The Group estimates its manganese reserves and mineral resources based on reserve reports compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the manganese body, and this requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the manganese body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortisation charges.

Units-of-production depreciation for mine specific assets

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. For the years ended 31 March 2016 and 2015 the management considered that commercial production of the mine has not yet commenced, no depreciation/amortisation has been made for the years ended 31 March 2016 and 2015.

6. SEGMENT INFORMATION

For management purpose, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments. Particulars of the Group's reportable operating segments are summarised as follows:

Continuing operations

Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Hotel operation	—	Hotel operation in the PRC
Financing and securities investment operation	—	Provision of financing service and securities investment operation in Hong Kong
Natural resources operation	—	Mining and production of manganese products including principally, through the Group's integrated processes, the beneficiation, concentrating, grinding and the production of manganese concentrate and natural discharging manganese in Republic of Indonesia ("Indonesia")

The Group ceased the securities dealing and brokerage operation since July 2012. Another operating segment regarding environmental water treatment was discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 13. Prior year comparative information has been restated.

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

The following is an analysis of the Group's revenue and result from continuing operations by reportable and operating segment:

	Segment revenue		Segment result	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Property investment operation	**26,998**	26,444	**31,957**	33,498
Hotel operation	**37,124**	7,595	**(680)**	(3,003)
Financing and securities investment operation	**22,689**	17,505	**(847,900)**	(111,158)
Natural resources operation	**–**	–	**(599,536)**	(205,007)
Total for continuing operations	**86,811**	51,544	**(1,416,159)**	(285,670)
Interest income and other revenue			**27,768**	10,303
Unallocated expenses			**(132,650)**	(46,624)
Loss from operations			**(1,521,041)**	(321,991)
Finance costs			**(42,887)**	(47,932)
Share of result of an associate			**(1,138)**	29,050
Gain on loss of significant influence of an associate			**882,107**	–
Loss on partial disposal share in an associate			**–**	(61,026)
Loss before taxation			**(682,959)**	(401,899)
Taxation			**(1,591)**	(54,009)
Loss for the year from continuing operations			**(684,550)**	(455,908)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2015: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs including directors' salaries, finance costs, share of result of an associate, gain on loss of significant influence of an associate and income tax expenses. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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

	2016 HK$'000	2015 HK$'000
Segment assets		
Property investment operation	**891,808**	659,407
Hotel operation	**600,377**	660,654
Financing and securities investment operation	**1,795,632**	646,311
Natural resources operation	**272,698**	1,029,789
Total segment assets	**3,560,515**	2,996,161
Assets relating to discontinued operations	**239,062**	240,265
Unallocated assets	**677,490**	2,662,368
Tax recoverable	**–**	1,338
Consolidated total assets	**4,477,067**	5,900,132

	2016 HK$'000	2015 HK$'000
Segment liabilities		
Property investment operation	**114,752**	96,326
Hotel operation	**56,827**	64,134
Financing and securities investment operation	**64,197**	234,025
Natural resources operation	**5,632**	9,023
Total segment liabilities	**241,408**	403,508
Liabilities relating to discontinued operations	**223**	217
Unallocated bank and other borrowings	**473,373**	477,987
Unallocated liabilities	**9,340**	34,379
Tax payable	**2,263**	3,307
Consolidated total liabilities	**726,607**	919,398

For the purposes of monitoring segment performance and allocating resource between segments:

All assets related to property investment operation, hotel operation, financing and securities investment operation and natural resources operation are allocated to reportable segments other than certain properties, plant and equipment, other receivables, prepayment and deposits and cash and bank balances that are not attributable to individual segments.

All liabilities related to property investment operation, hotel operation, financing and securities investment operation and natural resources operation are allocated to reportable segments other than certain other payables, deferred tax liabilities and borrowings that are not attributable to individual segments.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

For the year ended 31 March 2016

	Continuing operations				
	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Consolidated total HK$'000
Other segment information					
Amortisation and depreciation	1,792	13,676	–	–	15,468
Unallocated amounts					1,059
					16,527
Capital expenditure	–	350	–	–	350
Unallocated amounts					1,908
					2,258
Fair value change in investment properties (note 17)	(14,300)	–	–	–	(14,300)
Fair value change in financial assets at fair value through profit or loss (note 15)	–	–	896,143	–	896,143
Impairment loss recognised in respect of mining rights (note 19)	–	–	–	598,136	598,136
Impairment loss recognised in respect of trade and other receivables and prepayments	–	–	34,998	–	34,998

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2015

	Continuing operations				
	Property investment operation HK$'000	Hotel operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Consolidated total HK$'000
Other segment information					
Amortisation and depreciation	90	3,618	–	19	3,727
Unallocated amounts					3,082
					6,809
Capital expenditure	243	–	–	–	243
Unallocated amounts					283
					526
Fair value change in investment properties (note 17)	(18,133)	–	–	–	(18,133)
Fair value change in financial assets at fair value through profit or loss (note 15)	–	–	143,476	–	143,476
Written off of property, plant and equipment	–	–	–	9,267	9,267
Impairment loss recognised in respect of mining rights (note 19)	–	–	–	194,200	194,200

6. SEGMENT INFORMATION *(Continued)*

(d) Geographical information

The following table sets out information about the geographical location of the Group's revenue from continuing operations from external customers and the Group's investment properties, property, plant and equipment, mining rights, goodwill, interest in an associate and other non-current assets ("Specified Non-current Assets"). The geographical location of customers is based on the location at which the services were provided or goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the asset or the location of the operation to which they are allocated.

	Revenue from external customers		Specified non-current assets	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**22,689**	17,506	**26,848**	35,301
The PRC	**64,122**	34,038	**1,211,749**	2,760,162
Indonesia	**–**	–	**272,322**	870,458
	86,811	51,544	**1,510,919**	3,665,921

(e) Information from major customers

Revenue from continuing operations of approximately HK$12,274,000 was derived from financing and securities investment operation to a single customer (2015: HK$15,073,000 to one single customer from financing and securities investment operation). No other single customer contributed 10% or more to the Group's revenue for the years ended 31 March 2016 and 2015.

7. REVENUE

Revenue represents (i) property rental and management fee; (ii) hotel income; and (iii) interest income from loan receivables, and are analysed as follow:

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Continuing operations		
Property rental and management fee	**26,998**	26,444
Hotel income	**37,124**	7,595
Interest income from loan receivables	**22,689**	17,505
	86,811	51,544

8. OTHER INCOME AND GAIN, NET

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Continuing operations		
Bank interest income	**2,734**	11,412
Reversal of provision for bad debt	**25,734**	–
Gain on disposal of property, plant and equipment	**63**	–
Net foreign exchange gain	**2,346**	5,106
Sundry income	**6,472**	5,994
Other loan interest income	**17,033**	14,990
	54,382	37,502

9. STAFF COSTS

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Salaries and allowances (including directors' emoluments)	**32,216**	18,000
Retirement benefit scheme contributions	**2,690**	1,354
	34,906	19,354

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration

The emoluments paid or payable to each director were as follows:

Name of directors	Directors' fees		Salaries and benefits-in-kind		Retirement benefit scheme contributions		Share option granted		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors										
Jiang Zhaobai	180	180	3,600	2,100	18	9	–	–	3,798	2,289
Lam Cheung Shing, Richard	180	180	3,937	4,308	480	365	–	–	4,597	4,853
Chen Yi, Ethan (Note (i))	180	90	1,447	571	18	6	–	–	1,645	667
Shen Angang	180	180	–	–	–	–	–	–	180	180
Zhu Deyu (Note (ii))	–	30	–	–	–	–	–	–	–	30
Lu Yaohua (Note (ii))	–	30	–	–	–	–	–	–	–	30
Gu Yungao (Note (iii))	–	82	–	–	–	–	–	–	–	82
	720	772	8,984	6,979	516	380	–	–	10,220	8,131
Independent non-executive directors										
Ho Yiu Yue, Louis	180	180	–	–	–	–	–	–	180	180
Ko Ming Tung, Edward	180	180	–	–	–	–	–	–	180	180
Shan Zhemin (Note (iv))	180	86	–	–	–	–	–	–	180	86
Chen Yi, Ethan (Note (i))	–	90	–	–	–	–	–	–	–	90
	540	536	–	–	–	–	–	–	540	536
	1,260	1,308	8,984	6,979	516	380	–	–	10,760	8,667

Mr. Lam Cheung Shing, Richard is also the chief executive officer of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has agreed to waived any emoluments during the year.

Notes:

(i) Re-designated to executive director on 10 October 2014

(ii) Resigned on 1 June 2014

(iii) Resigned on 12 September 2014

(iv) Appointed on 10 October 2014

9. STAFF COSTS *(Continued)*

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2015: three) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining two (2015: two) individuals, who are not individuals of senior management of the Company, are detailed as follows:

	2016	2015
	HK$'000	HK$'000
Salaries and allowances	**2,738**	2,012
Retirement benefit scheme contributions	**21**	208
	2,759	2,220

10. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Continuing operations		
Depreciation (note 18)	**16,527**	6,809
Auditors' remuneration	**2,103**	2,800
Cost of inventories for hotel operation provided	**–**	1
(Gain)/loss on disposal of property, plant and equipment (note 18)	**(63)**	284
Written off of property, plant and equipment (note 18)	**–**	9,267
Written off of other non-current assets (note 22)	**5,488**	2,167
Impairment loss recognised in respect of other non-current assets* (note 22)	**10,674**	11,184
Impairment loss recognised in respect of mining rights (note 19)	**598,136**	194,200
Impairment loss recognised in respect of trade and other receivables and prepayments* (note 24)	**34,998**	–
Operating lease rentals in respect of premises	**8,036**	8,385
Net foreign exchange gain (note 8)	**(2,346)**	(5,106)
Fair value change in investment properties (note 17)	**(14,300)**	(18,133)
Gross rental income from investment properties (note 7)	**(26,998)**	(26,444)
Less: Direct operating expenses from investment properties that generated rental income during the year	**3,054**	1,057
	(23,944)	(25,387)

* Those expenses were recognised as other operating expenses in the consolidated statement of profit or loss.

11. FINANCE COSTS

	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000
Continuing operations		
Interests on:		
Bank borrowings and overdrafts	**1,138**	1,798
Other borrowings	**41,749**	46,134
	42,887	47,932

12. TAXATION

	Year ended 31 March 2016 HK$'000	Year ended 31 March 2015 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**182**	–
The PRC Enterprise Income Tax	**456**	50,637
	638	50,637
Over provision in prior year:		
Hong Kong Profits Tax	**–**	(10)
	638	50,627
Deferred tax (note 30)	**953**	3,382
	1,591	54,009

12. TAXATION *(Continued)*

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year.

At 31 March 2016, the Group had unused estimated tax losses of approximately HK$424,080,000(2015: HK$350,017,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are subject to the PRC Enterprise Income Tax at 25% of their respective assessable income during the years ended 31 March 2016 and 2015.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in Indonesia is 25% (2015: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in Indonesia has no estimated assessable profits for the year.

Reconciliation between tax expenses and accounting profit at applicable tax rates

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Continuing operations		
Loss before taxation	**(682,959)**	(401,899)
Tax calculated at the domestic rates applicable in the country concerned	**(180,660)**	(86,569)
Tax effect of share of results of an associate	**285**	(7,262)
Tax effect of expenses not deductible for tax purpose	**12,145**	87,301
Tax effect of income not taxable for tax purpose	**(16,573)**	(31,897)
Over provision in prior year	**–**	(212)
Tax effect of tax losses not recognised	**184,203**	89,266
Tax effect of unrecognised temporary difference	**2,191**	3,382
Tax charge for the year	**1,591**	54,009
Discontinuing operations		
Loss before taxation	**(1,320)**	(29,678)
Tax calculated at the domestic rates applicable in the country concerned	**(218)**	(4,896)
Tax effect of expenses not deductible for tax purpose	**–**	4,758
Tax effect of tax losses not recognised	**218**	138
Tax charge for the year	**–**	–

13. DISCONTINUED OPERATIONS

The Group ceased the securities dealing and brokerage operation since July 2012. As at March 2015 and 2016, the relevant subsidiaries under the securities dealing and brokerage operation were in the process of de-registration. During the year, the Group resolved discontinuing the operating segment under environmental water treatment and was therefore classified as discontinued operation in the current year.

The results and cash flows of the discontinued operations for the current and prior years were as follows:

(a) Securities dealing and brokerage operation

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Other income and gain, net	**32,521**	–
Staff costs	**(413)**	(623)
Administrative costs	**(26,306)**	(215)
Other operating expenses	**(6,979)**	(28,674)
Loss before taxation	**(1,177)**	(29,512)
Taxation	**–**	–
Loss for the year	**(1,177)**	(29,512)
Attributable to:		
Owners of the Company	**(1,177)**	(29,512)
Non-controlling interests	**–**	–
	(1,177)	(29,512)
Net cash outflows in operating activities	**(60)**	(44)

(b) Environmental water treatment operation

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Other income and gain, net	**–**	–
Staff costs	**–**	–
Administrative costs	**(143)**	(166)
Other operating expenses	**–**	–
Loss before taxation	**(143)**	(166)
Taxation	**–**	–
Loss for the year	**(143)**	(166)
Attributable to:		
Owners of the Company	**(143)**	(166)
Non-controlling interests	**–**	–
	(143)	(166)
Net cash outflows in operating activities	**–**	–

13. DISCONTINUED OPERATIONS *(Continued)*

(c) Loss from discontinued operations

Loss from discontinued operations has been arrived at after charging/(crediting):

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Auditors' remuneration	**150**	75
Reversal of impairment loss in respect of trade and other receivables and prepayments (note 13(a))	**32,521**	–
Impairment loss recognised in respect of trade and other receivables and prepayments (note 13(a))	**6,979**	28,674

(d) Taxation of discontinued operations

No provision for both Hong Kong Profits Tax and the PRC Enterprise Income Tax have been made as the Group does not have profits derived from Hong Kong and the PRC under the discontinued operations during the year ended 31 March 2016 and 2015.

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share from operations is based on the following data:

From continuing and discontinued operations

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(685,672)**	(403,159)

	Year ended 31 March	
Number of shares	**2016**	2015
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**6,078,669,363**	6,078,669,363

The diluted loss per share is the same as basic loss per share as the Company has no dilutive potential shares outstanding for the year ended 31 March 2016 and 2015.

14. LOSS PER SHARE *(Continued)*

From continuing operations

	Year ended 31 March	
	2016	2015
	HK$'000	HK$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(685,672)**	(403,159)
Loss for the year from discontinued operations	**1,320**	29,678
	(684,352)	(373,481)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic and diluted loss per share from discontinued operations is HK0.022 cents (2015: HK0.488 cents), based on the loss for the year from discontinued operations of approximately HK$1,320,000 (2015: HK$29,678,000).

The denominators used are the same as those detailed above for both basic and diluted loss per share.

15. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	HK$'000
Continuing operations		
Net unrealised loss on financial assets at FVTPL	**882,862**	143,476
Net realised loss on selling of financial assets at FVTPL	**13,281**	–
	896,143	143,476

16. DIVIDEND

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2016 (2015: nil).

17. INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Fair value		
At beginning of the year	**634,250**	616,117
Fair value change	**14,300**	18,133
Exchange alignment	**(36,001)**	–
At end of the year	**612,549**	634,250
Unrealised gain on change in fair value of investment properties	**14,300**	18,133

Notes:

(a) The Group's property interests held under operating leases to earn rentals or for capital appreciation are measured using the fair value model and are classified and accounted for as investment properties.

(b) The fair value of the Group's investment properties as at 31 March 2016 and 2015 has been arrived at on the basis of a valuation carried out on the respective dates by Messrs DTZ Cushman & Wakefield Limited ("Cushman & Wakefield"), independent qualified professional valuers not connected to the Group.

Cushman & Wakefield is a member of the Hong Kong Institute of Surveyors, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

(c) The fair value was determined based on the direct comparison approach and/or income approach. Direct comparison approach involves the analysis of recent market sales evidence of similar properties to compare with the premises under valuation. It assumes each of these properties is capable of being sold in its existing state with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Income approach relying on the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties. There were no changes to the valuation techniques during the year.

(d) The Group's investment properties at their fair values are analysed as follows:

	2016 HK$'000	2015 HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**23,200**	26,300
Investment properties outside Hong Kong, held on:		
Medium-term leases	**589,349**	607,950
	612,549	634,250

(e) Investment properties with the carrying amount of approximately HK$270,111,000 (2015: HK$284,539,000) have been pledged to secure banking facilities granted to the Group.

(f) The Group's investment properties, with the carrying amount of approximately HK$509,640,000 (2015: HK$538,503,000) are rented out under operating leases.

17. INVESTMENT PROPERTIES *(Continued)*

Notes: (Continued)

(g) Fair value measurements

At the end of each reporting period, the management of the Group will (i) verify all major inputs to the independent valuation report; (ii) assess property valuations movements when compared to the prior year valuation report; and (iii) hold discussion with the independent valuer.

Changes in fair values are analysed at the end of each reporting period by the management of the Group.

The table below analyses recurring fair value measurements for investment properties located in Hong Kong and outside Hong Kong. These fair value measurements are categorised into different levels in the fair value hierarchy based on the inputs to valuation techniques used.

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 March 2016				
Hong Kong	**–**	**23,200**	**–**	**23,200**
Outside Hong Kong	**–**	**–**	**589,349**	**589,349**
	–	**23,200**	**589,349**	**612,549**
At 31 March 2015				
Hong Kong	–	26,300	–	26,300
Outside Hong Kong	–	–	607,950	607,950
	–	26,300	607,950	634,250

There were no transfers among Level 1, Level 2 and Level 3 during the year. The Group's policy is to recognise transfers into/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

The movements of the balance of investment properties measured at fair value based on Level 3 are as follows:

	2016 **HK$'000**	2015 HK$'000
At beginning of the year	**607,950**	590,817
Fair value change	**17,400**	17,133
Exchange alignment	**(36,001)**	–
At end of the year	**589,349**	607,950

Information about fair value measurements based on Level 3 fair value hierarchy:

Description	**2016 Fair value HK$'000**	2015 Fair value HK$'000	**Valuation techniques**	**Range of significant unobservable inputs** **Daily rental rate**	**Capitalisation rate**
Commercial premises outside Hong Kong	**589,349**	607,950	Combination of direct comparison approach and income approach	RMB2.77 to RMB10.66 (2015: RMB2.41 to RMB10.15) per square meter	1% to 10% (2015: 4.75% to 6.75%)

The fair value measurements are positively correlated to the daily rental rate and negatively correlated to the capitalisation rate.

In estimating the fair value of the properties, their current use equates to the highest and best use of the properties.

18. PROPERTY, PLANT AND EQUIPMENT

	Properties under development HK$'000	Hotel properties HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost						
At 1 April 2014	9,731	–	5,456	22,692	10,989	48,868
Additions	–	–	–	283	243	526
Disposal	–	–	–	–	(700)	(700)
Reclassification	(337)	–	–	10	327	–
Acquisition of subsidiaries (note 34)	–	580,126	–	–	206	580,332
Written off	(9,267)	–	–	–	(5)	(9,272)
At 31 March 2015 and 1 April 2015	127	580,126	5,456	22,985	11,060	619,754
Additions	–	–	–	–	2,258	2,258
Disposal	–	–	–	–	(559)	(559)
Exchange alignment	–	(34,327)	–	–	–	(34,327)
At 31 March 2016	127	545,799	5,456	22,985	12,759	587,126
Accumulated depreciation and impairment						
At 1 April 2014	3	–	5,456	15,687	7,137	28,283
Charge for the year	–	3,604	–	1,854	1,351	6,809
Elimination upon disposal	–	–	–	–	(416)	(416)
Reclassification	(3)	–	–	1	2	–
Elimination upon written off	–	–	–	–	(5)	(5)
At 31 March 2015 and 1 April 2015	–	3,604	5,456	17,542	8,069	34,671
Charge for the year	–	13,561	–	1,786	1,180	16,527
Elimination upon disposal	–	–	–	–	(512)	(512)
Exchange alignment	–	(213)	–	159	65	11
At 31 March 2016	–	16,952	5,456	19,487	8,802	50,697
Carrying amount						
At 31 March 2016	**127**	**528,847**	**–**	**3,498**	**3,957**	**536,429**
At 31 March 2015	127	576,522	–	5,443	2,991	585,083

Notes:

(a) No property, plant and equipment (2015: nil) have been pledged to secure general banking facilities granted to the Group.

(b) During the year ended 31 March 2016 and 2015, hotel properties of the Group included in the buildings above are held under long term leases in the PRC.

19. MINING RIGHTS

	HK$'000
Cost	
At 1 April 2014	1,232,400
Exchange alignment	(5,056)
At 31 March 2015, 1 April 2015 and 31 March 2016	1,227,344
Accumulated amortisation and impairment	
At 1 April 2014	163,800
Impairment	194,200
Exchange alignment	(672)
At 31 March 2015 and 1 April 2015	357,328
Impairment	598,136
At 31 March 2016	955,464
Carrying amount	
At 31 March 2016	**271,880**
At 31 March 2015	870,016

The mining rights represent the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia.

The mining rights are amortised using the unit-of-production methods based on the total proven and probable mineral reserves, under the assumption that the mining rights have a finite useful lives of 20 years and would be expired on 18 November 2031, till all proven and probable mineral reserves have been mined. For the years ended 31 March 2016 and 2015, the management considered that commercial production of the mine has not yet commenced, no amortisation was provided during both years.

As a result of the downturn of global economy and the negative effect of persistent weak prices for manganese and manganese products, the directors reviewed the carrying amount of the mining rights, an impairment loss of approximately HK$598,136,000 (2015: HK$194,200,000) under business segment of natural resources operation was charged to the consolidated statement of profit or loss for the year and the recoverable amount had been reduced to approximately HK$271,880,000 (2015: HK$870,016,000).

19. MINING RIGHTS *(Continued)*

The recoverable amount of the mining rights was estimated by an independent valuer, Roma Appraisals Limited. The valuation was performed based on the excess earning method under the income-approach. The excess earnings were the net profit after deducting all the charges for contributory assets, including fixed assets, working capital, assembled workforce, which were then discounted at an appropriate discount rate to arrive at the fair value of the mining rights. Weighted average cost of capital plus additional premium was adopted as the discount rate for the excess earnings cash flow. There were no changes to the valuation techniques during the year. Key assumptions adopted by management in the valuation are summarised as follows:

	2016	2015
Adopted manganese ore benchmark price (US$/dmtu) (Note (a))	**US$2.91**	US$4.55
Discount rate (Note (b))	**13%**	15%

Notes:

(a) The adopted manganese ore benchmark price for valuation as at 31 March 2016 had declined by approximately 36% than that as at 31 March 2015, which was estimated with reference to the manganese ore benchmark price (reference by 44% Mn grade lump published by United Nations Conference on Trade and Development) fell from US$4.17/dmtu at the beginning of 2015 to US$1.81/dmtu at the beginning of 2016. No growth rate was assumed to the manganese ore benchmark price estimation over a period longer than five years. The treatment was consistent between valuation as at 31 March 2016 and as at 31 March 2015.

(b) The slightly decrease of 2% (2015: 1%) was due to normal market data fluctuation.

(c) No growth rate was assumed for operating costs over a period longer than five years.

No mining rights have been pledged to secure general banking facilities granted to the Group in both 2016 and 2015.

20. GOODWILL

	HK$'000
Cost	
At 1 April 2014	29,362
Acquisition of subsidiaries (note 34)	45,738
At 31 March 2015, 1 April 2015 and 31 March 2016	75,100
Impairment	
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016	(11,293)
Carrying amount	
At 31 March 2016	**63,807**
At 31 March 2015	63,807

20. GOODWILL *(Continued)*

Goodwill is allocated to the Group's cash generating unit ("CGU") identified according to business segment as follow:

	2016 HK$'000	2015 HK$'000
Hotel operation	**45,738**	45,738
Property investment operation	**18,069**	18,069
	63,807	63,807

Impairment tests for CGU containing goodwill

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The directors of the Company estimate discount rate using pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The management considers that the recoverable amount calculated with value in use method which based on a discounted future cash flow of the CGU of property investment operation and hotel operation is higher than their respective carrying amount.

Hotel operation

During the year, the Group performed impairment tests for hotel operation containing goodwill allocated to hotel operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using a growth rate of 5% (2015:5%) per annum. The growth rate does not exceed the long-term average growth rate for the business of hotel operation. Discount rate of 14.3% (2015:14.0%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to hotel operation.

Property investment operation

During the year, the Group performed impairment tests for property investment operation containing goodwill allocated to property investment operation based on cash flow forecasts derived from the most recent financial budgets approved by management covering a five-year period and cash flows beyond the five-year period are extrapolated using a growth rate of 4% (2015: 4%) per annum. The growth rate does not exceed the long-term average growth rate for the business of property investment operation. Discount rate of 6.0% (2015: 7.5%) was used in preparation of the cash flow forecasts to reflect current market assessments of the time value of money and the risks specific to property investment operation.

21. INTEREST IN AN ASSOCIATE

	2016 HK$'000	2015 HK$'000
Cost of investment		
— Listed outside Hong Kong (Note (a) and (b))	–	1,385,005
Share of result of an associate	–	82,784
Share of other comprehensive income of an associate	–	170
	–	1,467,959
Market value of the listed associate	–	2,376,059

Notes:

(a) On 16 May 2014, the Group disposed of an aggregate of 72,000,000 Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") shares through the block trading system of the Shanghai Stock Exchange at a cash consideration of RMB311,760,000 (equivalent to approximately HK$392,151,000), representing RMB4.33 per Heilongjiang Interchina share.

Upon completion of the partial disposal of interests in Heilongjiang Interchina, the aggregate number of Heilongjiang Interchina shares held by the Group decreased from 299,312,500 Heilongjiang Interchina shares, representing approximately 20.56% of the issued share capital of Heilongjiang Interchina, to 227,312,500 Heilongjiang Interchina shares, representing approximately 15.62% of the issued share capital of Heilongjiang Interchina. A loss on partial disposal of approximately HK$61,026,000 was recognised in consolidated statement of profit or loss during the year ended 31 March 2015.

The Group is entitled to 15.62% equity interest in Heilongjiang Interchina. The directors of the Company considered that the Group had retained significant influence over Heilongjiang Interchina by the representation of the Group on the Board of Directors of Heilongjiang Interchina despite that the interest held by the Group was below 20% and therefore the Group had continuously accounted for Heilongjiang Interchina as its associate as at 31 March 2015.

(b) In May 2015, the representative of the Group retired by rotation from the Board of Directors of Heilongjiang Interchina and did not seek for re-appointment. The directors of the Company were of the view that the Company had no significant influence over the associate as it had no board representation and it had been unable to participate in the financial and operating policy decisions of the associate. The Company ceased of using equity accounting to account for its interests in the associate as required under HKAS 28 "Investment in Associates", and reclassified its interest as financial asset at FVTPL. After taking into account, a gain on loss of significant influence of Heilongjiang Interchina of approximately HK$882,107,000 was recognised in consolidated statement of profit or loss.

21. INTEREST IN AN ASSOCIATE *(Continued)*

(c) At 31 March 2016, the Group did not have any interests in associates.

At 31 March 2015, the Group had interest in the following associate:

Name of associate	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/registered capital held by the Group	Principal activity
Heilongjiang Interchina	The PRC	RMB427,225,000	15.62%	Investment holding

Note:

The Heilongjiang Interchina and its subsidiaries (the "Heilongjiang Interchina Group") are principally engaged in water supply, water facilities construction, distilled water supply, sewage treatment and environmental protection engineering service in the PRC.

(d) The summarised financial information of the Heilongjiang Interchina Group is set out below:

	2016 HK$'000	2015 HK$'000
Current assets	–	1,541,414
Non-current assets	–	3,706,097
Current liabilities	–	(845,797)
Non-current liabilities	–	(638,170)
Total equity	–	3,763,544
The Group's share of net assets of a listed associate	–	587,489

	2016 HK$'000	2015 HK$'000
Revenue	**41,478**	903,063
(Loss)/profit for the year	**(7,293)**	174,998
Other comprehensive loss for the year	–	(124)
Total comprehensive (loss)/income for the year	**(7,293)**	174,874
The Group's share of results of a listed associate for the year	**1,138**	29,050
The Group's share of other comprehensive income for the year	**51**	26

The summarised income statements of the Heilongjiang Interchina Group disclosed above representing its operating results for the period until no significant influence over the associate in May 2015.

21. INTEREST IN AN ASSOCIATE *(Continued)*

(e) Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	2016 HK$'000	2015 HK$'000
Net assets of the associate	–	3,763,544
Proportion of the Group's ownership interest in the associate	–	15.62%
	–	587,489
Add: Goodwill	–	880,470
Carrying amount of the Group's interest in the associate	–	1,467,959

(f) The information above reflects the amounts presented in the financial statement of the associate (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

(g) Amount due from/to an associate is unsecured, interest free and repayable on demand.

22. OTHER NON-CURRENT ASSETS

	2016 HK$'000	2015 HK$'000
Art works and jade (Note (i))	**26,157**	40,376
Contribution to the compensation fund and fidelity fund with the Stock Exchange	**97**	97
Wine (Note (ii))	–	4,333
	26,254	44,806

Notes:

(i) The amount represents the aggregate cost of art works and jade held by the Group. In the opinion of the directors of the Company, with reference to valuation performed by an independent professional valuer not connected to the Group. The estimated recoverable amounts are determined based on their respective fair value less costs of disposal within level 2 of the fair value hierarchy. Market comparable approach is applied that reflects recent transaction prices for similar products which are adjusted to reflect the conditions and characteristic of the related products. During the year, certain art works and jade were obsolete and the recoverable amount of the art works and jade was determined as lower than their carrying amount at the end of reporting period. It results an impairment loss of approximately HK$10,674,000 (2015: HK$11,184,000) was recognised and with carrying amount of approximately HK$1,155,000 were written off in the consolidated statement of profit or loss for the year. The recoverable amounts have been reduced to approximately HK$26,157,000 (2015: HK$40,376,000).

(ii) During the year, the wine held by the Group were either consumed or damaged. It results the wine with carrying amount of approximately HK$4,333,000 (2015: HK$2,167,000) were written off.

23. INVENTORIES

	2016 HK$'000	2015 HK$'000
Beverages	**9**	15

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2016 HK$'000	2015 HK$'000
Trade receivables	**22,923**	79,047
Margin clients' accounts receivables	**99,761**	99,761
Prepayments, deposits and other receivables	**817,462**	981,173
	940,146	1,159,981
Less: Impairment of trade and other receivables and prepayments	**(82,062)**	(120,908)
	858,084	1,039,073

The Group allows an average credit period of 60 days (2015: 60 days) to its trade customers.

The Group's trade and other receivables and prepayments are determined in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollar	**85,632**	268,511
Renminbi	**772,274**	770,359
Indonesian Rupiah	**123**	–
US dollar	**55**	203
	858,084	1,039,073

The following is an aging analysis of trade receivables:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**869**	1,418
31 to 60 days	**253**	333
61 to 90 days	**3**	90
91 to 180 days	**–**	30
Over 180 days	**21,798**	77,176
	22,923	79,047

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movement on impairment of trade and other receivables and prepayments were as follow:

	2016 HK$'000	2015 HK$'000
At beginning of the year	**120,908**	92,234
Written off	**(48,302)**	–
Reversal of impairment loss in respect of trade and other receivables and prepayments	**(32,521)**	–
Impairment loss recognised on receivables	**41,977**	28,674
At end of the year	**82,062**	120,908

The aged analysis of the trade receivables that are past due but not impaired was as follow:

	2016 HK$'000	2015 HK$'000
Over 180 days	**10,388**	32,790

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. Trade receivables that were past due but not impaired related to a number of independent customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recovered. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of trade receivables. The Group does not hold any collateral over these balances.

Loans to margin clients are secured by client's pledged securities, repayable on demand and bear interest at commercial rates. No aged analysis is disclosed, as in the opinion of directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

The Group's prepayments, deposits and other receivables as at 31 March 2016 and 2015, inter alia, the following:

(i) deposits of HK$218,698,000 (2015: nil) paid for acquisition of 14 retail units located at Above the Bund Square No. 948 Dongdaming Road, Hongkou District, Shanghai, in the PRC. Details of which were set out in the Company's announcement dated 24 December 2015 and the circular dated 19 February 2016;

(ii) other receivables of approximately HK$120,712,000 (2015: HK$336,643,000) paid for acquisition of certain investment properties and several potential water plant projects in the PRC;

(iii) prepayments and other receivables of approximately HK$235,377,000 (2015: HK$286,712,000) to various contractors for construction of environmental protection and water treatment projects in the PRC; and

(iv) for the year ended 31 March 2015, deposits of HK$159,000,000 paid for acquisition of a company aggregately owned 30% equity interest in an Indonesia company which was a 65% owned subsidiary of the Group and principally engaged in the exploration, mining, processing and sale of manganese resources in Indonesia. The acquisition was completed on 11 September 2015.

25. LOAN RECEIVABLES

	2016 HK$'000	2015 HK$'000
Loan receivables	**273,173**	358,840
Less: Impairment loss recognised	**–**	(109,404)
	273,173	249,436

Movement on impairment of loan receivables were as follow:

	2016 HK$'000	2015 HK$'000
At the beginning of the year	**109,404**	109,404
Written off	**(109,404)**	–
At end of the year	**–**	109,404

The loan was unsecured, carrying at the prevailing interest rate ranging from 4.35% to 7.2% (2015: 2% to 7.2%) per annum with fixed repayment terms.

There was no impairment loss recognised during the year (2015: Nil).

The remaining balance of loan receivables relates to a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016 HK$'000	2015 HK$'000
Held for trading:		
Listed equity securities — Hong Kong, at fair value	**188,360**	368,193
Listed equity securities — the PRC, at fair value (Note)	**1,339,664**	–
	1,528,024	368,193

Note: The Group lost its significant influence over Heilongjiang Interchina during the year and its investment in Heilongjiang Interchina was recognised as financial asset at FVTPL. Included in the net loss on financial asset at FVTPL for the year ended 31 March 2016 of approximately HK$892,626,000 is derived from investment in Heilongjiang Interchina (2015: Nil).

27. CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**305,451**	468,859

Cash at banks earns interest at floating rates based on daily bank deposit rates.

At 31 March 2016, cash and cash equivalents of approximately HK$299,540,000 (2015: HK$464,675,000) are denominated in Renminbi ("RMB"). RMB is not freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restrictions imposed by the PRC government.

28. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The following is an analysis of trade payables:

	2016 HK$'000	2015 HK$'000
Trade payables	**2,318**	1,318
Other payables and deposits received	**51,510**	57,339
	53,828	58,657

The Group's trade and other payables are determined in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong dollar	**5,921**	7,511
Renminbi	**42,293**	44,884
Indonesian Rupiah	**5,594**	5,912
US dollar	**20**	350
	53,828	58,657

The aged analysis of trade payables is as follow:

	2016 HK$'000	2015 HK$'000
0 to 30 days	**354**	212
31 to 60 days	**364**	371
Over 60 days	**1,600**	735
	2,318	1,318

Included in other payables were the amounts of interest expenses payable and amount due to a director of the subsidiaries amounted to approximately HK$852,000 (2015: HK$980,000) and HK$1,327,000 (2015: HK$2,881,000) respectively.

29. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Bank borrowings, secured (Note (i))	**16,004**	21,916
Bank overdraft, unsecured	**–**	212
Other borrowings, secured (Note (ii))	**537,408**	711,849
Total borrowings	**553,412**	733,977
Carrying amount repayable:		
Within one year		
bank borrowings and overdraft	**–**	5,348
other borrowings	**537,408**	711,849
	537,408	717,197
Carrying amount that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**16,004**	16,780
	553,412	733,977

Notes:

(i) The mortgage loans with carrying amount of approximately HK$16,004,000 are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on mortgage loans denominated in Hong Kong dollars is 2.45% (2015: 2.45%) per annum. The effective interest rates on bank borrowings denominated in RMB is 6.37% (2015: 6.83%) per annum.

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$270,111,000 (2015: HK$284,539,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by instalments over a period of 1 to 20 years.

(ii) The other borrowings bear interest rate ranging from 7.30% to 8.20% per annum for the year ended 31 March 2016 (2015: 8.00% to 8.20% per annum).

The other borrowings with carrying amount of HK$473,373,000 (2015: HK$477,987,000) are secured by certain shares of an associate, Heilongjiang Interchina, which its shares are listed on the Shanghai Stock Exchange and the remaining balance of approximately HK$64,035,000 (2015:HK$233,862,000) is a margin loan secured by securities listed on the Hong Kong Stock Exchange.

The Group's borrowings are denominated in the following currencies:

	2016 HK$'000	2015 HK$'000
Hong Kong Dollar	**68,225**	238,471
RMB	**485,187**	495,294
Indonesian Rupiah	**–**	212
	553,412	733,977

30. DEFERRED TAX LIABILITIES

The followings are the major deferred tax liabilities recognised by the Group and movements thereon:

	Revaluation of property HK$'000	Fair value adjustments arising on acquisition of subsidiaries HK$'000	Total HK$'000
At 1 April 2014	64,131	–	64,131
Acquisition of subsidiaries	–	55,944	55,944
Charge/(credit) to the consolidated statement of profit or loss (note 12)	4,283	(901)	3,382
At 31 March 2015 and 1 April 2015	68,414	55,043	123,457
Exchange alignment	(4,048)	(3,258)	(7,306)
Charge/(credit) to the consolidated statement of profit or loss (note 12)	4,343	(3,390)	953
At 31 March 2016	68,709	48,395	117,104

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the profits earned by the PRC subsidiaries of the Group because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	Number of shares		Nominal value	
	2016	2015	**2016**	2015
			HK$'000	HK$'000
Issued and fully paid ordinary shares:				
At beginning and end of the year	**6,078,669,363**	6,078,669,363	**2,490,454**	2,490,454

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

32. SHARE OPTIONS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company adopted a share option scheme pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011 (the "Share Option Scheme"). The Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011. Under the Share Option Scheme, the Board is authorised, at their discretion, invite a wider category of participants as defined in the Company's circular issued on 18 July 2011 (the "Participants"), to take up options to subscribe for fully paid ordinary shares in the Company subject to the terms and conditions stipulated therein.

The subscription price for shares under the Share Option Scheme shall be a price determined by the directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of a share.

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the New Share Option Scheme and any other share option scheme of the Company (including exercised, cancelled and outstanding options) to each Participant in any 12-month period shall not exceed 1% of the issued share capital of the Company in issue (the "Individual Limited"). Any further grant of options in excess of the Individual Limited in any 12-month period up to and including the date of such further grant, shall be subject to the issue of a circular to the shareholders and the shareholders' approval in general meeting of the Company with such Participant and his associates abstaining from voting.

No share option was granted under the New Share Option Scheme during the year ended 31 March 2016 and 2015.

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	At 31 March 2016 HK$'000	2015 HK$'000
Non-current assets		
Interests in subsidiaries	**1,130,120**	1,130,120
Other non-current assets	**–**	4,333
	1,130,120	1,134,453
Current assets		
Trade and other receivables and prepayments	**4,087**	425
Financial assets at fair value through profit or loss	**188,360**	368,193
Amounts due from subsidiaries	**2,628,379**	2,484,277
Cash and cash equivalents	**2,479**	292
	2,823,305	2,853,187
Total assets	**3,953,425**	3,987,640
Equity		
Share capital	**2,490,454**	2,490,454
Reserves (Note 33(b))	**334,319**	337,597
	2,824,773	2,828,051
Current liabilities		
Trade and other payables and deposits received	**4,140**	5,911
Amounts due to subsidiaries	**1,060,477**	919,816
Other borrowings	**64,035**	233,862
Total liabilities	**1,128,652**	1,159,589
Total equity and liabilities	**3,953,425**	3,987,640
Net current assets	**1,694,653**	1,693,598
Total assets less current liabilities	**2,824,773**	2,828,051

33. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY *(Continued)*

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2016 and 2015 are as follows:

	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2014	1,342,477	(842,182)	500,295
Net loss for the year	–	(162,698)	(162,698)
Total comprehensive loss for the year	–	(162,698)	(162,698)
At 31 March 2015 and 1 April 2015	1,342,477	(1,004,880)	337,597
Net loss for the year	–	(3,278)	(3,278)
Total comprehensive loss for the year	–	(3,278)	(3,278)
At 31 March 2016	**1,342,477**	**(1,008,158)**	**334,319**

34. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2016

The Group entered into a sale and purchase agreement with Mr. Ji Wen Wen, an independent third party to acquire entire equity interest in All Yield Investments Limited, a company beneficially owned 30% of the equity interest in non-wholly owned Indonesia subsidiary, PT Satwa Lestari Permai ("PT Satwa") at consideration of HK$318,000,000 (the "PT Acquisition") in March 2014. Following completion of the PT Acquisition on 11 September 2015, the Group's shareholding in PT Satwa increased from 65% to 95% accordingly.

34. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2015

The Group entered into the sale and purchase agreement with Mr. Jiang Zhaobai ("Mr. Jiang") and Mr. Jiang Lei, being Mr. Jiang's brother (collectively the "Vendors"), where Mr. Jiang is an executive director and the chairman of the Company, regarding the acquisition of the entire equity interests in Loyal Rich International Investment Limited and its subsidiaries (the "Loyal Rich Group") and the amount owing by Loyal Rich Group to the Vendors at the consideration of HK$573,000,000, (the "Acquisition") on 29 November 2013. The Acquisition was completed on 18 December 2014. Details of the acquisition were disclosed in the Company's announcement and circular dated 29 November 2013 and 23 January 2014 respectively.

Analysis of assets and liabilities recognised at fair value at the date of acquisition:

	HK$'000
Property, plant and equipment (note 18)	580,332
Inventories	14
Trade and other receivables and prepayments	2,341
Cash and cash equivalents	8,498
Trade and other payables	(7,057)
Tax payable	(922)
Amount due to shareholders	(384,872)
Deferred tax liabilities	(55,944)
Net assets acquired	142,390
Shareholders' loan	384,872
Goodwill (note 20)	45,738
Consideration satisfied by cash	573,000
Net cash outflow arising from acquisition	
Cash consideration paid	(573,000)
Less: Cash and cash equivalents acquired	8,498
	(564,502)

Since the acquisition, Loyal Rich Group contributed approximately HK$7,595,000 to the Group's revenue and loss at HK$1,329,000 to the consolidated loss for the year ended 31 March 2015.

Had the acquisition taken place at the beginning of the year ended 31 March 2015, the revenue from continuing operations of the Group and the loss of the Group for the year ended 31 March 2015 would have been approximately HK$76,285,000 and HK$515,557,000 respectively.

Acquisition-related costs amounting to approximately HK$1,152,000 have been excluded from the consideration transferred and have been recognised as an expense, within "other operating expenses" line item in the consolidated statement of profit or loss.

The fair value of trade and other receivables and prepayments at the date of the Acquisition is approximately HK$2,341,000. The gross contractual amount for trade and other receivables and prepayments due is approximately HK$ 2,341,000, of which the best estimate at the date of acquisition of the contractual cash flows are expected to be fully collectable.

35. CAPITAL COMMITMENTS

	2016 HK$'000	2015 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of subsidiaries	–	159,000
— acquisition of investment properties	510,296	–

36. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2016 and 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	8,535	8,004
In the second to fifth year inclusive	1,422	9,957
	9,957	17,961

Operating lease payments represent rentals payable by the Group for certain of its office properties and land use rights in the PRC. Leases for the office properties are negotiated for an average term of three years. Lease for land use rights in the PRC is negotiated for 20 years.

The Group as lessor

Property rental income earned during the year was approximately HK$26,998,000 (2015: HK$25,941,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2016, the Group had contracted with tenants for the following future minimum lease payments:

	2016 HK$'000	2015 HK$'000
Within one year	15,084	25,147
In the second to fifth year inclusive	37,767	38,532
	52,851	63,679

37. RETIREMENT BENEFITS SCHEMES

(a) The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Pursuant to the rules of the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at specific rates, subject to relevant income levels. Contributions of the Group to the MPF Scheme are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme.

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

(c) Employees employed by the Group outside Hong Kong are covered by the appropriate local retirement benefits schemes pursuant to the local labour rules and regulations.

38. MATERIAL RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, during the year ended 31 March 2016 and 31 March 2015, the company had entered into the following material transactions with related parties:

(a) On 24 December 2015, the Company entered into a purchase agreement with Shanghai Lai Yin Si Zhiye Company Limited ("Lai Yin Si"), regarding the acquisition of 14 retail units located at Levels 1–3 of Above the Bund Square, No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC with total area of 8,585.79 sq.m. at the consideration of RMB616,000,000. The Lai Yin Si is owned (i) as to 99% by Mr. Jiang, an executive Director and the chairman of the Company; and (ii) as to 1% by Mr. Jiang Lei, the brother of Mr. Jiang. Details of the acquisition are set out in note 42.

(b) During the year ended 31 March 2016, the rental income and rental deposit amounted to approximately HK$2,450,000 (2015: HK$4,570,000) and HK$6,732,000 (2015: HK$7,156,000) respectively were received and receivable from Heilongjiang Interchina.

(c) Compensation of key management personnel

Compensation for key management personnel, including amounts paid to the Company's directors and the senior executives are as follow:

	2016 **HK$'000**	2015 HK$'000
Salaries and other short-term benefits	**10,244**	8,052
Pension scheme contributions	**516**	380
	10,760	8,432

Further details of directors' emoluments are included in note 9(a) to the consolidated financial statements.

(d) During the year ended 31 March 2015, the Company was reimbursed from Heilongjiang Interchina amounted to HK$1,950,000 regarding the salary paid to Mr. Zhu Yongjun as the role of director of Heilongjiang Interchina for the year. He was an executive director of the Company from May 2008 to February 2013.

39. FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances, cash and cash equivalents, loan receivables, amounts due from an associate, financial assets at fair value through profit or loss, trade and other payables, amounts due to an associate and bank and other borrowings. Details of these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**872,027**	1,344,180
Financial assets at fair value through profit or loss	**1,528,024**	368,193
Financial liabilities		
Amortised cost	**598,136**	790,407

Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk, which result from both its operating and investing activities. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's treasury function operates as a centralised service for managing financial risks and for providing cost efficient funding to the Group.

(a) Market risk

(i) Foreign exchange risk

The Group operates mainly both in the PRC and Hong Kong and majority of transactions are denominated in RMB and Hong Kong dollars. It results the Group exposed to foreign exchange risk arising from the exposure of RMB against Hong Kong dollars.

Sensitivity analysis

The sensitivity at the end of the reporting period to a reasonably possible change of 5% in the exchange rate of Hong Kong dollars against the RMB, with all other variables held constant, of the Group's loss before tax and the Group's equity would be increased or decreased by approximately HK$977,000. (2015: HK$2,162,000).

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(a) Market risk *(Continued)*

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss which are measured at fair value at each of the reporting period. The Group manages the price risk exposure by maintaining a portfolio of investments with different risk profiles.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective equity instruments have been 5% higher/lower, loss before taxation for the Group would be decreased/increased by approximately HK$76,401,200 (2015: HK$18,410,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2016 in relation to each class of recognised financial assets is the carrying amount of those assets. With respect to credit risk arising from loan receivables, the Group's exposure to credit risk arising from default of the counterparty is limited as the counterparty has good history of repayment. The Group's time deposits are deposited with banks of high credit quality in Hong Kong.

The Group made transactions with counterparties with acceptable credit quality in conformance to the Group treasury policies to minimise credit exposure. Acceptable credit ratings from reputable credit rating agencies and scrutiny of financials for nonrated counterparties are two important criteria in the selection of counterparties. The credit quality of counterparties will be closely monitored over the life of the transactions. The Group reviews its financial counterparties periodically in order to reduce credit risk concentrations relative to the underlying size and credit strength of each counterparty and ensure that adequate impairment losses are made for irrecoverable amounts.

In an attempt to forestall adverse market movement, the Group also monitors potential exposures to each financial institution counterparty.

Other than concentration of credit risk on the loan receivables, the Group does not have any other significant concentration of credit risk.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and considering of obtaining banking facilities to support the Group's short, medium and long-term funding and liquidity management requirements. In addition, the management of the Group continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The following table details 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 (including interest payments computed using contractual rates or, if floating, based on weighted average effective interest rates) and the earliest date the Group can be required to pay:

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2016						
Trade and other payables and deposits received	**–**	**47,094**	**–**	**–**	**47,094**	**47,094**
Bank and other borrowings	**2.45%–8.00%**	**597,684**	**–**	**–**	**597,684**	**553,412**
		644,778	**–**	**–**	**644,778**	**600,506**

	Weighted average effective interest rate	Less than 1 year HK$'000	Between 1 and 5 years HK$'000	Over 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Total carrying amount HK$'000
At 31 March 2015						
Trade and other payables and deposits received	–	56,430	–	–	56,430	56,430
Bank and other borrowings	2.45%–8.20%	741,272	–	–	741,272	733,977
		797,702	–	–	797,702	790,407

Bank and other borrowings with a repayment on demand clause are included in the "less than 1 year" time band in the above maturity analysis. As at 31 March 2016, the aggregate undiscounted principal amounts of the bank and other borrowings amounted to approximately HK$16,094,000 (2015: HK$16,780,000).

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

The following table summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the analysis contained above. Taking into account the Group's financial position, the directors of the Company do not consider that it is probable that the bank and other lender will exercise their discretion to demand repayment immediately. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

	Weighted average effective interest rate	Less than 1 year	Between 1 and 5 years	Over 5 years	Total contractual undiscounted cash flows	Total carrying amount
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2016	**2.45%–8.00%**	**597,684**	**–**	**–**	**597,684**	**553,412**
At 31 March 2015	2.45%–8.20%	741,272	–	–	741,272	733,977

(d) Cash flow and fair value interest rate risk

Bank and other borrowings at variable interest rates expose the Group to cash flow interest rate and those at fixed rates expose the Group to fair value interest rate risk. The Group monitors the interest rate risk exposure on a continuous basis and adjusts the portfolio of borrowings where necessary.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points increase or decrease in HIBOR is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2016 would decrease/increase by approximately HK$2,767,000 (2015: HK$3,670,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurement

HKFRS 7 (Amendment) 'Financial Instruments — Disclosures' requires disclosure of fair value measurements for financial instruments by level of the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2016 and 2015:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2016				
Financial assets at fair value through profit or loss	**1,528,024**	**–**	**–**	**1,528,024**
As at 31 March 2015				
Financial assets at fair value through profit or loss	368,193	–	–	368,193

Details of the Group's non-financial assets that are measured at fair value at 31 March 2016 and 2015 were set out in the note 17 to the consolidated financial statements.

There have been no significant transfers between level 1, 2 and 3 in the reporting period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

39. FINANCIAL RISK MANAGEMENT *(Continued)*

Capital risk management

The primary objective of the Group's capital management is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. The Group's overall strategy remains unchanged from prior year.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or sell assets to reduce debts.

The Group monitors its capital on the basis of the gearing ratio of borrowings over total equity. This ratio is calculated as borrowings less cash and cash equivalent divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios at the end of the reporting period are as follows:

	2016 **HK$'000**	2015 HK$'000
Total borrowings (note 29)	**553,412**	733,977
Less: Cash and cash equivalents (note 27)	**(305,451)**	(468,859)
	247,961	265,118
Total equity	**3,750,460**	4,980,734
Gearing ratio	**6.61%**	5.32%

40. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group had no major non-cash transactions of investing and financing activities during the years ended 31 March 2016 and 2015.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group as at 31 March 2016. To give details of other subsidiaries would, in the opinion of the directors, results in particulars of excessive length.

Name of subsidiary	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital* HK$ (unless otherwise stated)	Percentage of issued ordinary shares/registered capital held by the Company Directly %	Indirectly %	Principal activity
Interchina (Tianjin) Water Treatment Company Limited	PRC	RMB900,000,000	100	–	Investment
Action Investments Limited	Hong Kong	100	100	–	Property investment
Jet Source Investment Limited	Hong Kong	2	100	–	Property investment
Success Flow International Limited	The British Virgin Islands (“BVI”)	US$1	100	–	Investment holding
Long Bao Property Limited	Hong Kong	100	–	100	Investment holding
External Fame Limited	BVI	US$1	–	100	Investment holding
北京龍堡物業管理有限公司	PRC	RMB45,000,000	–	100	Property investment
北京博雅宏遠物業管理有限公司	PRC	RMB20,000,000	–	100	Property investment
Omnigold Resources Limited	BVI	US$1	–	100	Property investment
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision for financial services
Interchina Resources Holdings Limited	Hong Kong	100	100	–	Investment holding
Universe Glory Limited	BVI	US$50,000	–	100	Natural resources investment
PT Satwa Lestari Permai	Indonesia	RP5,000,000,000	–	95	Exploration, mining processing and sale of manganese resources
Everchina Hotel Investment Limited	BVI	US$10,000	100	–	Investment holding
Loyal Rich International Limited	Hong Kong	10,000	–	100	Hotel investment
天富(上海)酒店管理有限公司	PRC	RMB2,000,000	–	100	Hotel management
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Corporate management
All Yield Investments Limited	BVI	US$50,000	–	100	Natural resources investment
上海欣竑投資有限公司	PRC	RMB10,000,000*	–	100	Property investment

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

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Details of non-wholly owned subsidiary that has material non-controlling interests

The following table lists out the information relating to PT Satwa Lestari Permai, the only subsidiary of the Group which has material non-controlling interests. The summarised financial information of PT Satwa Lestari Permai is set out below:

	2016 HK$'000	2015 HK$'000
Non-controlling interests percentage	**5%**	35%
Current assets	**357**	327
Non-current assets	**272,322**	870,458
Current liabilities	**(14,528)**	(13,275)
Net assets	**258,151**	857,510
Equity attributable to owners of the Company	**215,339**	554,348
Non-controlling interests	**42,812**	303,162

	2016 HK$'000	2015 HK$'000
Turnover	**–**	–
Loss for the year	**(599,386)**	(204,435)
Loss for the year attributable to:		
Owners of the Company	**(569,417)**	(122,008)
Non-controlling interests	**(29,969)**	(82,427)
	(599,386)	(204,435)
Total comprehensive loss attributable to:		
Owners of the Company	**(569,417)**	(122,008)
Non-controlling interests	**(29,969)**	(82,427)
Total comprehensive loss for the year	**(599,386)**	(204,435)
Net cash used in operating activities	**(303)**	(349)
Net cash used in investing activities	**–**	–
Net decrease in cash and cash equivalents	**(303)**	(349)

The information above is the amount before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

42. EVENTS AFTER THE REPORTING PERIOD

On 24 December 2015, the Company entered into a purchase agreement with Lai Yin Si, a connected person regarding the acquisition of 14 retail units located at Levels 1–3 of Above the Bund Square, No. 948 Dongdaming Road, Hongkou District, Shanghai, the PRC with total area of 8,585.79 sq.m. at the consideration of RMB616,000,000. The consideration will be paid in three installments as follows: (a) as to RMB184,800,000 payable within 10 working days upon signing of the purchase agreement; (b) as to RMB369,600,000 payable within 10 working days fulfilment of specified conditions and (c) as to the balance of RMB61,600,000 payable with 10 working days upon the wholly foreign owned enterprise having been registered as owner of the properties. As at the date of approval of these consolidated financial statements, the conditions precedent set out in purchase agreement has not been fulfilled. The management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of which were set out in the Company's announcement and circular dated 24 December 2015 and 19 February 2016 respectively. This transaction would constitute connected transaction as disclosed as pursuant to Chapter 14A of the Listing Rules.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 24 June 2016.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2016

RESULTS

	For the year ended 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)
Revenue	**86,811**	51,544	40,785	370,612	405,502
(Loss)/profit from ordinary activities before taxation	**(682,959)**	(401,899)	121,932	1,188,543	(256,225)
Taxation	**(1,591)**	(54,009)	58,579	(160,766)	(16,104)
(Loss)/profit for the year from continuing operations	**(684,550)**	(455,908)	180,511	1,027,777	(272,329)
Loss for the year from discontinued operations	**(1,320)**	(29,678)	(1,696)	(79,492)	(22,218)
(Loss)/profit for the year	**(685,870)**	(485,586)	178,815	948,285	(294,547)
Owners of the Company	**(685,672)**	(403,159)	177,124	942,344	(356,396)
Non-controlling interests	**(198)**	(82,427)	1,691	5,941	61,849
(Loss)/profit for the year	**(685,870)**	(485,586)	178,815	948,285	(294,547)

ASSETS AND LIABILITIES

	As at 31 March				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000 (Restated)
Total assets	**4,477,067**	5,900,132	6,033,557	6,539,062	7,228,609
Total liabilities	**(726,607)**	(919,398)	(574,673)	(1,304,857)	(2,498,876)
Non-controlling interests	**(42,812)**	(303,162)	(384,055)	(385,884)	(1,346,902)
Shareholders' fund	**3,707,648**	4,677,572	5,074,829	4,848,321	3,382,831

PARTICULARS OF MAJOR PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, Wan Chai, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2, 88 office units from Level 3 to Level 12 and 164 carparking spaces on basement, Level 2 and 3 situation at Interchina Commercial Building 33, Dengshikou Street, Dong Cheng District, Beijing, PRC	Commercial premises for rental	Medium-term lease
Level 1–20, 1729 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Hotel operation	Long-term lease
B2 & B3, 1737 Huangxing Road, Wujiaochang Jiedao, Yangpu District, Shanghai, PRC	Car parking space for rental	Long-term lease