EVERCHINA INT'L HOLDINGS COMPANY LIMITED

潤 中 國 際 控 股 有 限 公 司

Stock Code: 202

ANNUAL REPORT
2014

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BOARD OF DIRECTORS

Executive Directors

Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing, Richard
Mr. Shen Angang
Mr. Gu Yungao

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

BOARD COMMITTEES

Audit Committee

Mr. Ho Yiu Yue, Louis *(Committee Chairman)*
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

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. Chen Yi, Ethan
Mr. Lam Cheung Shing, Richard

COMPANY SECRETARY

Mr. Lau Chi Lok

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 2014.

Profit and Net Asset Value Attributable to Shareholders

The Group's profit for the year ended 31 March 2014 amounted to HK$178,815,000, representing a decrease of HK$769,470,000 or 81.1% over HK$948,285,000 for the corresponding year ended 31 March 2013. Basic and diluted earnings per share (including continuing and discontinued operations) were HK2.914 cents (2013: HK16.292 cents). The significant decrease during the year was mainly due to the absence of non-recurring gain of HK$1,601,858,000 on disposal of the partly interest in Heilongjiang Interchina Water Treatment Company Limited, a former subsidiary of the Group and currently an associate company of the Group.

At 31 March 2014, the net asset value attributable to equity shareholders of the Company amounted to HK$5,458,884,000 (or HK$0.90 per share), 4.7% higher than the amount of HK$5,234,205,000 (or HK$0.86 per share) at 31 March 2013.

BUSINESS REVIEW

Property Investment Operation

The Group's 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 (the "Beijing Property"). At 31 March 2014, the carrying value of the Group's investment properties amounted to HK$616,117,000 (31 March 2013: HK$586,800,000) and all of the Beijing Property have been fully let out during the year.

During the year, the Group was successful in delivering stable revenue growth from property investment operation. Rental income slightly increased by 8.3% to HK$23,473,000 (2013: HK$21,674,000). The segment profit amounted to HK$16,209,000 as compared with the segment loss of HK$74,237,000 of last year. The turnaround to profit was primarily due to an exceptional loss of HK$82,988,000 resulting from the disposal the commercial property located in Shanghai, the PRC in last year.

During the year, the Group continued to expand the investment in this segment. On 29 November 2013, the Company entered into the sale and purchase agreement with Mr. Jiang Zhaobai and his brother (as vendors) in relation to acquire the entire equity interest of Loyal Rich International Investment Limited ("Loyal Rich") at HK$573,000,000 (the "Proposed Acquisition"). Loyal Rich is the beneficial owner of Express by Holiday Inn Wujiaochang Shanghai (上海五角場快捷假日酒店), a 20-storey hotel with a gross floor area of approximately 15,949 sq. m., located in Levels 1–20, 1729 Huang Xing Road, Wujiaochang Jiedao,Yangpu District, Shanghai, the PRC (the "Hotel") and a 2-storey carpark with a gross floor area of 18,329 sq. m., located in Basement 2 & 3 1737 Huang Xing Road, Wujiaochang Jiedao,Yangpu District, Shanghai, the PRC (the "Carpark"). Mr. Jiang Zhaobai, is an executive Director, the Chairman and a substantial shareholder of the Company, and is therefore a connected person of the Company under the Listing Rules. The Proposed Acquisition constitutes discloseable and connected transaction for the Company under the Listing Rules. The Proposed Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 28 February 2014. Detail of the transaction was set out in the Company's circular dated 23 January 2014. Besides, as additional time is required for the fulfilment of the conditions precedent set out in the sale and purchase agreement, on 28 March 2014, the Company has informed Mr. Jiang and his brother to extend the long stop date from 31 March 2014 to 31 July 2014 (or such other date as may be agreed by the Company in writing). Upon the date of this report, the Proposed Acquisition has not yet completed. It expects the Hotel and the Carpark can start contribute income and profit to the Group in August 2014.

On 25 April 2012, the Group entered into a sale and purchase agreements to acquire 5 units of luxury properties located at Above The Bund (白金灣府邸), Shanghai, the PRC, at the aggregate consideration of approximately RMB194,127,000 (the "Acquisition"). Detail of the transaction was set out in the Company's announcement dated 25 April 2012. However, due to the Acquisition is being treated as a bulk transaction under the relevant PRC regulation, transferring the legal title of the Properties cannot be completed till 28 March 2014. After careful consideration of all the circumstances surrounding the Acquisition, including the existing restrictions for the bulk transactions implemented by the PRC government on real estate transfer, the Board decided not to proceed with the Acquisition and exercised the right to terminate the sale and purchase agreements with the vendor in accordance with the terms of the sale and purchase agreements with effect on 29 March 2014 and has requested refund the sum of RMB194,127,000, being the aggregate consideration paid by the Group to the vendor together with 5% of the aggregate consideration as compensation to the Company on or before 12 April 2014. The deposit with the compensation was fully refunded to the Group on 10 April 2014.

Looking forward, the Group is prudently optimistic to the prospect of the property investment operation and believes that this segment can provide stable income stream and future profitability to the Group. The Group will continue to seek opportunity of acquisition of high quality property including hotel property to further enhance the assets base of the Group and strengthen the profitability of this segment.

Financing and Securities Investment Operation

As at 31 March 2014, total securities investment/financial assets at fair value through profit and loss stood at HK$188,509,000 (31 March 2013: HK$171,894,000) and total loan receivable under financing operation amounted to HK$232,699,000 (31 March 2013: HK$260,061,000). Segment revenue represents interest income from financing operation, significantly increased by 78.1% to HK$17,312,000 resulting from the increase of average balance of loan receivable from HK$198,700,000 of last year to HK$268,300,000 this year. The segment profit amounted to HK$8,621,000 as compared with the segment loss of HK$73,163,000 of last year. The turnaround to profit was mainly attributable to the decrease in impairment loss of loan receivable from HK$98,526,000 of last year to HK$8,114,000 this year.

The Company will continue to take conservative approach in the securities investment, so as to reduce the risk resulted from the fluctuation of the securities market. Besides, the Group considered that financing operation can provide the Group an opportunity to obtain a higher return for its surplus funds under the current low interest rate environment.

Natural Resources Operation

During the year, this segment did not contribute any revenue to the Group. The segment loss amounted to HK$33,059,000, representing a decrease of HK$104,684,000 as compared with HK$137,743,000 of last year. The loss was mainly attributed by the impairment loss of HK$31,200,000 (2013: HK$132,600,000) on the valuation of the mining owned by the Group.

The Group's natural resources operation is solely the exploration, exploitation, refining and processing of manganese ore, through a 65% indirect-owned subsidiary of the Company, P.T. Satwa Lestari Permai ("SLP"), a licensed mining company under the Laws of the Republic of Indonesia. The flagship asset of SLP is a mining block of 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 Tenggena, Indonesia ("Mining Block") and have obtained mining license IUP Manganese Production Operation to conduct the activities of construction, production, sales transportation and processing/refinery in the Mining Block for a period of twenty years ("Mining Right"). According to the professional estimation made in December 2011, the estimate resource of the Mining Block is approximately 18.8 million tonne and no significant change was noted during the year. The carrying value of the Mining Right at 31 March 2014 amounted to HK$1,068,600,000 (31 March 2013: HK$1,099,800,000). Besides, the construction of the processing centre was completed in September 2013, with well-equipped facilities such as warehouse, vibration screener machine and grinding machine which not only can processing and refining of our own manganese ore but also can provide service to outside customer.

On 21 March 2014, the Group entered into the sale and purchase agreement with Mr. Ji Wenwen (as vendor) to acquire the entire equity interest of All Yield Investments Limited ("All Yield") at the consideration of HK$318,000,000 (the "Further Acquisition"). All Yield is currently held 17.5% interest in SLP and undergoing a corporate restructure to acquire another 12.5% interest in SLP. Therefore, upon the completion of the Further Acquisition, the Group will own 95% interest in SLP. Mr. Ji Wenwen is the sole shareholder of All Yield and All Yield is currently holding 17.5% equity interest in SLP, being a subsidiary of the Company, Mr. Ji Wenwen is therefore regarded as a connected person of the Company under the Listing Rules. The Further Acquisition constitutes discloseable and connected transaction for the Company under the Listing Rules and is therefore subject to the Company's shareholders' approval. Detail of the transaction was set out in the Company's announcement dated 21 March 2014.

Given natural resources operation is a new business to the Group, it expects more time will be required to improve/fine tune its operating performance of this segment in order to achieve satisfactory results in the long run.

Environmental Water Treatment Operation — Interests in associates

During the year, the Group mainly operates the environmental water treatment operation through its associate company, Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). At 31 March 2014, Heilongjiang Interchina operated seventeen water projects located in different regions in the PRC, with aggregate daily capacity of 1,497,500 tonnes. Although this segment recorded no turnover for the year (2013: HK$339,219,000), the Group shared a net profit of Heilongjiang Interchina amounted to HK$49,838,000 for the year (2013: HK$23,386,000 for the three months from January to March 2013).

Following the completion of the disposal of aggregate of 110,000,000 shares of Heilongjiang Interchina took place in January 2013 (the "Heilongjiang Disposal"), Heilongjiang Interchina ceased to be a subsidiary of the Company and became a 28.03% owned associate of the Group. On 12 April 2013, Heilongjiang Interchina received the approval notice from the CSRC for the non-public share issue proposal (the "Non-public Share Issue") which had been approved by the shareholder at the Company's extraordinary general meeting held on 19 October 2012. The completion of the Non-public Share Issue took place on 21 June 2013 and Heilongjiang Interchina finally issued an aggregate of 155,024,691 Heilongjiang Interchina shares to 8 institutional investors at a price of RMB 8.1 per share raising net proceeds of approximately RMB1,215,000,000. As a result, the Company's interest in Heilongjiang Interchina had been reduced from 28.03% to 20.56% ("Deemed Disposal"). The Group remains as the single largest shareholder of Heilongjiang Interchina and is entitled to share the operating results of the Heilongjiang Interchina Group with respect to its shareholding interest in Heilongjiang Interchina after the completion the Deemed Disposal.

On 17 September 2013, the shareholders of Heilongjiang Interchina approved the proposal of profit distribution and capitalisation from capital reserves for the half year of 2013 (issue of 15 bonus shares for every 10 shares by way of capitalisation of capital reserves). The capitalisation from capital reserve will be based on the total share capital of Heilongjiang Interchina of 582,249,691 shares as at 30 June 2013 and the share capital of Heilongjiang Interchina will be increased by a total of 873,374,537 shares. The completion of the aforesaid capitalisation from capital reserve took place on 10 October 2013 and the enlarged share capital of Heilongjiang Interchina is 1,455,624,228 shares. As a result, the number of Heilongjiang Interchina shares owned by the Company increased from 119,725,000 shares to 179,587,500 shares, the equity interest in Heilongjiang Interchina remains unchanged.

In November 2013, Interchina Water Treatment Limited, an indirect wholly-owned subsidiary of the Company ("Interchina Water" as vendor) and Hanzhong Boyuan Investment Company Limited ("Boyuan" as purchaser) entered into a share transfer agreement, pursuant to which Interchina Water conditionally agreed to dispose the 80% equity interest in Interchina (Hanzhong) Shimen Water Supply Company Limited ("Interchina Hanzhong") for a consideration of RMB1,000,000. Interchina Hanzhong has been granted a service concession rights to built-own-operate a water supply plant in Hanzhong City with daily aggregate capacity of 100,000 tonnes per day for 30 years since April 2004 (the "Hanzhong Project"). The construction of the Hanzhong Project was substantially completed in 2007. Due to the pipeline network has not been finalised by the relevant government authority, the operation has not been commenced. In view of the prolong delay in commencement of the operation, the Group has decided to dispose of the entire equity interest in Interchina Hanzhong owned by the Interchina Water. As at 31 December 2013, the net liabilities value of Interchina Hanzhong amounted to approximately HK$1,310,000. The aforesaid disposal did not constitute any notifiable transaction of the Company under the Listing Rules. The aforesaid disposal completed in December 2013 and recognised a gain on disposal of a subsidiary of HK$773,000.

Subsequent to the year end, the Group disposed 72,000,000 shares of Heilongjiang Interchina, further reduced the holding from 20.56% to 15.61%. In addition, since Mr. Lam Cheung Shing, Richard, an executive Director and the chief executive director of the Company resigned as director of Heilongjiang Interchina in April 2014, the only representative of the Group in the board of Heilongjiang Interchina is Mr. Zhu Yongjun who is the legal representative and director of Interchina (Tianjin) Water Treatment Limited, a wholly-owned subsidiary of the Company. Once significant influence on Heilongjiang Interchina does not exist, the board will consider to re-classify the investment in Heilongjiang Interchina as strategic investment.

While it is the Company's current intention to keep the status quo in respect of its environmental water treatment operation it will not preclude the chance of realising its investment in this sector or making further investment in it should the opportunity arise.

Discontinued Operations

Securities dealing and brokerage operation and supply and procurement operation are presented as discontinued operation in the consolidated financial statements for the year ended 31 March 2014.

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 further turnover was recognised during the year (2013: HK$15,953,000). The segment loss decreased 97.1% to HK$2,098,000 (2013: HK$73,253,000), is mainly due to there was the impairment loss of HK$84,498,000 made in respect of client's receivable in last year.

Due to the Group had discontinued the supply and procurement operation in April 2012, no further turnover was recognised during the year (2013: HK$8,633,000). The segment loss significantly decreased 97.9% to HK$147,000 (2013: HK$6,898,000). In September 2013, the Group entered into the sale and purchase agreement with the independent third party to disposal of entire equity interest in the subsidiaries under supply and procurement operation at the consideration of HK$100. The aforesaid disposal did not constitute any notifiable transaction of the Company under the Listing Rules. The disposal completed in September 2013 and recognised a gain on disposal of subsidiaries of HK$6,270,000 .

Outlook and prospect

Looking forward, the global economy is expected to continue its recovery at steady pace. The Company expects 2014 to be full of challenges and opportunities. We are confident in our capability to face challenges and capture opportunities when the economy rebounds.

On 18 March 2014, the name of the Company was changed to EverChina Int'l Holdings Company Limited to provide the Company with a new corporate identity. The Company shall continue the existing businesses of the Group and will consider undertaking other business opportunities as appropriate in order to enhance its growth, broadening its income stream and to provide shareholders with largest investment returns in return for their long-term support.

FINANCIAL REVIEW

Overall Performance

Due to a one-off gain of HK$1,601,858,000 from the Heilongjiang Disposal was recognised in last year, profit for the year (including continuing and discontinued operations) decreased by 81.1% to HK$178,815,000 (2013: HK$948,285,000). Heilongjiang Interchina became an associate company of the Company and the financial results of Heilongjiang Interchina were accounted for using equity method in the consolidated financial statement of the Group since January 2013, the Group also recorded a significant decrease in turnover and operating expenses for the year. Turnover from continuing operation decreased by 89% to HK$40,785,000 (2013: HK$370,612,000). Turnover for the year was generated from the property investment operation and financing and securities investment operation. The environmental water treatment operation recorded no turnover for the year (2013: HK$339,219,000). Cost of sales also decreased by 98.9% to HK$1,909,000 (2013: HK$172,571,000). The environmental water treatment operation recorded no cost of sales for the year (2013: HK$171,014,000). Total operating expenses (the aggregate amount of staff costs, amortisation and depreciation and administrative costs) decreased by 66.8% to HK$103,339,000 (2013: HK$311,039,000), of which the total operating expenses of environmental water treatment operation decreased by 52.2% to HK$82,853,000 (2013: HK$173,382,000).

In combination of the above factors, the decrease in the Group's operating results for the year but also was the net effect of: (i) a decrease in fair value gain arising on change in fair value of investment in listed securities by 78.1% to HK$17,746,000 (2013: HK$81,136,000); (ii) in absence of loss on disposal of investment property this year (2013: HK$82,988,000); (iii) a decrease in other operating expenses by 54.4% to HK$97,153,000 (2013: HK$213,171,000) as a result of impairment loss on the mining rights amounted HK$31,200,000 (2013: HK$132,600,000) was recognised this year; and (iv) a decrease in finance costs by 73.8% to HK$49,781,000 (2013: HK$189,656,000) as a result of decrease in the outstanding bank and other borrowings to HK$442,575,000 this year (31 March 2013: HK$954,119,000).

Liquidity, Financial Resources and Capital Structure

At 31 March 2014, the Group's total assets were HK$6,026,894,000 (31 March 2013: HK$6,539,062,000) and the total liabilities were HK$568,010,000 (31 March 2013: HK$1,304,857,000). There has been no change in the share capital of the Company during the year. As at 1 April 2013 and 31 March 2014, the number of issued shares of the Company was 6,078,669,363. At 31 March 2014, the equity reached HK$5,458,884,000 (31 March 2013: HK$5,234,205,000) and the current ratio of the Group was 4.7 (31 March 2013: 2.4) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 7.3 % (31 March 2013: 14.6%).

At 31 March 2014, the Group's cash on hand and deposits in bank was HK$321,777,000 (31 March 2013: HK$975,279,000). Around 96.7% 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 2014, the Group's total borrowings comprising bank borrowings of HK$27,480,000 (31 March 2013: HK$147,869,000), other borrowings of HK$415,095,000 (31 March 2013: HK$806,250,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$420,658,000 repayable within one year and HK$17,995,000 repayable after one year but within five years, and HK$3,922,000 repayable after five years. Around 98.7% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

Termination of Connected Transaction in relation to Acquisition of Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural")

On 16 December 2012, the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Jiang Zhaobai ("Mr. Jiang"), the chairman and executive director of the Company, regarding the acquisition, pursuant to which Mr. Jiang has agreed to dispose of equity interest in Pengxin Agricultural and the sale loan of amounted to US$26,500,000 (equivalent to HK$206,700,000) at the aggregate consideration of US$65,000,000 (equivalent to HK$507,000,000). Upon completion, the Group will hold 99.9% equity interest of Empresa Agropecuaria Novagro S.A., a company principally engaged in farming of soybean and corn (the "Bolivian Company").

Taking into account certain consents and licences required to be obtained by Bolivian Company in respect of the transactions contemplated under the Sale and Purchase Agreement is unlikely to be obtained in short term, the Board decided to terminate the aforesaid acquisition. On 26 November 2013, the Company and Mr. Jiang entered into a termination deed (the "Termination Deed") to terminate the Sale and Purchase Agreement. Pursuant to the Termination Deed, Mr. Jiang shall refund the deposit to the Company. Subject to the refund of the deposit by Mr. Jiang, the Company and Mr. Jiang discharges and releases each other from the performance of any obligations under the Sale and Purchase Agreement. Details of which were set out in the Company's announcements dated 16 December 2012, 9 January 2013, 31 January 2013, 28 February 2013, 28 March 2013, 31 May 2013, 31 July 2013, 27 September 2013 and 26 November 2013.

Material Acquisition and Disposal

Save as the acquisition and disposal has been described in the "Business Review and Prospect" section, there was no material acquisition or disposal of subsidiaries or associates during the year.

Future plans for material investments or capital assets

(i) Pursuant to the sale and purchase agreement dated 29 November 2013 in relation to the Proposed Acquisition, the Consideration of HK$573,000,000 was to be satisfied in cash in two installment payments. As at 31 March 2014, the first installment payment as deposit amount to HK$255,000,000 has been settled. The second installment payment as final payment of HK$318,000,000 is required to be settled upon completion of the Proposed Acquisition.

(ii) Pursuant to the sale and purchase agreement dated 21 March 2014 in relation to the Further Acquisition, the Consideration of HK$318,000,000 was to be satisfied in cash in two installment payments. As at 31 March 2014, the first installment payment as deposit amount to HK$159,000,000 has been settled. The second installment payment as final payment of HK$159,000,000 is required to be settled upon completion of the Proposed Acquisition.

The Board is of the opinion that, after taking into account the existing available internal resources, the Group has sufficient resources to meet its foreseeable working capital requirements.

Save as the above mentioned, the Group did not have any future plans for material investments or capital assets at 31 March 2014.

Pledged of Assets

At 31 March 2014, the Group's investment properties with carrying amounts of HK$562,482,000 was pledged as security for its liabilities. In addition, certain shares of an associate company 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. During the period, the Group did not employ any financial instruments for hedging purpose and did not engage in foreign currency speculative activities. The Group will closely manage and monitor foreign currency risks whenever its financial impact is material to the Group.

Human Resources

As at 31 March 2014, the Group had approximately 39 employees in Hong Kong and the PRC. To maintain the Group's competitiveness, salary adjustments and award of bonus for staff are subject to the performance of individual staff members. Apart from offering retirement benefit scheme, share option scheme and medical insurance for its staff, the Group also provides staff with various training and development programs.

APPRECIATION

On behalf of the Group, I wish to extend my heartfelt thanks to our shareholders and business partners for their unwavering support to the Group. I would also like to express my deep gratitude to the management and other staff members for their vital contributions over the year. The Group will press ahead with efforts to build a strong and successful future at home and abroad.

On behalf of the Board
Jiang Zhaobai
Chairman

Hong Kong, 26 June 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 51, has been appointed as an executive Director of the Company and Chairman of the Board in September 2012. 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") and has over 26 years experience in real estate development and investment. He was the chairman of Pengxin Real Estate during the period from January 1995 to March 1997. Mr. Jiang is currently vice president of China Non-Government Enterprise Directors Association (中國民營企業家協會) and 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 56, 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. Other than the directorship in the Company, currently, Mr. Lam is also an independent non-executive director of Eagle Legend Asia Limited, the issued shares of which are listed on the Stock Exchange. Besides, Mr. Lam was appointed as an executive director of Kai Yuan Holdings Limited, the issued shares of which are listed on the main board of The Stock Exchange, 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. 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. 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.

Mr. SHEN Angang, Executive Director

Mr. SHEN Angang, aged 58, 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. GU Yungao, Executive Director

Mr. GU Yungao, aged 46, has over 20 years of experience in the trading and investment management field. He is the chairman of National Metals (H.K.) Co., Ltd. since 1999. He had also served as core member, head and general manager of Ministry of Foreign Trade and Economic Cooperation of the People's of Republic of China and its associate enterprise from 1989 to 1999. Mr. Gu obtained a bachelor degree in International Economics & Trade from University of International Business and Economics in 1989. He attended master's degree course in business administration from Columbia University Graduate School of Business, in 1999 (for 1 year). Mr. Gu also completed the executive master of business administration program co-developed by HEC Paris International Business School and State Owned Assets Supervision and Administration Commission of the People's Republic of China. He has also completed the CEO program of corporate and finance from Cheung Kong Commercial College in 2013.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. HO Yiu Yue, Louis, aged 66 was appointed as an independent non-executive Director in April 2009. 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 Nomination Committee

Mr. KO Ming Tung, Edward, aged 53, 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 22 years.

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

Mr. CHEN Yi, Ethan, Independent Non-executive Director

Mr. CHEN Yi, Ethan, aged 31, has been appointed as an independent non-executive Director of the Company in February 2012. Mr. Chen has profound knowledge in financial instruments and rich experience in the international capital market. He has been the assistant vice president in investment of Wellbo Holdings Limited since 2010. He held the position as an engineering analyst of Kobex Minerals Inc. and International Barytex Resources Ltd in Canada, and as an analyst and assistant vice president of Rongying Investments Limited. He received a bachelor degree in Applied Science on Professional Electric Engineering from University of British Columbia, Vancouver, Canada.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organisation that is open and accountable to the Shareholders.

The Company has adopted the principles code provisions of the Code on Corporate Governance Practices contained in Appendix 14 (the "CG Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). 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 A.4.2 of the CG Code, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. However, the director, namely Mr. Gu Yungao appointed during the year, will follow Article 92 of the Articles of Association of the Company to re-elect themselves at the forthcoming annual general meeting of the Company to be held in August 2014. The Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board, in order to optimise the returns for Shareholders.

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.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises seven Directors, including four executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Jiang Zhaobai	*(Chairman)*
Mr. Lam Cheung Shing, Richard	*(Deputy Chairman and CEO)*
Mr. Shen Angang	
Mr. Gu Yungao	

Independent Non-executive Directors

Mr. Ho Yiu Yue, Louis
Mr. Ko Ming Tung, Edward
Mr. Chen Yi, Ethan

To the best knowledge of the Company, there is no other financial, business or family relationship among the members of the Board.

All directors have given sufficient time and attention to the affairs of the Group. Each executive director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Biographical information of the directors are set out in the section headed "Directors and Senior Management" of this annual report.

Functions and Duties of the Board

The Board is responsible for directing the Group's operational strategies, reviewing and monitoring the business and financial performance of the Group, as well as leading and supervising the management to ensure thorough implementation of the Board's resolutions and effective performance of their duties. The Board is also responsible for performing the corporate governance duties as required under the Code Provision D.3.1 of the CG Code (include the determining of the corporate governance policy of the Company).

The day-to-day management, administration and operation of the Company are delegated to the chief executive officer and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approvals must be obtained from the Board prior to any significant transactions entered into by the aforesaid officers. The directors may have access to the advice and services of the company secretary of the Company to ensure that the board procedures, and all applicable rules and regulations, are followed. In addition, the directors may, upon reasonable request, seek independent professional advice under appropriate circumstance at the Company's expenses. The Board shall resolve to provide separate, appropriate, independent and professional advice to the directors to assist the relevant Directors in discharging their duties.

Chairman and Chief Executive

During the year, the Company has complied with the Code Provision A.2.1 of the CG Code which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Jiang Zhaobai has been appointed as Chairman since 24 September 2012, is responsible for providing leadership in the Board to set strategies and achieve the Group's goals and his duties primarily responsible for ensuring that good corporate governance practices and procedures are established, overseeing and coordinating the operation of the Board, confirming the agenda of each Board meeting and ensuring the Board functions effectively and discusses all major and appropriate matters in a timely and constructive manner; ensuring the availability of accurate, timely and clear information to induce effective contribution from the Board members; encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus; monitoring the execution of the Board's resolutions; and maintaining effective communication with shareholders. Mr. Lam Cheung Shing, Richard has been appointed as the Chief Executive Officer since 16 June 2009, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementing the strategies laid down by the Board. The management performs their duties in managing the actual operations of businesses.

Independent non-executive Directors

Independent non-executive directors have played a significant role in the Board by bringing their independent judgment to the Board meeting and scrutinising the Group's performance. Their views carry significant weight in the Board's decision; in particular, they bring an impartial view to issues relating to the Group's strategy, performance and control. All independent non-executive directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board. The independent non-executive directors provide independent advice on the Group's business strategy, results and management to ensure that all interests of Shareholders are taken into account, and the interests of the Company and its Shareholders are protected.

The Board has three independent non-executive directors, in compliance with Rule 3.10(1) of the Listing Rules. In addition, at least one independent non-executive director, namely, Mr. Ho Yiu Yue Louis has appropriate professional accounting qualifications or financial management expertise in accordance with Rule 3.10(2) of the Listing Rules. The Company has appointed three independent non-executive directors, representing one-third of the Board, in compliance with Rule 3.10A of the Listing Rules.

The Company has received annual confirmations of independence from each of the existing independent non-executive directors in accordance with Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all the independent non-executive directors are independent and that they have met the specific independence guidelines as set out in Rule 3.13 of the Listing Rules.

Appointments and Re-election of Directors

The structure, size and composition of the Board are reviewed from time to time to ensure that the Board has a balanced composition of skills and expertise appropriate for the requirements of the businesses of the Company. Appointments are first considered by the Nomination Committee. The recommendations of the Nomination Committee are then put to the full Board for decision.

All directors (including executive and non-executive directors) are not appointed for a fixed term but are subject to re-election by shareholders of the Company at the annual general meeting following their appointment and at least once every three years on a rotation basis. The Articles of Association of the Company require that one-third of the directors (including executive and non-executive directors) shall retire each year. The directors who are required to retire each year shall be those appointed by the Board during the year and those who have been longest in office since their election or re-election. A retiring director is eligible for re-election.

Board Diversity Policy

Pursuant to the new code provisions of the Corporate Governance Code relating to board diversity which has come into effect since 1 September 2013, the Board approved a new board diversity policy (the "Board Diversity Policy") in August 2013. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. 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. The Nomination Committee will also assess the merits and contribution of any Director proposed for reelection or any candidate nominated to be appointed as Director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

Continuous Professional Development

Pursuant to Code Provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed director will be given an induction so as to ensure that he has appropriate understanding of the Group's business and of his duties and responsibilities under the Listing Rules and the relevant statutory and regulatory requirements.

During the year, the Company had provided to the directors regular 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. According to the record provided by the directors, all directors have participated in continuous professional development by self-studying of materials on the topics related to corporate governance and regulations and/or attend seminars during the year.

Directors' and Officers' Insurance

The Company has arranged appropriate insurance cover in respect of potential legal actions against its directors and officers.

BOARD MEETINGS

The Board meets regularly and at least four times a year at approximately quarterly intervals to review the financial and operational performance of the Group. Non-regular Board meetings will be convened as and when required by business needs. During the year ended 31 March 2014, a total of 7 board meetings and two general meetings including 2014 AGM were held and the attendance of each director is set out below:

Name of Directors	Number of meetings attended/ Number of meetings held during the term of office Board	 General
Executive Directors		
Mr. Jiang Zhaobai	5/7	0/2
Mr. Lam Cheung Shing, Richard	7/7	2/2
Mr. Shen Angang	7/7	0/2
Mr. Lu Yaohua (note 1)	7/7	0/2
Mr. Zhu Deyu (note 1)	7/7	0/2
Mr. Gu Yungao (note 2)	3/4	0/1
Independent Non-executive Directors		
Mr. Ho Yiu Yue Louis	7/7	2/2
Mr. Ko Ming Tung Edward	7/7	2/2
Mr. Chen Yi, Ethan	7/7	2/2

Notes:

(1) Resigned on 1 June 2014

(2) Appointed on 2 September 2013

Sufficient fourteen-day notice for regular Board meetings and notice in reasonable days for non-regular Board meetings were given to all directors so as to ensure that each of them had an opportunity to attend the meetings, and agenda and accompanying Board papers were given to all Directors in a timely manner before the date of the Board meetings and at least three days before the regular Board meetings. Sufficient information was also supplied by the management to the Board to enable it to make informed decisions, which are made in the best interests of the Company.

All directors have access to the company secretary and are entitled to secretarial services so as to ensure full compliance with the procedures of Board meetings and all applicable rules. If the relevant corporate governance regulations have been changed, the company secretary will keep the Board updated of such changes.

Minutes of meetings of the Board and the subordinate committees are prepared and maintained by the company secretary. Drafts of the minutes of the meeting are sent to the directors who have attended the meeting for their comments within a reasonable time after each meeting, while the final version is filed for records. Minutes of meetings of the Board and the subordinate committees are available for inspection by all directors. In order to perform their duties, the directors are entitled to seek independent professional advice through the Chairman, at the Company's expense.

Whenever a transaction is considered at a Board meeting, the directors are required to declare their respective interests involved in the first Board Meeting where such transaction is being considered, and the interested director shall absent from such meeting and abstain from voting when appropriate. If the interest is considered by the Board to be material, the Board will ensure that an adequate number of independent directors (i.e. directors who, and whose associates, have no material interest in the transaction) are involved in the consideration of the relevant resolutions, and the interested director(s) will abstain from voting. Besides, the matter will be discussed in a physical meeting, as opposed to being dealt with by written resolution.

BOARD COMMITTEES

The Board has three committees namely, Audit Committee, Remuneration Committee and Nomination Committee for assisting to monitor the management of the Company. Each of the committees has been established with written terms of reference that state its authority and duties, which are available on the website of the Company and the Hong Kong Stock Exchange. Besides, each of the committees should report to the Board for their decisions or recommendations made and they shall be provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. Please refer to the respective terms of reference for each of the committees, which have been uploaded to the websites of the Company and/or the Hong Kong Stock Exchange, for their practices, procedures and arrangements in conducting meetings.

Audit Committee

The Audit Committee is composed of three independent non-executive directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Audit Committee), Mr. Ko Ming Tung, Edward and Mr. Chen Yi, Ethan.

All Members have sufficient experience in reviewing audited financial statements as aided by the auditors of the Company whenever required. In addition, Mr. Ho Yiu Yue, Louis has the appropriate professional qualifications and experience in financial matters. No member of this Committee is a member of the former or existing auditors of the Company.

The primary duties of the Audit Committee are to make recommendation to the Board on the appointment, reappointment and removal of external auditor, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, develop and implement policy on the engagement of an external auditor to supply non-audit services and monitor the integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and significant financial reporting judgments contained in them. The Audit Committee shall meet at least twice a year. During the year, the Audit Committee has duly discharged the above duties.

During the year ended 31 March 2014, the Audit Committee held two meetings with an attendance rate of 100%.

Remuneration Committee

The Remuneration Committee comprises one executive director namely, Mr. Lam Cheung Shing, Richard and two independent non-executive directors, namely Mr. Ho Yiu Yue, Louis (chairman of the Remuneration Committee) and Mr. Ko Ming Tung, Edward.

The Remuneration Committee is mainly responsible for reviewing the remuneration policy and structure of Directors and senior management of the Company. The Remuneration Committee considers several factors such as the performance, qualification and experience of the individual and the prevailing market condition before determining the remuneration packages of executive Directors and senior management. It is the Company's policy to offer remuneration packages which are competitive and sufficient to retain such individuals and no Director is involved in decision of his own remuneration. The Remuneration Committee shall meet at least once every year. During the year, the Remuneration Committee has duly discharged the above duties.

During the year ended 31 March 2014, the Remuneration Committee held a meeting with an attendance rate of 100%.

Nomination Committee

The Nomination Committee comprises one executive director namely, Mr. Lam Cheung Shing, Richard and three independent non-executive directors, namely Mr. Ko Ming Tung, Edward (chairman of the Nomination Committee), Mr. Ho Yiu Yue, Louis and Mr. Chen Yi, Ethan.

The primary duties of the Nomination Committee are to review the structure, size and composition (including gender, age, cultural and educational background, professional experience, length of service, skills, knowledge and experience) of the Board, identify individuals suitably qualified to become Board member, assess the independence of independent non-executive Directors and review the Board Diversity Policy and the progress on achieving the objectives set for implementing such policy. A summary of the Board Diversity Policy, which is adopted during the year, is set out in the section headed "Board Diversity Policy" in this Corporate Governance Report. The Nomination Committee shall meet at least once every year. During the year, the Nomination Committee has duly discharged the above duties.

During the year ended 31 March 2014, the Nomination Committee held a meeting with an attendance rate of 100%.

AUDITORS' REMUNERATION

The Company has re-appointed HLB Hodgson Impey Cheng Limited ("HLB") as its external auditors during the year ended 31 March 2014. The external auditors are refrained from engaging in non-audit services except for specific approved items, such as review of interim results of the Group. The Audit Committee reviews the external auditor's statutory audit scope and non-audit services and approves its fees.

During the year, the audit and non-audit fees payable/paid to HLB, the auditors of the Group, and the local statutory auditors of the Group's overseas subsidiaries, was made up of an audit fee of HK$2,335,000 (2013: HK$2,221,000) and non-audit service fees of HK$180,000 (2013: HK$180,000), respectively.

DIRECTORS' AND AUDITORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board is responsible for the preparation of the financial statements of the Company and the Group for each financial year which shall give a true and fair view of the financial position, performance and cash flow of the Company and its subsidiaries for that period. The directors acknowledge their responsibilities for preparing the accounts of the Company. As at 31 March 2014, the Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern, therefore the directors continue to adopt the going concern approach in preparing the financial statements.

The responsibilities of HLB, the Company's external auditors, the financial statements are set out in the section headed "Independent Auditors' Report" in this annual report.

INTERNAL CONTROL

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The Group had perform a review on the effectiveness of internal control system (including financial, operational, compliance controls, risk management functions and the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and training programmes and budget) of the Group in respect of the financial year ended 31 March 2014 through an independent professional. The scope and findings of the review had been reported to and reviewed by the Audit Committee. No major issues have been identified and concluded that its internal control system is effective and adequate and the Company has complied with the code provisions on internal control of the CG Code.

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, 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

Shareholder(s) representing at least 5% of the issued share capital of the Company have statutory rights pursuant to Section 556 of the Companies Ordinance of Hong Kong (Chapter 622) to call for EGM and put forward agenda items for consideration shareholders by sending to the Company Secretary at the registered office a written request for such general meetings together with the proposed agenda items.

Shareholder(s) representing at least 2.5% of the total voting rights of all shareholders having at the date of requisition a right to vote at the general meeting, or of at least 50 in number holding shares in the Company, could put forward proposals for consideration at an annual general meeting of the Company by sending to the Company Secretary at the registered office address a written request for such proposals according to Section 615 of the Companies Ordinance of Hong Kong (Chapter 622).

Notice of the general meeting and related papers are sent to registered shareholders in accordance with the requirements of the articles of association of the Company and the Listing Rules and such notice is also made available on the Company's website and Stock Exchange's website.

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

In accordance with Article 105 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

General Meeting and Communication with Shareholders

The Company endeavours to maintain a high level of transparency in communication with shareholders and investors in general. The various channels via which the Company communicates with its investors include interim and annual reports, information on the Stock Exchange's and the Company's website, and general meetings.

Shareholders are encouraged to attend the Company's general meetings where the Chairman and the Executive Directors of the Board are available to answer questions. Separate resolutions are proposed at the general meetings on each substantially separate issue, including the election of individual Directors.

General meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of general meeting is distributed to all shareholders at least 20 clear business days prior to an AGM and a general meeting called for passing of a special resolution and at least 10 clear business days prior to a meeting for passing of an ordinary resolution and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of a general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the general meeting.

Constitutional Documents

There is no change in the constitutional documents of the Company during the year. However, in view of the new Companies Ordinance which came into effect on 3 March 2014, the Company will amend the Company's articles of association according to the relevant provisions as soon as possible. Any proposed amendments to the articles of association are subject to the approval of shareholders by way of special resolution at the general meeting. The Company will convene general meeting at the appropriate time.

REPORT OF DIRECTORS

The Directors of the Company present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss on page 29 of the annual report.

The directors of the Company did not recommend the payment of any dividend for the year ended 31 March 2014 (2013: Nil).

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 131 of the annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 35 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on pages 34 to 35 and note 36 to the consolidated financial statements respectively.

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 2014 are set out on page 132 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.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK$15,000 (2013: Nil).

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. Shen Angang
Mr. Gu Yungao (appointed on 2 September 2013)
Mr. Zhu Deyu (resigned on 1 June 2014)
Mr. Lu Yaohua (resigned on 1 June 2014)

Independent non-executive directors:

Mr. Ko Ming Tung, Edward
Mr. Ho Yiu Yue, Louis
Mr. Chen Yi, Ethan

In accordance with the Company's articles of association, Mr. Gu Yungao who was newly appointed as Directors of the Company during the current year shall retire at the forthcoming annual general meeting. He, being eligible, has offered himself for re-election at the forthcoming annual general meeting.

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. Shen Angang and Mr. Ko Ming Tung, Edward shall retire by rotation at the forthcoming annual general meeting. Both of them, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

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

As at 31 March 2014, 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%
Zhu Deyu (resigned on 1 June 2014)	Beneficial owner	10,000,000	0.16%
Lu Yaohua (resigned on 1 June 2014)	Beneficial owner	10,000,000	0.16%

Save as disclosed above, as at 31 March 2014, 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.

SHARE OPTION SCHEME

The share option scheme (the "2002 Share Option Scheme") which was adopted on 2 September 2002 was terminated in 2011 and a new share option scheme (the "New Share Option Scheme") was adopted and approved by the shareholders of the Company at the annual general meeting held on 12 August 2011.

During the year, no option had been granted under the New Share Option Scheme by the Company. Particulars of the New Share Option Scheme are set out in note 37 to the consolidated financial statement.

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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2014, 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 Director	Capacity	Number of Shares held	Approximate percentage shareholding
Jiang Zhaobai	Interest in controlled corporation (Note 1)	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:

(1) 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 2014, 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.

CONTINUING CONNECTED TRANSACTIONS

Details of continuing connected transaction is set out in note 44(a) to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transaction as set out in note 44(a) to the consolidated financial statements and confirmed that these continuing connected transactions have been entered into: (i) in the ordinary and usual course of business of the Company; (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the Master Agreement and governing them respectively on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also reviewed the continuing connected transaction as set out in note 44(a) to the consolidated financial statements and confirmed that these continuing connected transactions: (i) have received the approval of the Board; (ii) have been entered into in accordance with the Master Agreement governing the transactions; and (iii) have not exceeded the relevant annual caps under the Master Agreement.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 44(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 68%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 41%.

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

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.

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

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

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 43 to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in note 49 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 20.

AUDITORS

The consolidated financial statements for the year ended 31 March 2014 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.

There has been no change in the auditors of the Company in any of the proceeding five years except for the reorganization of Messrs HLB Hodgson Impey Cheng to HLB Hodgson Impey Cheng Limited in March 2012.

On behalf of the Board
Jiang Zhaobai
Chairman

Hong Kong, 26 June 2014

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
(FORMERLY KNOWN AS INTERCHINA 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 29 to 130, which comprise the consolidated and company statements of financial position as at 31 March 2014, 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 80 of Schedule 11 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 of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, 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 of the Company, 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 state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 26 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Continuing operations			
Turnover	7	**40,785**	370,612
Cost of sales		**(1,909)**	(172,571)
Other income and gain, net	8	**63,403**	56,670
Staff costs	9	**(16,236)**	(48,270)
Amortisation and depreciation		**(3,253)**	(65,214)
Administrative costs		**(83,850)**	(197,555)
Other operating expenses		**(97,153)**	(213,171)
Fair value change in financial assets at fair value through profit or loss		**17,746**	81,136
Fair value change in investment properties	17	**25,784**	24,306
Loss from operations	10	**(54,683)**	(164,057)
Finance costs	11	**(49,781)**	(189,656)
Share of result of associates	24	**49,838**	23,386
Gain on deemed disposal of associates		**169,442**	–
Loss on disposal of investment properties	17	**–**	(82,988)
Gain on disposal of associates		**–**	353,264
Gain on disposal of subsidiaries	39	**7,116**	1,248,594
Profit before taxation		**121,932**	1,188,543
Taxation	12	**58,579**	(160,766)
Profit for the year from continuing operations		**180,511**	1,027,777
Discontinued operations			
Loss for the year from discontinued operations	13	**(1,696)**	(79,492)
Profit for the year		**178,815**	948,285
Profit for the year attributable to:			
Owners of the Company		**177,124**	942,344
Non-controlling interests		**1,691**	5,941
		178,815	948,285
Earnings per share attributable to the owners of the Company	14		
From continuing and discontinued operations — Basic and diluted		**HK2.914 cents**	HK16.292 cents
From continuing operations — Basic and diluted		**HK2.942 cents**	HK17.666 cents

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 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**178,815**	948,285
Other comprehensive income for the year, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of overseas subsidiaries	**46,410**	(11,804)
Reclassification adjustment upon disposal of subsidiaries	**4,074**	(55,067)
Share of other comprehensive income of associates	**41**	7,155
Total comprehensive income for the year	**229,340**	888,569
Total comprehensive income attributable to:		
Owners of the Company	**227,649**	893,443
Non-controlling interests	**1,691**	(4,874)
	229,340	888,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	17	**616,117**	586,800
Property, plant and equipment	18	**20,585**	17,533
Prepaid lease payments	19	**–**	–
Mining rights	21	**1,068,600**	1,099,800
Intangible assets	22(a)	**–**	121,492
Other financial assets	22(b)	**–**	–
Goodwill	23	**18,069**	18,069
Interests in associates	24	**1,872,961**	1,634,026
Other non-current assets	25	**58,157**	64,159
		3,654,489	3,541,879
Current assets			
Prepaid lease payments	19	**–**	–
Trade and other receivables and prepayments	26	**1,628,216**	1,560,003
Loan receivables	27	**232,699**	260,061
Financial assets at fair value through profit or loss	28	**188,509**	171,894
Tax recoverable		**1,204**	1,246
Bank balances — trust and segregated accounts	29	**–**	137
Cash and cash equivalents	30	**321,777**	975,279
		2,372,405	2,968,620
Assets classified as held for sale	38	**–**	28,563
		2,372,405	2,997,183
Total assets		**6,026,894**	6,539,062
Capital and reserves			
Share capital	35	**2,490,454**	607,867
Reserves		**2,584,375**	4,240,454
Equity attributable to owners of the Company		**5,074,829**	4,848,321
Non-controlling interests		**384,055**	385,884
Total equity		**5,458,884**	5,234,205

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liability			
Deferred tax liabilities	34	**64,131**	57,399
Current liabilities			
Trade and other payables and deposits received	31	**58,925**	152,722
Tax payable		**2,379**	140,617
Bank borrowings — due within one year	32	**27,480**	147,869
Other borrowings — due within one year	32	**415,095**	806,250
Convertible notes	33	**–**	–
		503,879	1,247,458
Total liabilities		**568,010**	1,304,857
Total equity and liabilities		**6,026,894**	6,539,062
Net current assets		**1,868,526**	1,749,725
Total assets less current liabilities		**5,523,015**	5,291,604

Approved by the Board of Directors on 26 June 2014 and signed on its behalf by:

Jiang Zhaobai	**Lam Cheung Shing, Richard**
Director	*Director*

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

STATEMENT OF FINANCIAL POSITION

At 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Interests in subsidiaries	20(a)	**1,130,044**	1,129,810
Other non-current assets	25	**6,500**	–
		1,136,544	1,129,810
Current assets			
Trade and other receivables and prepayments	26	**507,494**	468,436
Financial assets at fair value through profit or loss	28	**188,509**	171,894
Amounts due from subsidiaries	20(b)	**1,994,179**	2,329,759
Cash and cash equivalents	30	**8,915**	42,288
		2,699,097	3,012,377
Total assets		**3,835,641**	4,142,187
Capital and reserves			
Share capital	35	**2,490,454**	607,867
Reserves	36	**500,295**	2,584,110
Total equity		**2,990,749**	3,191,977
Current liabilities			
Trade and other payables and deposits received	31	**11,654**	12,680
Amounts due to subsidiaries	20(b)	**833,238**	937,530
Convertible notes	33	**–**	–
Total liabilities		**844,892**	950,210
Total equity and liabilities		**3,835,641**	4,142,187
Net current assets		**1,854,205**	2,062,167
Total assets less current liabilities		**2,990,749**	3,191,977

Approved by the Board of Directors on 26 June 2014 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 2014

	Equity attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special reserve HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Statutory surplus reserve HK$'000	(Accumulated losses)/ retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
The Group													
At 1 April 2012 (restated)	427,467	1,490,940	571,996	1,342,477	292,960	55,175	341,319	–	26,410	(1,165,913)	3,382,831	1,346,902	4,729,733
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	(989)	–	–	–	(989)	(10,815)	(11,804)
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	(55,067)	–	–	–	(55,067)	–	(55,067)
Share of other comprehensive income of associates	–	–	–	–	–	–	7,155	–	–	–	7,155	–	7,155
Net profit for the year	–	–	–	–	–	–	–	–	–	942,344	942,344	5,941	948,285
Total comprehensive income for the year	–	–	–	–	–	–	(48,901)	–	–	942,344	893,443	(4,874)	888,569
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	10,309	(10,309)	–	–	–
Placement of shares	85,400	204,960	–	–	–	–	–	–	–	–	290,360	–	290,360
Transaction cost on placement of shares	–	(5,806)	–	–	–	–	–	–	–	–	(5,806)	–	(5,806)
Issue of convertible notes	–	–	–	–	–	–	–	42,080	–	–	42,080	–	42,080
Recognition of deferred tax for convertible notes	–	–	–	–	–	–	–	(6,885)	–	–	(6,885)	–	(6,885)
Conversion of convertible notes	95,000	192,493	–	–	–	–	–	(35,195)	–	–	252,298	–	252,298
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	15,584	15,584
Lapse of share options	–	–	–	–	–	(55,175)	–	–	–	55,175	–	–	–
Release of reserve upon disposal of subsidiaries	–	–	–	–	(292,960)	–	–	–	(35,848)	328,808	–	(971,728)	(971,728)
At 31 March 2013 and 1 April 2013	607,867	1,882,587	571,996	1,342,477	–	–	292,418	–	871	150,105	4,848,321	385,884	5,234,205
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	45,269	–	–	–	45,269	–	45,269
Reclassification adjustment upon disposal of subsidiaries	–	–	–	–	–	–	4,074	–	–	–	4,074	–	4,074
Share of other comprehensive income of associates	–	–	–	–	–	–	41	–	–	–	41	–	41
Net profit for the year	–	–	–	–	–	–	–	–	–	177,124	177,124	1,691	178,815
Total comprehensive income for the year	–	–	–	–	–	–	49,384	–	–	177,124	226,508	1,691	228,199
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(3,520)	(3,520)
Transition to no-par value on 3 March 2014 (note 35 and 36)	1,882,587	(1,882,587)	–	–	–	–	–	–	–	–	–	–	–
At 31 March 2014	**2,490,454**	**–**	**571,996**	**1,342,477**	**–**	**–**	**341,802**	**–**	**871**	**327,229**	**5,074,829**	**384,055**	**5,458,884**

Share premium

Prior to 3 March 2014, the application of the share premium account was governed by sections 48B the predecessor Hong Kong Companies Ordinance (Cap. 32). In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014 any amount standing to the credit of the share premium account has become part of the Company's share capital. The use of share capital as from 3 March 2014 is governed by section 149 of the Hong Kong Companies Ordinance (Cap. 622).

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.

Other reserve

The other reserve represents the Group disposed of an aggregate of 4.43% equity interest in Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") on 14 January 2013. The voting power of the Group over Heilongjiang Interchina is dropped from 53.77% to 49.34%. The Group ceased to have control but remain significant influence over Heilongjiang Interchina and its subsidiaries (the "Heilongjiang Interchina Group"). As a result, other reserve of approximately HK$292,960,000 was transferred to retained earnings of the Group upon losing control of Heilongjiang Interchina Group on 14 January 2013.

Share option reserve

The share option reserve represents the fair value of services estimated to be received in exchange for the grant of the relevant share options over the relevant vesting periods. The total of which is based on the fair value of the share options at grant date. The amount for each period is determined by spreading the fair value of the share options over the relevant vesting period (if any) and is recognised as staff costs and related expenses with a corresponding increase in the share options reserve.

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.

Convertible notes reserve

Under Hong Kong Accounting Standard 32, convertible notes issued are split into their liability and equity components at initial recognition by recognising the liability component at its fair value which is determined using market interest rate for equivalent non-convertible notes and attributing to the equity component the difference between the proceeds from issue and the fair value of the liability component. The liability component is subsequently carried at amortised cost. The equity component is recognised in the convertible notes reserve until the notes are either converted (in which case it is transferred to share capital) or the notes are redeemed (in which case it is released directly to retained earnings.)

Statutory surplus reserve

Pursuant to the relevant laws and regulations for business enterprises in the People's Republic of China (the "PRC"), a portion of the profits of the Group's entities which are registered in the PRC has been transferred to the statutory surplus reserve which is restricted as to use. When the balance of such reserve reaches 50% of the Group's capital, any further appropriation is optional. The statutory surplus reserve can be utilised, upon approval of the relevant authority, to offset prior year's losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at least 25% of capital after such usage.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES			
Profit before taxation — continuing operations		**121,932**	1,188,543
Loss before taxation — discontinued operations		**(1,696)**	(79,498)
Adjustments for:			
Depreciation of property, plant and equipment	18	**3,253**	29,550
Amortisation of prepaid lease payments intangible assets	19, 22(a)	**–**	35,777
Fair value change in investment properties	17	**(25,784)**	(24,306)
Impairment loss recognised in respect of trade and other receivables and prepayments	26	**43,596**	29,381
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	26	**–**	(12,200)
Impairment loss recognised in respect of loan receivables	27	**8,114**	98,526
Impairment loss recognised in respect of other non-current assets	25	**12,707**	23,388
Impairment loss recognised in respect of property, plant and equipment	18	**1,536**	2,323
Impairment loss recognised in respect of mining rights	21	**31,200**	132,600
Impairment loss recognised in respect of goodwill	23	**–**	31
Written down of inventories		**–**	3,666
(Gain)/loss on disposal of property, plant and equipment	18	**(61)**	356
Loss on disposal of investment properties	17	**–**	82,988
Gain on disposal of subsidiaries	39	**(7,116)**	(1,248,594)
Gain on disposal of associates	24	**–**	(353,264)
Gain on deemed disposal of associates	24	**(169,442)**	–
Share of result of associates	24	**(49,838)**	(23,386)
Loss/(gain) from sale of financial assets at fair value through profit or loss		**376**	(1,214)
Fair value change in financial assets at fair value through profit or loss		**(18,122)**	(79,922)
Interest income		**(13,311)**	(8,484)
Remeasurement of fair value less costs to sell in respect of assets classified as held-for-sale	38	**–**	12,015
Interest expenses	11	**49,781**	189,656
Operating cash flows before movements in working capital		**(12,875)**	(2,068)
Increase in other non-current assets		**(6,705)**	–
Increase in other financial assets		**–**	(2,786)
Increase in intangible assets	22(a)	**–**	(84,300)
Decrease/(increase) in inventories		**–**	9,980
Decrease/(increase) in loan receivables		**27,681**	(42,309)
Decrease/(increase) in trade and other receivables and prepayments		**8,455**	(494,976)
Decrease/(increase) in financial assets at fair value through profit or loss		**1,130**	(16,773)
Increase/(decrease) in trade and other payables and deposits received		**36,659**	(41,434)
Cash generated from/(used in) operating activities		**54,345**	(674,666)
Profits tax paid		**(72,885)**	(24,390)
Interest received		**4,878**	8,484
Net cash used in operating activities		**(13,662)**	(690,572)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Decrease in bank trust and segregated accounts		**137**	40
Purchase of property, plant and equipment	18	**(6,622)**	(12,170)
Purchase of investment properties	17	**–**	(37,546)
Purchase of leasehold land	19	**–**	(9,806)
Proceeds from disposal of investment properties		**–**	350,000
Refunds from other non-current assets		**–**	1,601
Incorporation of non-wholly-owned subsidiaries		**–**	15,584
Proceeds on disposal of property, plant and equipment		**218**	–
Proceeds on acquisition of assets through acquisition of a subsidiary	40	**2,050**	–
Proceeds on disposal of assets classified as held for sales		**28,563**	–
Proceeds on disposal of associates		**–**	922,894
Proceeds on disposal of subsidiaries	39	**5,817**	23,429
Deposit paid for acquisition of investment properties		**(255,000)**	–
Deposit paid for acquisition of mining rights		**(107,899)**	–
Refund of deposit paid for acquisition of a Bolivian Company		**236,402**	–
(Advanced from)/receipts of amounts due from associates		**(9,636)**	309
Repayment on amounts due to associates		**(9,978)**	(4,934)
Net cash (used in)/generated from investing activities		**(115,948)**	1,249,401
FINANCING ACTIVITIES			
Interest paid		**(46,829)**	(189,301)
New bank and other borrowings raised		**–**	988,839
Repayment of bank and other borrowings		**(511,544)**	(1,360,009)
Proceed from issue of convertible notes	33	**–**	287,138
Placement of shares		**–**	290,360
Issue cost on placement of shares		**–**	(5,806)
Net cash (used in)/generated from financing activities		**(558,373)**	11,221
Net (decrease)/increase in cash and cash equivalents		**(687,983)**	570,050
Cash and cash equivalents at beginning of the year		**975,142**	398,751
Effect of change in foreign exchange rate		**34,618**	6,341
Cash and cash equivalents at end of the year		**321,777**	975,142
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**321,777**	975,279
Less: Bank balances — trust and segregated accounts	29	**–**	(137)
		321,777	975,142

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

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 registered office of the Company is located at 15th Floor, CCB Tower, 3 Connaught Road Central, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries are principally engaged in (i) environmental water treatment operation, (ii) property investment operation, (iii) financing and securities investment operation and (iv) natural resources operation. Details of the principal activities of its subsidiaries are set out in note 48.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), which is the same as the functional currency of the Company.

Pursuant to a special resolution passed by the shareholders at an extraordinary general meeting held on 28 February 2014, the name of the Company has been changed from Interchina Holdings Company Limited to EverChina Int'l Holdings Company Limited.

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"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance which concern the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap.32), in accordance with transitional and saving arrangement for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement 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.

2. BASIS OF PREPARATION *(Continued)*

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

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

— Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

— Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

— Level 3 inputs are unobservable inputs for the asset or liability.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a number of new standards, amendments and Int 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 2013.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
HKFRS 1 Amendments	Government Loans
HKFRS 7 Amendments	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 36 Amendments	Recoverable Amount Disclosures for Non-financial Assets
HKAS 1 Amendments (as revised in 2012)	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Striping Costs in the Production Phase of a Surface Mine

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early applied HKAS 36 (Amendments) Recoverable Amount Disclosures for Non-financial Assets, which is effective for annual periods of the Group beginning on or after 1 April 2014.

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("CGU") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal. The early application of amendments to HKAS 36 removes the requirement to disclose the recoverable amounts of individual asset mentioned above. Other than the additional disclosures by application of HKAS 36, the application of HKAS 36 has not had any material impact on the amounts recognised in the consolidated financial statements.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 (Revised) Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when (a) it has power over the investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, HK(SIC)-Int 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

New and revised standards on consolidation, joint arrangements, associates and disclosures *(Continued)*

Impact of the application of HKFRS 11 *(Continued)*

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities.

Other than the additional disclosures by application of HKFRS 12, the application of HKFRS 10 and HKFRS 11 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application from 1 April 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

Annual Improvements to HKFRSs 2009–2011 Cycle issued in June 2012

The Annual Improvements to HKFRSs 2009–2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 April 2013. Amendments to HKFRSs include:

— amendments to HKAS 16 Property, Plant and Equipment; and

— amendments to HKAS 32 Financial Instruments: Presentation.

Amendments to HKAS 16

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The directors of the Company do not anticipate that the amendments to HKAS 16 will have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HK(IFRIC)-Int 20 Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity during the production phase of the mine. The interpretation addresses the initial measurement and subsequent measurement of the benefit from the stripping activity. According to the Group's assessment, this standard has had no material impact on the financial position and performance of the Group.

Save as described above, the application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2014.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
4 Effective for annual periods beginning on or after 1 January 2016.
5 No mandatory effective date yet determined but is available for adoption.

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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 reporting periods. All other debt investments and equity investments are measured at their fair values 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 profit or loss.

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

Save as described above, the directors of the Company anticipate that the application of new and revised HKFRSs will have no material effect on the Group’s consolidated financial statements.

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)*

Interests in associates

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 associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates 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 associates. 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.

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.

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

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 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

(i) 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.

(ii) Commission and brokerage income

Commission and brokerage income are recognised on a trade date basis when the service is provided.

(iii) Revenue from construction service

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

(iv) Sewage treatment income

Revenue arising from sewage treatment is recognised based on actual sewage treated from meter readings or the amount billed in accordance with terms of contractual agreements where applicable during the year.

(v) Sales of goods

Revenue from the sales of goods is recognised on the transfer of risks and rewards of ownership, which generally considers with the time when the goods are delivered and title has passed.

(vi) Finance income

Finance income is recognised as it accrues using effective interest method.

(vii) Interest income

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

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

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	Over the estimated useful lives of 50 years or over the terms of the leases, if less than 50 years
Leasehold improvements	Over the terms of the leases
Plant and machinery	3%–10%
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.

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.

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

Service concession arrangements

(i) Consideration given by the grantor

A financial asset (receivable under service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out for "Financial instruments" below.

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible (operating concession) is accounted for in accordance with the policy set out for "Intangible assets" below.

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components shall be recognised initially at the fair value of the consideration received or receivable.

(ii) Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with HKAS 11 Construction Contract.

(iii) Operating services

Revenue and costs relating to operating services are accounted for in accordance with the policy for "Revenue recognition" above. Costs relating to operating services are expensed in the period in which they are incurred.

(iv) Contractual obligations to restore the infrastructure to a specified level of serviceability

The Group has contractual obligations which it must fulfill as a condition of its licence, including (a) to maintain the infrastructures it operates to a specified level of serviceability and/or (b) to restore the infrastructures to a specified condition before they are handed over to the grantor at the end of the service concession arrangement. These contractual obligations to maintain or restore the infrastructures, except for upgrade element, are recognised and measured in accordance with the policy set out for "Provisions" below.

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

Intangible assets

Intangible asset represents tap water processing operating rights under Build, Operation, Transfer ("BOT") arrangements. The intangible asset is stated in the consolidated statement of financial position at cost less accumulated amortisation and impairment losses.

Amortisation of intangible asset is charged to the consolidated statement of profit or loss on a straight-line basis over its estimated useful life (the service concession period). Both the period and method of amortisation are reviewed annually.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the period the intangible asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant intangible asset.

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 28.

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, amounts due from subsidiaries, 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 not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments, 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.

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

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

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

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

Other financial liabilities

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

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.

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

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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.

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.

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

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 the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. 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 associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

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

Taxation *(Continued)*

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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.

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

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.

Provisions

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

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

Art works and jade

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

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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of reporting period. 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.

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

Foreign currencies *(Continued)*

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.

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.

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

Leasing *(Continued)*

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.

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.

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 of 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; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

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

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

(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).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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.

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

Estimate of 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 judgement, the Group considers information from a variety of sources including:

(i) 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;

(ii) 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

(iii) 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.

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 judgements in determining whether an asset is impaired or the event previously causing the asset impaired no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) 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; (3) 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.

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

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, judgement 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.

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.

Service concession arrangements

Classification of service concession arrangement between the financial asset component and the intangible asset component, if any, requires the Group to make an estimate of a number of factors, which include, inter alia, expected future sewage treatment volume of the relevant sewage treatment plant over its service concession period, future guaranteed receipts and unguaranteed receipts, and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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

Impairment of financial assets and intangible assets under service concession arrangement

The Group's management determines the provision for impairment of receivables under service concession arrangements. This estimate is based on the evaluation of collectability and aged analysis of accounts and on management's estimation in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor and the provision is applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. Management reassesses the adequacy of provision on a regular basis. The identification of impairment of receivables requires the use of judgements and estimates. Where the expectations are different from the original estimates, such differences will impact on the carrying values of receivables and the impairment of receivables recognised in the periods in which such estimates have been changed.

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 2014, no such provision is recognised as the production of the mine has not yet commenced (31 March 2013: nil).

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(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 judgements 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 judgements 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 mining rights, 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. As the management considered that it is not commercially viable to commence the commercial production of the mine. Therefore, no such depreciation/amortisation has been made for the year ended 31 March 2014.

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

Environmental water treatment operation	—	Operation of water plants and sewage treatment plants in the PRC
Property investment operation	—	Leasing of rental property in the PRC and Hong Kong
Financing and securities investment operation	—	Provision of financing service and securities investment 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 the Republic of Indonesia ("Indonesia")

Discontinued operations

Securities dealing and brokerage operation	—	Provision of securities dealing and brokerage operation services in Hong Kong
Supply and procurement operation	—	Supply and procurement of metal minerals and electronic components in the PRC

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result

The following is an analysis of the segment revenue and results:

For the year ended 31 March 2014

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Segment revenue	–	23,473	17,312	–	40,785	–	–	–	40,785
Segment results	(25,620)	16,209	8,621	(33,059)	(33,849)	(2,098)	(147)	(2,245)	(36,094)
Interest income and other income					81,149			549	81,698
Unallocated expenses					(101,983)			–	(101,983)
Loss from operations					(54,683)			(1,696)	(56,379)
Finance costs					(49,781)			–	(49,781)
Share of result of associates	49,838	–	–	–	49,838	–	–	–	49,838
Gain on deemed disposal of associates					169,442			–	169,442
Gain on disposal of subsidiaries					7,116			–	7,116
Profit/(loss) before taxation					121,932			(1,696)	120,236
Taxation					58,579			–	58,579
Profit/(loss) for the year					180,511			(1,696)	178,815

For the year ended 31 March 2013

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Segment revenue	339,219	21,674	9,719	–	370,612	15,953	8,633	24,586	395,198
Segment results	4,488	(74,237)	(73,163)	(137,743)	(280,655)	(73,253)	(6,898)	(80,151)	(360,806)
Interest income and other income					125,913			653	126,566
Unallocated expenses					(92,303)			–	(92,303)
Loss from operations					(247,045)			(79,498)	(326,543)
Finance costs					(189,656)			–	(189,656)
Share of result of associates	23,386	–	–	–	23,386	–	–	–	23,386
Gain on disposal of associates					353,264			–	353,264
Gain on disposal of subsidiaries					1,248,594			–	1,248,594
Profit/(loss) before taxation					1,188,543			(79,498)	1,109,045
Taxation					(160,766)			6	(160,760)
Profit/(loss) for the year					1,027,777			(79,492)	948,285

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and result *(Continued)*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2013: Nil).

Segment result represents the result generated from each segment without allocation of central administration costs mainly including directors' salaries, finance costs, share of result of associates, gain on disposal of subsidiaries, gain on disposal of associates, gain on deemed disposal of associates, income tax expenses, impairment loss of trade and other receivable and prepayment and impairment of other non-current assets. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

At 31 March 2014

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Assets/liabilities									
Segment assets	**2,954,113**	**694,490**	**421,219**	**1,237,720**	**5,307,542**	**132,797**	**–**	**132,797**	**5,440,339**
Unallocated corporate assets									**585,351**
Tax recoverable									**1,204**
Total assets									**6,026,894**
Segment liabilities	**28,697**	**73,910**	**42**	**7,133**	**109,782**	**166**	**–**	**166**	**109,948**
Unallocated corporate liabilities									**455,683**
Tax payable									**2,379**
Total liabilities									**568,010**

At 31 March 2013

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Assets/liabilities									
Segment assets	3,432,224	794,136	431,955	1,158,557	5,816,872	138,673	527	139,200	5,956,072
Unallocated corporate assets									581,744
Tax recoverable									1,246
Total assets									6,539,062
Segment liabilities	7,837	49,696	–	1,575	59,108	137	1,860	1,997	61,105
Unallocated corporate liabilities									1,103,135
Tax payable									140,617
Total liabilities									1,304,857

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities *(Continued)*

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

All assets related to environmental water treatment operation, property investment operation, financing and securities investment operation, natural resources operation, securities dealing and brokerage operation and supply and procurement operation are allocated to reportable segments other than certain property, plant and equipment, other non-current assets, other receivables, prepayment and deposits, financial assets at fair value through profit or loss and cash and bank balances that are not attributable to individual segments.

All liabilities related to environmental water treatment operation, property investment operation, financing and securities investment operation, natural resources operation, securities dealing and brokerage operation and supply and procurement operation are allocated to reportable segments other than certain other payables and borrowings that are not attributable to individual segments.

(c) Other segment information

For the year ended 31 March 2014

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Other segment information									
Amortisation and depreciation	2,074	89	–	–	2,163	–	–	–	2,163
Unallocated amounts									1,090
									3,253
Capital expenditure	166	–	–	2,421	2,587	–	–	–	2,587
Unallocated amounts									4,035
									6,622
Fair value change in investment properties (note 17)	–	(25,784)	–	–	(25,784)	–	–	–	(25,784)
Fair value change in financial assets at fair value through profit or loss	–	–	(17,746)	-	(17,746)	–	–	–	(17,746)
Impairment loss recognised in respect of mining rights (note 21)	–	–	–	31,200	31,200	–	–	–	31,200
Impairment loss recognised in respect of loan receivables (note 27)	–	–	8,114	-	8,114	–	–	–	8,114

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2013

	Continuing operations					Discontinued operations			
	Environmental water treatment operation HK$'000	Property investment operation HK$'000	Financing and securities investment operation HK$'000	Natural resources operation HK$'000	Sub-total HK$'000	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000
Other segment information									
Amortisation and depreciation	63,849	471	–	2	64,322	10	103	113	64,435
Unallocated amounts									892
									65,327
Capital expenditure	105,568	37,546	–	708	143,822	–	–	–	143,822
Fair value change in investment properties (note 17)	–	(24,306)	–	–	(24,306)	–	–	–	(24,306)
Remeasurement of fair value less costs to sell in respect of assets classified as held-for-sale	12,015	–	–	–	12,015	–	–	–	12,015
Impairment loss recognised in respect of trade and other receivables and prepayments (note 26)	2,500	4,707	–	–	7,207	22,174	–	22,174	29,381
Impairment loss recognised in respect of goodwill (note 23)	31	–	–	–	31	–	–	–	31
Written down of inventories	–	344	–	–	344	–	3,322	3,322	3,666
Impairment loss recognised in respect of loan receivables (note 27)	–	–	36,202	–	36,202	62,324	–	62,324	98,526
Impairment loss recognised in respect of mining rights (note 21)	–	–	–	132,600	132,600	–	–	–	132,600
Impairment loss recognised in respect of property, plant and equipment (note 18)	116	1,267	–	–	1,383	–	940	940	2,323
Loss on disposal of investment properties (note 17)	–	82,988	–	–	82,988	–	–	–	82,988

Certain comparative figures have been restated to conform with the change of resources allocation in current year.

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, intangible assets and other financial 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, including investment properties, prepaid lease payments, property, plant and equipment, mining rights, goodwill, interests in associates, and other non-current assets.

	Revenue from external customers		Specified non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**17,312**	25,672	**37,329**	27,276
The PRC	**23,473**	369,526	**2,538,832**	2,407,496
Indonesia	**–**	–	**1,078,328**	1,107,107
	40,785	395,198	**3,654,489**	3,541,879

(e) Information from major customers

Revenue from continuing operations of approximately HK$16,513,000 and HK$4,624,000, respectively was derived from financing and securities investment operation and property investment operation to two single customers (2013: HK$55,743,000 to a single customer from environmental water treatment operation).

7. TURNOVER

Turnover represents (i) sewage and water treatment service income; (ii) construction services income; (iii) property rental and management fee; (iv) brokerage commission income generated from securities and commodities brokering; (v) interest income from margin clients and (vi) trading of metal minerals and electronic components, and is analysed as follow:

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sewage and water treatment service income*	**–**	244,462	**–**	–
Sewage and water treatment construction service income	**–**	94,757	**–**	–
Property rental and management fee	**23,473**	21,674	**–**	–
Brokerage commission income	**–**	–	**–**	51
Interest income from margin clients	**–**	–	**–**	15,902
Interest income from other clients	**17,312**	9,719	**–**	–
Supply and procurement	**–**	–	**–**	8,633
	40,785	370,612	**–**	24,586

* No finance income on other financial assets under service concession arrangements for the year ended 31 March 2014 (2013: HK$21,423,000) is included in the revenue derived from "Sewage and water treatment operation" disclosed above.

8. OTHER INCOME AND GAIN, NET

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank interest income	**6,079**	8,477	**–**	7
Compensation income	**23,945**	–	**–**	–
Consultancy service income	**–**	13,502	**–**	–
Other loan interest income	**7,232**	–	**–**	–
Government subsidies	**17,758**	11,052	**–**	–
Gain on disposal of property, plant and equipment	**61**	–	**–**	–
Net foreign exchange gain	**3,911**	–	**–**	–
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	**–**	12,200	**–**	–
Sundry income	**4,417**	11,439	**549**	646
	63,403	56,670	**549**	653

9. STAFF COSTS

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Salaries and allowances (including directors' emoluments)	15,561	46,796	607	1,479
Retirement benefit scheme contributions	675	1,474	43	340
	16,236	48,270	650	1,819

(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	
	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
Executive directors										
Jiang Zhaobai[1]	180	93	–	–	–	–	–	–	180	93
Lam Cheung Shing, Richard	180	180	3,892	4,017	260	120	–	–	4,332	4,317
Zhu Yongjun[2]	–	165	–	1,936	–	15	–	–	–	2,116
Wong Hin Shek[3]	–	68	–	508	–	6	–	–	–	582
Shen Angang	180	180	–	–	–	–	–	–	180	180
Choi Fun Tai, Bosco[4]	–	87	–	–	–	–	–	–	–	87
Zhu Deyu[5]	180	93	–	928	–	6	–	–	180	1,027
Lu Yaohua[5]	180	93	–	928	–	6	–	–	180	1,027
Gu Yungao[6]	105	–	–	–	–	–	–	–	105	–
	1,005	959	3,892	8,317	260	153	–	–	5,157	9,429
Independent non-executive directors										
Ho Yiu Yue, Louis	180	180	–	–	–	–	–	–	180	180
Ko Ming Tung, Edward	180	180	–	–	–	–	–	–	180	180
Chi Chi Hung, Kenneth[3]	–	68	–	–	–	–	–	–	–	68
Chen Yi, Ethan	180	180	–	–	–	–	–	–	180	180
	540	608	–	–	–	–	–	–	540	608
	1,545	1,567	3,892	8,317	260	153	–	–	5,697	10,037

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.

1 Appointed on 24 September 2012
2 Resigned on 1 March 2013
3 Retired on 15 August 2012
4 Resigned on 24 September 2012
5 Appointed on 24 September 2012 and resigned on 1 June 2014
6 Appointed on 2 September 2013

9. STAFF COSTS *(Continued)*

(a) Directors' emoluments and chief executive remuneration *(Continued)*

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 waived any emoluments during the year.

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, one (2013: four) was director of the Company whose emolument is included in the disclosures in note (a) above. The emoluments of the remaining four (2013: one) individuals are detailed as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**4,423**	965
Contributions to retirement benefits schemes	**120**	43
	4,543	1,008

10. LOSS FROM OPERATIONS

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

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014 HK$'000	2013 HK$'000	**2014 HK$'000**	2013 HK$'000
Depreciation (note 18)	**3,231**	29,437	**22**	113
Amortisation of prepaid lease payments and intangible assets (notes 19 and 22(a))	**–**	35,777	**–**	–
Auditors' remuneration	**2,365**	2,401	**150**	–
(Gain)/loss on disposal of property, plant and equipment	**(61)**	356	**–**	–
Impairment loss recognised in respect of trade and other receivables and prepayments* (note 26)	**43,596**	7,207	**–**	22,174
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments (note 26)	**–**	(12,200)	**–**	–
Impairment loss recognised in respect of loan receivables* (note 27)	**8,114**	36,202	**–**	62,324
Impairment loss recognised in respect of other non-current assets* (note 25)	**12,707**	23,388	**–**	–
Impairment loss recognised in respect of property, plant and equipment* (note 18)	**1,536**	1,383	**–**	940
Written down of inventories	**–**	344	**–**	3,322
Impairment loss recognised in respect of mining rights* (note 21)	**31,200**	132,600	**–**	–
Impairment loss recognised in respect of goodwill (note 23)	**–**	31	**–**	–
Operating lease rentals in respect of premises	**5,529**	5,026	**–**	–
Net foreign exchange (gain)/loss (note 8)	**(3,911)**	297	**–**	–
Fair value change in investment properties (note 17)	**(25,784)**	(24,306)	**–**	–
Remeasurement of fair value less cost to sell in respect of assets classified as held-for-sale	**–**	12,015	**–**	–
Gross rental income from investment properties	**(23,473)**	(21,674)	**–**	–
Less: direct operating expenses from investment properties that generated rental income during the year	**1,857**	1,556	**–**	–
	(21,616)	(20,118)	**–**	–

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

11. FINANCE COSTS

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interests on:				
Bank borrowings and overdrafts wholly repayable:				
— within five years	**6,552**	189,129	**–**	–
Other borrowings	**43,229**	172	**–**	–
Convertible notes (note 33)	**–**	355	**–**	–
	49,781	189,656	**–**	–

12. TAXATION

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current tax:				
Hong Kong Profits Tax	**1,274**	–	**–**	–
The PRC Enterprise Income Tax	**1,830**	148,761	**–**	–
	3,104	148,761	**–**	–
Under/(over) provision in prior year:				
Hong Kong Profits Tax	**–**	1,625	**–**	(6)
The PRC Enterprise Income Tax	**(68,192)**	(1,082)	**–**	–
	(65,088)	149,304	**–**	(6)
Deferred tax (note 34)	**6,509**	11,462	**–**	–
	(58,579)	160,766	**–**	(6)

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

At 31 March 2014, the Group had unused estimated tax losses of approximately HK$141,011,000 (2013: HK$104,674,000) available for offset against future profits. No deferred tax asset has been recognised due to unpredictability of future profit streams.

12. TAXATION *(Continued)*

The PRC Enterprise Income Tax

All the Company's subsidiaries established in the PRC are either subject to the PRC Enterprise Income Tax, which has been provided based on either the statutory enterprise income tax rate, or preferential enterprise income tax rate of the assessable income of each company during the years ended 31 March 2014 and 2013, as determined in accordance with the relevant PRC income tax rules and regulations.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC (the "New Tax Law") which took effect on 1 January 2008. According to the New Tax Law, the applicable tax rate of the Company's subsidiaries established in the PRC is unified at 25% with effect from 1 January 2008.

The Indonesia Corporate Tax

The corporate tax rate applicable to the subsidiary which is operating in the Indonesia is 25% (2013: 25%) during the year. No Indonesia Corporate Tax was recognised as the subsidiary in the Indonesia has no estimated assessable profits for the year.

Reconciliation between tax expenses and accounting profit at applicable tax rates

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Profit/(loss) before taxation	**121,932**	1,188,543	**(1,696)**	(79,498)
Tax calculated at the domestic rates applicable in the country concerned	**20,143**	296,460	**(280)**	(13,702)
Tax effect of share of results of associate	**(12,460)**	(5,830)	**–**	–
Tax effect of expenses not deductible for tax purpose	**11,445**	60,176	**4**	1,073
Tax effect of income not taxable for tax purpose	**(19,197)**	(38,825)	**–**	(140)
(Over)/under provision in prior year	**(68,192)**	543	**–**	(6)
Tax effect of tax losses not recognised	**67,155**	24,718	**276**	12,773
Utilisation of tax losses previously not recognised	**(63,980)**	(179,659)	**–**	(4)
Tax effect of unrecognised temporary difference	**6,507**	3,183	**–**	–
Tax (credit)/charge for the year	**(58,579)**	160,766	**–**	(6)

13. DISCONTINUED OPERATIONS

The Group ceased the operation of securities dealing and brokerage operation and supply and procurement operation during the year ended 31 March 2013. The supply and procurement operation was disposed of on 30 September 2013, details of which were set out in the note 39(a) to the consolidated financial statement.

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

Securities dealing and brokerage operation

	Year ended 31 March	
	2014	2013
	HK$'000	HK$'000
Turnover	**–**	15,953
Other income and gain, net	**549**	632
Staff costs	**(547)**	(1,466)
Amortisation and depreciation	**(22)**	(10)
Administrative costs	**(1,529)**	(3,232)
Other operating expenses	**–**	(84,498)
Loss from operation	**(1,549)**	(72,621)
Finance costs	**–**	–
Loss before taxation	**(1,549)**	(72,621)
Taxation	**–**	6
Loss for the year	**(1,549)**	(72,615)
Attributable to:		
Owners of the Company	**(1,549)**	(72,615)
Non-controlling interests	**–**	–
	(1,549)	(72,615)
Net cash outflows in operating activities	**(5,245)**	(9,893)

13. DISCONTINUED OPERATIONS *(Continued)*

Supply and procurement operation

	From 1 April 2013 to 30 September 2013 HK$'000	Year ended 31 March 2013 HK$'000
Turnover	**–**	8,633
Cost of sales	**–**	(9,413)
Other income and gain, net	**–**	21
Staff costs	**(103)**	(353)
Amortisation and depreciation	**–**	(103)
Administrative costs	**(44)**	(1,400)
Other operating expenses	**–**	(4,262)
Loss from operation	**(147)**	(6,877)
Finance costs	**–**	–
Loss before taxation	**(147)**	(6,877)
Taxation	**–**	–
Loss for the year	**(147)**	(6,877)
Attributable to:		
Owners of the Company	**(147)**	(6,877)
Non-controlling interests	**–**	–
	(147)	(6,877)
Net cash used in operating activities	**(334)**	(2,097)
Net cash used in financing activities	**–**	(1)
Net cash outflows	**(334)**	(2,098)

14. EARNINGS PER SHARE

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

From continuing and discontinued operations

	Year ended 31 March 2014 HK$'000	2013 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**177,124**	942,344

	Year ended 31 March 2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**6,078,669,363**	5,784,252,924

The diluted earnings per share is the same as basic earnings per share as the Company has no dilutive potential shares outstanding for the year ended 31 March 2014 and 31 March 2013.

From continuing operations

	Year ended 31 March 2014 HK$'000	2013 HK$'000
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**177,124**	942,344
Loss for the year from discontinued operations	**1,696**	79,492
	178,820	1,021,836

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

From discontinued operations

Basic and diluted loss per share for the discontinued operation is HK0.028 cents per share (2013: HK1.374 cents per share), based on the loss for the year from the discontinued operations of approximately HK$1,696,000 (2013: HK$79,492,000).

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

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

For the year ended 31 March 2014, the loss attributable to owners of the Company includes a loss of approximately HK$205,219,000 (2013: approximately HK$99,259,000) which has been dealt with in the financial statements of the Company (note 36).

16. DIVIDEND

The directors of the Company do not recommend the payment of any final dividend for the year ended 31 March 2014 (2013: Nil).

17. INVESTMENT PROPERTIES

	The Group	
	2014	2013
	HK$'000	HK$'000
Fair Value		
At beginning of the year	**586,800**	951,247
Additions	**–**	37,546
Fair value change	**25,784**	24,306
Disposal (note a)	**–**	(432,988)
Disposal of subsidiaries (note 39(e))	**–**	(1,619)
Exchange alignment	**3,533**	8,308
At end of the year	**616,117**	586,800
Unrealised gain on change in fair value of investment properties	**25,784**	24,225

Notes:

(a) On 23 November 2012, Equal Smart Profits Limited, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with 上海平祥企業管理有限公司 for the disposal of the property located at the second basement, the first basement, the first floor and second floor of No.1546 Dalian Road, Yangpu District, Shanghai, the PRC at the consideration of RMB280,000,000 (equivalent to approximately HK$350,000,000). The loss on disposal of investment properties amounted to approximately HK$82,988,000 was recognised in the consolidated statement of profit or loss.

(b) The fair value of the Group's investment properties at 31 March 2014 has been arrived at on the basis of a valuation carried out on that date by Cushman & Wakefield Valuation Advisory Services (HK) Limited and at 31 March 2013 have been arrived at on the basis of a valuation carried out on that date by Messrs. Jointgoal Surveyors Limited and Cushman & Wakefield Valuation Advisory Services (HK) Limited, independent professional valuers. The valuation was arrived at by reference to comparable market transactions, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. There has been no change to the valuation technique during the year.

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**25,300**	25,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**590,817**	561,800
	616,117	586,800

(d) Investment properties with the carrying amount of approximately HK$562,482,000 (31 March 2013: HK$535,550,000) have been pledged to secure banking facilities granted to the Group.

(e) The Group's investment properties, amounting to approximately HK$539,584,000 (31 March 2013: HK$520,800,000) are rented out under operating leases.

17. INVESTMENT PROPERTIES *(Continued)*

Notes: *(Continued)*

(f) Fair value measurements

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 2014				
Hong Kong	–	25,300	–	25,300
Outside Hong Kong	–	–	590,817	590,817
	–	25,300	590,817	616,117

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.

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

	HK$'000
At 1 April 2013	561,800
Fair value change	25,484
Exchange alignment	3,533
At 31 March 2014	590,817

The valuations are derived using the income approach and direct comparison approach. The aggregate market value of the properties outside Hong Kong in their existing state was assuming sale subject to the existing tenancies and being free from any encumbrances. The market value of the properties in Hong Kong in its existing state was assuming sale with the benefit of immediate vacant possession and it is being free from any encumbrances.

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

Description	2014 Fair value HK$'000	Valuation techniques	Range of significant unobservable inputs	
			Daily rental rate	Capitalisation rate
Commercial premises outside Hong Kong	590,817	Income approach	RMB2.03 to 9.69 per square feet	4.75% to 6.75%

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Properties under development HK$'000	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Equipment, motor vehicle and others HK$'000	Total HK$'000
Cost							
At 1 April 2012	6,601	26,908	12,546	345,921	22,605	23,630	438,211
Additions	1,143	–	831	–	1,607	8,589	12,170
Disposals	–	–	(5)	–	(175)	(1,626)	(1,806)
Disposal of a subsidiary (note 39(e))	(434)	(28,732)	(8,292)	(349,548)	(5,115)	(20,943)	(413,064)
Exchange alignment	–	1,824	376	3,627	781	551	7,159
At 31 March 2013 and 1 April 2013	7,310	–	5,456	–	19,703	10,201	42,670
Additions	2,421	–	–	–	4,201	–	6,622
Disposals	–	–	–	–	–	(619)	(619)
Disposals of subsidiaries (note 39(b))	–	–	–	–	(298)	–	(298)
Acquisition of a subsidiary (note 40)	–	–	–	–	–	2,053	2,053
Written off	–	–	–	–	(271)	(385)	(656)
Exchange alignment	–	–	–	–	(643)	(261)	(904)
At 31 March 2014	9,731	–	5,456	–	22,692	10,989	48,868
Accumulated depreciation and impairment							
At 1 April 2012	–	1,144	7,628	6,621	13,138	5,385	33,916
Charge for the year	3	414	1,010	22,093	2,194	3,836	29,550
Elimination upon disposal of a subsidiary (note 39(e))	–	(2,143)	(3,872)	(31,803)	(2,020)	(3,993)	(43,831)
Elimination upon disposal	–	–	–	–	(154)	(1,296)	(1,450)
Impairment (note b)	–	–	–	–	1,205	1,118	2,323
Exchange alignment	–	585	309	3,089	457	189	4,629
At 31 March 2013 and 1 April 2013	3	–	5,075	–	14,820	5,239	25,137
Charge for the year	–	–	378	–	1,401	1,474	3,253
Elimination upon disposal	–	–	–	–	–	(340)	(340)
Elimination of disposal of a subsidiary (note 39(b))	–	–	–	–	(260)	–	(260)
Elimination upon written off	–	–	–	–	(271)	(386)	(657)
Impairment (note b)	–	–	–	–	–	1,536	1,536
Exchange alignment	–	–	3	–	(3)	(386)	(386)
At 31 March 2014	3	–	5,456	–	15,687	7,137	28,283
Carrying amount							
At 31 March 2014	**9,728**	**–**	**–**	**–**	**7,005**	**3,852**	**20,585**
At 31 March 2013	7,307	–	381	–	4,883	4,962	17,533

18. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The Group *(Continued)*

Notes:

(a) No property, plant and equipment (2013: Nil) have been pledged to secure general banking facilities granted to the Group.

(b) During the year ended 31 March 2014, certain properties, plant and equipment were obsolete, damaged or that could not generate future economic benefits. In the opinion of the directors of the Company, impairment loss of approximately HK$1,536,000 (2013: HK$2,323,000) was provided for in the consolidated statement of profit or loss. The recoverable amount of the impaired assets is its fair value less costs to sell with reference to an active market.

(c) During the year ended 31 March 2013, building of the Group included above one held under medium term lease in the PRC.

19. PREPAID LEASE PAYMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Cost		
At beginning of the year	–	106,873
Additions	–	9,806
Disposal of subsidiaries (note 39(e))	–	(114,170)
Exchange alignment	–	(2,509)
At end of the year	–	–
Accumulated amortisation		
At beginning of the year	–	1,122
Charge for the year	–	574
Disposal of subsidiaries (note 39(e))	–	(1,717)
Exchange alignment	–	21
At end of the year	–	–
Carrying amount		
At 31 March	–	–

20. INTERESTS IN SUBSIDIARIES

(a) Investment in subsidiaries

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**1,156,193**	1,154,704
Less: Impairment loss recognised	**(26,149)**	(24,894)
	1,130,044	1,129,810

Details of the Company's principal subsidiaries at 31 March 2014 are set out in note 48.

(b) Amounts due from/(to) subsidiaries

	The Company	
	2014	2013
	HK$'000	HK$'000
Amounts due from subsidiaries	**1,994,179**	2,329,759
Amounts due to subsidiaries	**(833,238)**	(937,530)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these amounts due from/(to) subsidiaries approximate their fair values.

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

The directors of the Company made an assessment as at the date of initial application of HKFRS 12 and at the end of the reporting period. The total non-controlling interests for the year amounted approximately HK$384,055,000 for P.T. Satwa Lestari Permai (2013: HK$384,634,000).

The summarised financial information of P.T. Satwa Lestari Permai is set out below:

	2014	2013
	HK$'000	HK$'000
Current assets	**382**	323
Non-current assets	**9,724**	7,307
Current liabilities	**(12,380)**	(8,248)
Equity attributable to owners of the Company	**(2,274)**	(618)
Non-controlling interests	**384,055**	384,634

20. INTERESTS IN SUBSIDIARIES *(Continued)*

(c) Details of non-wholly owned subsidiary that has material non-controlling interests *(Continued)*

The summarised financial information of P.T. Satwa Lestari Permai is set out below: *(Continued)*

	2014 HK$'000	2013 HK$'000
Revenue	13	–
Expenses	(1,669)	(1,866)
Loss for the year	(1,656)	(1,866)
Loss attributable to owners of the Company	(1,076)	(1,213)
Loss attributable to non-controlling interests	(580)	(653)
Loss for the year	(1,656)	(1,866)
Total comprehensive loss attributable to owners of the Company	(1,076)	(1,213)
Total comprehensive loss attributable to non-controlling interests	(580)	(653)
Total comprehensive loss for the year	(1,656)	(1,866)
Dividend paid to non-controlling interests	–	–
Net cash generated from operation activities	2,493	1,394
Net cash used in investing activities	(2,420)	(1,621)
Net increase/(decrease) in cash and cash equivalents	73	(227)

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

21. MINING RIGHTS

The Group

	HK$'000
Cost	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	1,232,400
Accumulated amortisation and impairment	
At 1 April 2012	–
Impairment	132,600
At 31 March 2013 and 1 April 2013	132,600
Impairment	31,200
At 31 March 2014	163,800
Carrying amount	
At 31 March 2014	**1,068,600**
At 31 March 2013	1,099,800

The mining rights was acquired through the acquisition of Universe Glory Limited and its subsidiary (the "Universe Glory Group"). The mining rights represent the rights to conduct mining activities in East Nusa Tenggara, Kupang, Indonesia and have definite useful lives.

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 initial granted period is 20 years, till all proven and probable mineral reserves have been mined. For the years ended 31 March 2013 and 2014, the management considered that as the commercial production of the mine has not yet been commenced, no amortisation was provided during both years.

As a result of the negative effect of persistent weak prices for manganese and manganese products, the estimated recoverable amount of the Group's mining rights, determined with reference to the cash flows expected to be generated by the mining rights, was less than its carrying amount as at the end of the reporting period. The directors of the Company, based on the cash flow projections of the mining rights, considered that the Group's mining rights should be impaired and therefore an impairment loss of approximately HK$31,200,000 (2013: HK$132,600,000) was charged to the consolidated statement of profit or loss for the year. The pre-tax discount rate applied to the cash flow projection was 16.35% (2013: 13.22%).

22. SERVICE CONCESSION ARRANGEMENTS

During the year ended 31 March 2012, the Group has entered into a number of service concession arrangements with certain governmental authorities in the PRC on a Build-Operate-Transfer ("BOT") or a Transfer-Operate-Transfer ("TOT") basis in respect of its sewage treatment and water supply operations. These service concession arrangements generally involve the Group as an operator (i) constructing the infrastructures for those arrangements on a BOT basis; (ii) paying a specific amount for those arrangements on a TOT basis; (iii) operating and maintaining the infrastructures at a specified level of serviceability on behalf of the relevant governmental authorities for periods ranging from 20 to 30 years (the "Service Concession Periods"), and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is entitled to, where appropriate, use all the property, plant and equipment of the infrastructures, however, the relevant governmental authorities as grantors will control and regulate the scope of services the Group must provide with the infrastructures, and retain the beneficial entitlement to any residual interest in the infrastructures at the end of the term of the Service Concession Periods. Each of these service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in the PRC that set out, inter alia, performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations levied on the Group to restore the infrastructures to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes. The accounting policies in respect of the classification of the service concession arrangements between other financial assets (receivables under service concession arrangements) and intangible assets (operating concessions) are set out under the heading of "Service concession arrangements" in note 4 to the consolidated financial statements.

Following the Group disposed its controlling interest in Heilongjiang Interchina in January and November 2013, most of the previous subsidiaries owned of sewage treatment plant and water supply plant have become the Group's associates. Details of the disposal were set out in note 39(b) and 39(e) of the consolidated financial statements.

22. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

The following is the summarised information of the Group's service concession arrangements under sewage treatment and water supply operations:

(a) Intangible assets

The Group

	Concession intangible assets HK$'000
Cost	
At 1 April 2012	1,132,824
Additions	84,300
Disposal of a subsidiary (note 39(e))	(1,086,442)
Exchange alignment	(9,190)
At 31 March 2013 and 1 April 2013	121,492
Disposal of a subsidiary (note 39(b))	(125,280)
Exchange alignment	3,788
At 31 March 2014	–
Accumulated amortisation	
At 1 April 2012	66,919
Charge for the year	35,203
Elimination upon disposal of a subsidiary (note 39(e))	(103,637)
Exchange alignment	1,515
At 31 March 2013, 1 April 2013 and 31 March 2014	–
Carrying amount	
At 31 March 2014	**–**
At 31 March 2013	121,492

(b) Other financial assets

	The Group	
	2014 HK$'000	2013 HK$'000
Receivables under service concession arrangements	**–**	–

22. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(c) Notes to the service concession arrangements

The Group has entered into service concession arrangements with certain governmental authorities in the PRC on BOT bases in respect of sewage treatment and water distribution businesses. As at 31 March 2013, a summary of the major terms of the major service concession arrangements of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group is set out as below:

Name of subsidiary	Location	Name of grantor	service concession arrangements	Type of Service concession period
Interchina (Hanzhong) Shimen Water Supply Company Ltd	Hanzhong, the PRC	漢中市城鄉建設管理局	BOT	30 years from 2004 to 2034

Pursuant to the service concession agreements signed, the Group is granted the rights to use the property, plant and equipment of the sewage and water treatment plants and related land, which are generally registered under the names of the relevant companies in the Group during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods.

On 5 November 2013, the Group entered into a sale and purchase agreement to disposal of 80% equity interest in Interchina (Hanzhong) Shimen Water Supply Company Ltd (the "Interchina Hanzhong") at a total consideration of RMB1,000,000 (equivalent to approximately HK$1,258,000). Details of the disposal were set out in note 39(b) of the consolidated financial statements.

23. GOODWILL

	The Group HK$'000
Cost	
At 1 April 2012	451,189
Disposal of a subsidiary (note 39(e))	(421,827)
At 31 March 2013, 1 April 2013 and 31 March 2014	29,362
Impairment	
At 1 April 2012	11,262
Impairment	31
At 31 March 2013, 1 April 2013 and 31 March 2014	11,293
Carrying amount	
At 31 March 2013 and 31 March 2014	**18,069**

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

	2014 HK$'000	2013 HK$'000
Property investment operation related to External Frame Limited and its subsidiaries	**18,069**	18,069

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 value in use based on a discounted future cash flow of the CGU of property investment operation is higher than the carrying amount.

During the year, the Group performed impairment tests for CGU containing goodwill 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% (2013: 3%) per annum. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. Discount rate of 7.5% (2013: 8%) 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 the CGU.

24. INTERESTS IN ASSOCIATES

	The Group 2014 HK$'000	2013 HK$'000
Cost of investment		
— Listed (note a)	**1,800,773**	1,631,331
— Unlisted (note b)	**–**	–
Share of result of associates	**71,655**	21,817
Share of other comprehensive income of associates	**7,196**	7,155
	1,879,624	1,660,303
Amount due from an associate	**9,637**	1
Amount due to associates	**(16,300)**	(26,278)
	1,872,961	1,634,026
Market value of listed associates	**1,818,683**	1,485,600

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows:

For the year ended 31 March 2014

(i) In July 2012, Heilongjiang Interchina had submitted a proposal to the Shanghai Stock Exchange to increase its issued shares by not more than 160,000,000 Heilongjiang Interchina new shares to not more than ten subscribers (the "Non-public Share Issue") which also constituted a deemed disposal of the Group's interest in Heilongjiang Interchina (the "Deemed Disposal"). On 19 October 2012, the shareholders of the Company approved the Deemed Disposal.

On 12 April 2013, Heilongjiang Interchina received the formal approval notice from the China Securities Regulatory Committee ("CSRC") in respect to the Non-public Share Issue.

On 21 June 2013, Heilongjiang Interchina issued an aggregate of 155,024,691 shares to eight subscribers at the price of RMB 8.1 per share and result net proceeds of approximately RMB1,215,231,000 (equivalent to approximately HK$1,529,170,000) were raised accordingly. Following completion of the Deemed Disposal, the Group's interests in Heilongjiang Interchina was diluted from 28.02% to 20.56%. Considering the equity interest of 28.02% in Heilongjiang Interchina, the excess of the net proceeds from the Deemed Disposal over the carrying amount of equity interest in the Heilongjiang Interchina upon completion of the Deemed Disposal amount to approximately HK$169,442,000 was recognised as gain on deemed disposal of associates in the consolidated statement of profit or loss.

(ii) Management has reviewed the shortfall between the carrying amount of a listed associate and the fair value of the associate at the end of the reporting period. The management considers that the value in use based on a discounted future cash flow of the associate is higher than the carrying amount. The recoverable amount for the Heilongjiang Interchina Group was determined based on the higher of the fair value and the value in use calculation covering detailed five-year cash flow projections followed by extrapolation of expected cash flows at certain key assumptions including an growth rate of 3% (2013: 3%) and a discount rate of 13% (2013: 13%).

(iii) At 31 March 2014, the 76,000,000 shares of Heilongjiang Interchina were pledged to a lender to secure loan facilities granted to the Group.

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows: *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(iv) The summarised financial information of the Heilongjiang Interchina Group as extracted from the consolidated financial statement is set out below:

	2014 HK$'000	2013 HK$'000
Current assets	2,146,361	2,080,699
Non-current assets	2,477,699	1,606,218
Current liabilities	(431,376)	(1,448,415)
Non-current liabilities	(690,965)	(531,924)
Total equity	3,501,719	1,706,578
The Group's share of net assets of a listed associate	719,953	478,183

	2014 HK$'000	2013 HK$'000
Revenue	795,534	112,610
Profit for the year	232,688	69,200
Other comprehensive income for the year	469	21,385
Total comprehensive income for the year	233,157	90,585
Dividends received from the associate during the year	–	–
The Group's share of results of a listed associate for the year	49,838	23,386
The Group's share of other comprehensive income for the year	41	7,155

(v) Reconciliation of the above summarised financial information to the carrying amount of the interest in associates recognised in the consolidation financial statements:

	2014 HK$'000
Net assets of the associates	3,501,719
Proportion of the Group's ownership interest in the associate	20.56%
	719,953
Add: Goodwill	1,159,671
Carrying amount of the Group's interest in the associate	1,879,624

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows: *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(vi) Particulars of the Group's associates at 31 March 2014 were as follows:

Name of associates	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/ registered capital indirectly held by the Group	Principal activity
Heilongjiang Interchina Water Treatment Company Limited	The PRC	RMB1,455,624,228	20.56% (note 1)	Investment holding
漢中市國中自來水有限公司	The PRC	RMB60,000,000	20.56%	Water supply
漢中市漢江供水實業有限責任公司	The PRC	RMB5,026,000	20.56%	Water facilities construction
漢中市漢江水業發展有限責任公司	The PRC	RMB910,000	20.56%	Distilled water supply
青海雄越環保科技有限責任公司	The PRC	RMB20,900,000	19.53% (note 2)	Sewage treatment
General Water (Changli) Sewage Treatment Company Limited	The PRC	RMB41,000,000	20.56%	Sewage treatment
北京國中科創環境科技有限責任公司	The PRC	RMB45,000,000	18.50% (note 2)	Environmental protection engineering service
牙克石市國中水務有限公司	The PRC	RMB96,930,000	20.56%	Water supply
湘潭國中污水處理有限公司	The PRC	RMB120,000,000	15.59% (note 2)	Sewage treatment
東營國中環保科技有限公司	The PRC	RMB138,000,000	20.56%	Environmental protection engineering service

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows: *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(vi) Particulars of the Group's associates at 31 March 2014 were as follows: *(Continued)*

Name of associates	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/ registered capital indirectly held by the Group	Principal activity
Interchina Water Treatment Hong Kong Company Limited	Hong Kong	USD32,500,000	20.56%	Investment holdings
北京中科國益環保工程有限公司	The PRC	RMB55,000,000	18.50% (note 2)	Environmental protection engineering service
涿州中科國益水務有限公司	The PRC	RMB75,500,000	20.56%	Sewage treatment
東營國中水務有限公司	The PRC	RMB137,010,000	11.33% (note 2)	Water supply
Taiyuan Haofeng Wastewater Treatment Company Limited	The PRC	RMB90,930,000	16.45% (note 2)	Sewage treatment
Ordos Interchina Water Treatment Company Limited	The PRC	RMB154,000,000	20.56%	Sewage treatment
湘潭國中水務有限公司	The PRC	RMB325,861,820	16.82% (note 2)	Water supply
Interchina (Qinhuangdao) Sewage Treatment Company Limited	The PRC	US$4,091,003	20.56%	Sewage treatment
General Water (Maanshan) Sewage Treatment Co Ltd.	The PRC	RMB52,664,604	20.56%	Sewage treatment

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows: *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(vi) Particulars of the Group's associates at 31 March 2014 were as follows: *(Continued)*

Name of associates	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/ registered capital indirectly held by the Group	Principal activity
寧陽磁窑中環水務有限公司	The PRC	RMB20,000,000	19.53% (note 2)	Water supply
齊齊哈爾國中污水處理有限公司	The PRC	RMB5,000,000	20.56%	Sewage treatment
瀋陽經濟區彰武愛思特水處理有限公司	The PRC	RMB2,000,000	20.56%	Sewage treatment
齊齊哈爾國中自來水有限公司	The PRC	RMB60,000,000	20.56%	Water supply
北京國中家源新型城鎮投資發展有限公司	The PRC	RMB51,000,000	20.56%	Water supply and drainage services
北京天地人環保科技有限公司	The PRC	RMB138,700,000	20.56%	Environmental protection engineering services

Notes:

1. Following completion of the Deemed Disposal, the Group's interests in Heilongjiang Interchina was diluted from 28.02% to 20.56% on 21 June 2013.

2. According to the articles of association of these companies, the Company has representations in the respective board of directors and therefore can participate in the financial and operating policy decisions of these companies so as to have significant influence in their activities.

24. INTERESTS IN ASSOCIATES *(Continued)*

(a) Details of the Group's interests in the Heilongjiang Interchina Group are as follows: *(Continued)*

For the year ended 31 March 2013

(vii) On 19 October 2012, the shareholders of the Company approved the disposal mandate (the "Disposal Mandate") to dispose of an aggregate of 110,000,000 shares of Heilongjiang Interchina, a company listed on the Shanghai Stock Exchange and a 53.77% owned subsidiary of the Group.

Upon completion of the first partial disposal of interests in Heilongjiang Interchina under the Disposal Mandate on 14 January 2013, the Group's interests in Heilongjiang Interchina were reduced to 49.34% and the Group ceased to have control over the Heilongjiang Interchina Group thereafter. The fair value of the Group's interests in the Heilongjiang Interchina Group of approximately HK$2,199,425,000 as at 14 January 2013, determined based on quoted market price of Heilongjiang Interchina at the same date, has been regarded as cost of interests in associate from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using the equity method of accounting.

The Group recognised a gain on disposal of subsidiaries with loss of control of approximately HK$1,248,569,000 in the consolidated statement of profit or loss. The Heilongjiang Interchina Group then became associates of the Group thereafter. Details of the disposal were set out in note 39(e).

Pursuant to the Disposal Mandate, the Group further disposed of the remaining equity interests in Heilongjiang Interchina during January and February of 2013. On 25 February 2013, the Disposal Mandate was fully exercised that the aggregate of 110,000,000 shares of Heilongjiang Interchina were fully disposed of and satisfied with aggregate net proceeds of approximately HK$1,110,692,000. As a result of the further decrease in equity interests in Heilongjiang Interchina, the Group then recognised a gain on disposal of partial interest in associates of approximately HK$353,264,000 in the consolidated statement of profit or loss. Following completion of the Disposal Mandate, the Group remained 28.02% interests in the Heilongjiang Interchina Group.

At 31 March 2013 and 2014, included in the cost of investments is goodwill amounted to approximately HK$1,159,671,000 arising on the recognition of the Group's interests in the Heilongjiang Interchina Group, upon the Group disposed of its interest in the Heilongjiang Interchina Group in accordance to Disposal Mandate.

24. INTERESTS IN ASSOCIATES *(Continued)*

(b) The Group's interests in unlisted associate are as follows:

	2014 HK$'000	2013 HK$'000
Cost of investments		
— Unlisted	–	1,140
Share of result of an associate	–	(76)
Share of other comprehensive income of the associate	–	18
Exchange alignment	–	119
Disposal of subsidiaries (note 39(e))	–	(1,201)
As at 31 March	–	–

(i) On 23 August 2010, the Group made an investment in 天津煉達中科環保技術有限公司 ("天津煉達") via investment in 北京中科國益環保工程有限公司 amounted to approximately HK$1,140,000, which represented 49% equity interest in 天津煉達.

(ii) The Group's interest in 天津煉達 has been deemed disposed upon the Group lost control of Heilongjiang Interchina.

25. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Art works and jade (Note)	**51,560**	63,862	**–**	–
Contribution to the compensation fund and fidelity fund with the Stock Exchange	**97**	197	**–**	–
Guarantee fund contributions to Hong Kong Securities Clearing Company Limited	**–**	100	**–**	–
Wine	**6,500**	–	**6,500**	–
	58,157	64,159	**6,500**	–

Note:

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, the carrying amount of the art works and jade exceeds the recoverable amount at the end of the reporting period. It results an impairment loss of approximately HK$12,707,000 (2013: HK$23,388,000) was recognised in the consolidated statement of profit or loss for the year accordingly. The recoverable amount of the impaired assets is its fair value less costs to sell with reference to an active market.

26. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2013: 60 days) to its trade customers. During the year ended 31 March 2014 and 2013, all the trade receivables are aged over one year.

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**76,721**	77,681	**–**	–
Margin clients' accounts receivables	**99,761**	99,761	**–**	–
Prepayments and deposits	**1,415,132**	1,429,427	**495,285**	468,386
Other receivables	**128,836**	27,286	**12,209**	50
	1,720,450	1,634,155	**507,494**	468,436
Less: Impairment of trade and other receivables and prepayments	**(92,234)**	(74,152)	**–**	–
	1,628,216	1,560,003	**507,494**	468,436

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

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

	The Group	
	2014	2013
	HK$'000	HK$'000
At beginning of the year	**74,152**	56,971
Reversal of impairment loss	**–**	(12,200)
Written off	**(25,514)**	–
Impairment loss recognised	**43,596**	29,381
At end of the year	**92,234**	74,152

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

	2014	2013
	HK$'000	HK$'000
Past due but not impaired	**76,721**	77,681

The directors of the Company consider that the carrying amounts of the Group's trade and other receivables and prepayments approximate their fair value.

Trade receivables within credit terms relate to a wide range of customers for whom there is no recent history of default. 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 interest free. 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 and deposits as at 31 March 2014 and 2013, inter alia, the following:

(i) deposits of approximately HK$293,396,000 (2013: HK$439,663,000) paid for acquisition of certain investment properties in the PRC. The amount of HK$251,872,000 has been refunded in April 2014;

(ii) deposits of HK$295,119,000 (2013: HK$310,750,000) paid for acquisition of several potential water plant projects in the PRC;

(iii) prepayments of approximately HK$295,458,000 (2013: HK$295,111,000) to various contractors for construction of environmental protection and water treatment projects in the PRC;

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

(iv) deposits of HK$159,000,000 (2013: HK$51,100,000) paid for acquisition of companies aggregately owned 30% equity interest in a Indonesia company which is a 65% owned subsidiary of the Group and principally engaged in the exploration, mining, processing and sale of manganese resources in Indonesia. Details of which were set out in the Company's announcements dated 26 November 2013, 29 November 2013, 10 January 2014 and 28 March 2014;

(v) deposits of HK$255,000,000 paid for acquisition of the entire equity interests of companies and the related sale loan, principally engaged in hospitality and car park rental (2013: Nil). Details of which were set out in the Company's announcements dated 29 November 2013, 10 January 2014 and 28 March 2014 and the Company's circular dated 23 January 2014; and

(vi) deposits of HK$225,000,000 for acquisition of the entire equity interests of companies principally engaged in investment holding of a Bolivian company and the related sale loan as at 31 March 2013 and the amount has been refunded during the year. Details of which were set out in the Company's announcements dated 26 November 2013.

27. LOAN RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Loan receivables	**342,103**	361,351
Less: Impairment loss recognised	**(109,404)**	(101,290)
	232,699	260,061

The loan was unsecured, carrying at the prevailing interest rate ranging from 2% to 7.2% (2013: 2% to 7.2%) per annum with fixed repayment terms.

During the year, an impairment loss of approximately HK$8,114,000 (2013: HK$98,526,000) was recognised in respect of several debtors who were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

The remaining balance of loan receivables relates to two 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 were still considered recoverable. The Group does not hold any collateral over these balances.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Listed equity securities — Hong Kong, at fair value	**188,509**	171,894	**188,509**	171,894

29. BANK BALANCES — TRUST AND SEGREGATED ACCOUNTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Trust accounts	**–**	137

From the Group's ordinary business of securities and futures dealing, it receives and holds money from clients and other institutions in the course of conducting its regulated activities. These client's monies are maintained in one or more trust and segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients and other institutions.

Trust and segregated accounts earn interest at floating rates based on daily bank deposit rates. At 31 March 2013, all trust and segregated accounts are denominated in Hong Kong dollar.

30. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**321,777**	975,279	**8,915**	42,288

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

At 31 March 2014, cash and cash equivalents of approximately HK$311,095,000 (2013: HK$926,867,000) are denominated in Renminbi ("RMB"). RMB is not freely convertible currency and the remittance of funds out of the PRC and is subject to the exchange restrictions imposed by the PRC government.

31. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**–**	137	**–**	–
Other payables and deposits received	**58,925**	152,585	**11,654**	12,680
	58,925	152,722	**11,654**	12,680

Trade payables represents the amounts due to margin clients, which is repayable on demand. No aged analysis is disclosed, as in the opinion of the directors of the Company, the aged analysis does not give additional value in view of the nature of business of share margin financing.

Included in other payables was an amount of interest expenses payable amounted to approximately HK$2,953,000 (2013: HK$50,846,000).

32. BANK AND OTHER BORROWINGS

	The Group	
	2014	2013
	HK$'000	HK$'000
Bank borrowings, secured	**27,480**	147,869
Other borrowings, secured	**415,095**	556,250
Other borrowings, unsecured	**–**	250,000
Total other borrowings	**415,095**	806,250
Total borrowings	**442,575**	954,119
The maturity profiles are as follows:		
On demand or repayable within one year:		
bank borrowings	**27,480**	147,869
other borrowings	**415,095**	806,250
Portion classified as current liabilities	**442,575**	954,119

The other borrowings bear interest at 8.63% per annum for the year ended 31 March 2014 (2013: 5.60% to 11.10% per annum).

The other borrowings are secured by certain shares of an associate, Heilongjiang Interchina, which its shares are listed in the Shanghai Stock Exchange.

32. BANK AND OTHER BORROWINGS *(Continued)*

The bank borrowings are variable-rate borrowings, thus exposing the Group to cash flow interest rate risk. The effective interest rate on bank borrowings denominated in Hong Kong dollars is ranging from 2.45% to 5.25% (2013: 2.45% to 5.25%) per annum. The effective interest rates on bank borrowings denominated in RMB is 6.83% (2013: 4.00% to 9.00%) 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$562,482,000 (2013: HK$535,550,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by installments over a period of 1 to 20 years.

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong dollars	**5,881**	9,999
RMB	**436,694**	944,120
	442,575	954,119

33. CONVERTIBLE NOTES

On 13 December 2011, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed amongst other things, on a best effort basis, to procure placees to subscribe in cash for convertible notes issued by the Company up to the principal amount of HK$294,500,000.

The convertible notes carries interest at 2% per annum and payable per quarter and will be matured in 2015. The convertible notes are denominated in Hong Kong dollar. The initial conversion price is HK$0.31 per share. The effective interest rate of the liability component of the convertible note is 7.5% per annum. Details of which were set out in the Company's circular dated 17 February 2012.

On 8 May 2012, the placing conditions precedents for the placing of the convertible notes under the placing agreement were fulfilled and that the placing of convertible notes has been issued to more than six independent parties. On 14 May 2012, an aggregated of HK$294,500,000 of the convertible notes were converted at an initial conversion price of HK$0.31 each into 950,000,000 ordinary shares of the Company at HK$0.10 each.

Reconciliation of the liability component of the convertible notes

	2014	2013
	HK$'000	HK$'000
Proceeds of issue of convertible notes	**–**	287,138
Equity component	**–**	(42,080)
Imputed interest recognised for the year	**–**	355
Conversion into ordinary shares	**–**	(245,413)
Liability component at end of the year	**–**	–

34. DEFERRED TAX LIABILITIES

The Group

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

	Revaluation of property HK$'000	Convertible notes HK$'000	Fair value adjustments arising on acquisition of subsidiaries HK$'000	Temporary difference on assets under HK(IFRIC) - Int 12 HK$'000	Total HK$'000
At 1 April 2012	72,997	–	30,687	42,180	145,864
Issue of convertible notes	–	6,885	–	–	6,885
Conversion of convertible notes	–	(6,885)	–	–	(6,885)
Disposal of subsidiaries (note 39(e))	–	–	(38,511)	(60,621)	(99,132)
Disposal of investment properties	(15,377)	–	–	–	(15,377)
Charge to the consolidated statement of profit or loss (note 12)	5,327	–	–	6,135	11,462
Exchange alignment	(5,548)	–	7,824	12,306	14,582
At 31 March 2013 and 1 April 2013	57,399	–	–	–	57,399
Charge to the consolidated statement of profit or loss (note 12)	6,509	–	–	–	6,509
Exchange alignment	223	–	–	–	223
At 31 March 2014	**64,131**	**–**	**–**	**–**	**64,131**

The Company

Reconciliation of the movement of the deferred tax of the convertible notes

	HK$'000
At 1 April 2012	**–**
Issue of convertible notes	**6,885**
Conversion of convertible notes	**(6,885)**
At 31 March 2013, 1 April 2013 and 31 March 2014	**–**

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. At the end of the reporting period, the aggregate amount of temporary difference relating to undistributed profits of subsidiaries and associates of the Group for which deferred tax liabilities have not been recognised was approximately HK$222,165,000 (2013: HK$314,872,000). No liability has been recognised in respect of these differences 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.

35. SHARE CAPITAL

	Number of shares		Nominal value	
	2014	2013	**2014**	2013
			HK$'000	HK$'000
Maximum number of shares can be issued:				
At beginning and end of the year				
Ordinary shares	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**6,078,669,363**	4,274,669,363	**607,867**	427,467
Placement of shares (note a)	**–**	854,000,000	**–**	85,400
Conversion of convertible notes (note b)	**–**	950,000,000	**–**	95,000
Transfer from share premium (note 36)	**–**	–	**1,882,587**	–
At the end of the year	**6,078,669,363**	6,078,669,363	**2,490,454**	607,867

An entirely new CO that came into effect on 3 March 2014. The authorised share capital of the Company as at 31 March 2013 was HK$1,000,000,000, representing 10,000,000,000 of ordinary shares, which become the maximum number of shares that can be issued under the new CO. The limit may be removed by shareholders of the Company passing an ordinary resolution. The new Co abolished authorised share capital, par value, share premium, and share redemption reserve, in respect of the share capital of Hong Kong companies. As a result, the amounts of share premium of the Company are transferred to the share capital.

For the year ended 31 March 2013

(a) On 14 August 2012, the Company allotted and issued an aggregate of 854,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.34 per share. The net proceeds from the placing was approximately HK$284,554,000.

(b) On 14 May 2012, convertible notes amounted to HK$294,500,000 were converted at initial conversion price of HK$0.31 each into 950,000,000 ordinary shares of the Company at HK$0.10 each.

36. RESERVES

The Company

The changes in the reserves of the Company during the years ended 31 March 2014 and 2013 are as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company							
At 1 April 2012	1,490,940	1,342,477	55,175	(5,451)	–	(591,397)	2,291,744
Exchange differences on translation	–	–	–	(22)	–	–	(22)
Net loss for the year	–	–	–	–	–	(99,259)	(99,259)
Total comprehensive loss for the year	–	–	–	(22)	–	(99,259)	(99,281)
Placement of shares	204,960	–	–	–	–	–	204,960
Transaction cost on placement of shares	(5,806)	–	–	–	–	–	(5,806)
Issue of convertible notes	–	–	–	–	42,080	–	42,080
Recognition of deferred tax for convertible notes	–	–	–	–	(6,885)	–	(6,885)
Conversion of convertible notes	192,493	–	–	–	(35,195)	–	157,298
Lapse of share options	–	–	(55,175)	–	–	55,175	–
At 31 March 2013 and 1 April 2013	1,882,587	1,342,477	–	(5,473)	–	(635,481)	2,584,110
Exchange differences on translation	–	–	–	3,991	–	–	3,991
Release of reserve upon termination of oversea branches	–	–	–	1,482	–	(1,482)	–
Net loss for the year	–	–	–	–	–	(205,219)	(205,219)
Total comprehensive income/(loss) for the year	–	–	–	5,473	–	(206,701)	(201,228)
Transition to no-par value on 3 March 2014 (note 35)	(1,882,587)	–	–	–	–	–	(1,882,587)
At 31 March 2014	**–**	**1,342,477**	**–**	**–**	**–**	**(842,182)**	**500,295**

The Company did not have any reserves available for distribution to shareholders at 31 March 2014 (2013: Nil).

37. 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 extraordinary resolution passed on 2 September 2002 (the "2002 Share Option Scheme"). Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 August 2011, the Company adopted a new share option scheme (the "New Share Option Scheme") and terminated the 2002 Share Option Scheme. No further share options shall be offered under the 2002 Share Option Scheme but the options which had been granted, during the life of the 2002 Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of issue and in all other respects the provisions of the 2002 Share Option Scheme shall remain in full force and effect. The New Share Option Scheme became effective for a period of 10 years commencing on 12 August 2011 and the 2002 Share Option Scheme was terminated on the same date. Under the New 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 New 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 2013 and 31 March 2014.

38. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 January 2013, the Company entered into a share transfer agreement with Interchina Water Treatment Hong Kong Company Limited ("Interchina Water Treatment"), pursuant to which the Company agreed to disposal of 25% equity interest in Interchina (Qinhuangdao) Sewage Treatment Company Limited ("Interchina (Qinhuangdao)") to Interchina Water Treatment at a consideration of RMB22,850,000 (equivalent to approximately HK$28,563,000). The disposal had been completed on 31 May 2013.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2014

(a) On 23 September 2013, the Group entered into a sale and purchase agreement to disposal of 100% equity interest and a shareholder's loan of approximately HK$4,160,000 in Grand Bright Group Holdings Limited and its wholly owned subsidiary, 國中乾源（上海）有限公司 (collectively referred as the "Grand Bright Group") at a total consideration of HK$100. The Grand Bright Group is engaged in supply and procurement operation. The disposal was completed on 30 September 2013, on which date control of the Grand Bright Group passed to the acquirer.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(a) *(Continued)*

Analysis of assets and liabilities over which control was lost:

	HK$'000
Other receivable	5
Cash and cash equivalent	188
Trade payables	(1,860)
Other payables	(4,603)
Amount due to a shareholder	(4,160)
Net liabilities of the Grand Bright Group	(10,430)
Sale loan	4,160
Gain on disposal of the Grand Bright Group	6,270
Consideration	–
Net cash outflow arising from disposal	
Cash and cash equivalents disposed of	(188)

The impact of Grand Bright Group on the Group's results and cash flows in the current and prior period is disclosed in note 13 to the condensed consolidated financial statements.

(b) On 5 November 2013, the Group entered into a sale and purchase agreement to disposal of 80% equity interest in Interchina Hanzhong at a total consideration of RMB1,000,000 (equivalent to approximately HK$1,258,000). Interchina Hanzhong is engaged in water supply operation.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Property, plant and equipment (note 18)	38
Intangible assets (note 22(a))	125,280
Other receivables	147
Cash and cash equivalent	163
Other payables	(20,908)
Amount due to fellow subsidiaries	(106,030)
Net liabilities of Interchina Hanzhong	(1,310)
Less: Non-controlling interests	(2,279)
Exchange fluctuation reserve realised	4,074
Gain on disposal of Interchina Hanzhong	773
Consideration satisfied by cash	1,258
Net cash inflow arising from disposal	
Cash consideration received	1,258
Less: Cash and cash equivalent disposed of	(163)
	1,095

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2014 *(Continued)*

(c) On 3 December 2013, the Group entered into a sale and purchase agreement to disposal of 80% equity interest in 漢中市國源供水有限公司 at a total consideration of RMB4,000,000 (equivalent to approximately HK$5,031,000). 漢中市國源供水有限公司is engaged in water supply operation.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Amount due from fellow subsidiaries	6,081
Cash and cash equivalent	121
Net assets of 漢中市國源供水有限公司	6,202
Less: Non-controlling interests	(1,240)
Gain on disposal of 漢中市國源供水有限公司	69
Consideration satisfied by cash	5,031
Net cash inflow arising from disposal	
Cash consideration receivable	5,031
Less: Cash and cash equivalent disposed of	(121)
	4,910

(d) On 2 December 2013, the Group entered into a sale and purchase agreement to disposal of 80% equity interest in Interchina Northwest Nonferrous Holdings Limited at a total consideration of approximately HK$200 and sale loan of approximately HK$32,000. Interchina Northwest Nonferrous Holdings Limited is a dormant company.

Analysis of assets and liabilities over which control was lost:

	HK$'000
Other receivables	1
Other payables	(4)
Amount due to the shareholder	(32)
Net liabilities of Interchina Northwest Nonferrous Holdings Limited	(35)
Less: Non-controlling interests	(1)
Sale loan	32
Gain on disposal of Interchina Northwest Nonferrous Holdings Limited	4
Consideration satisfied by cash	–
Net cash inflow arising from disposal	
Cash consideration received	–

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2013

(e) On 19 October 2012, the shareholders of the Company approved a Disposal Mandate in relation to disposal of an aggregate of 110,000,000 shares of Heilongjiang Interchina, a company listed on the Shanghai Stock Exchange and a 53.77% owned subsidiary of the Group.

On 14 January 2013, the Group disposed of an aggregate of 4.43% equity interest in Heilongjiang Interchina in accordance to the Disposal Mandate. The voting power of the Group over Heilongjiang Interchina is dropped from 53.77% to 49.34%, so the Group ceased to have control but remained significant influence over the Heilongjiang Interchina Group. It results in the Heilongjiang Interchina Group became associates of the Group thereafter.

During January and February of 2013, the Group further disposed of its equity interests in Heilongjiang Interchina in accordance to the Disposal Mandate through several transactions.

On 25 February 2013, the Disposal Mandate was fully exercised that the entire 110,000,000 shares of Heilongjiang Interchina were disposed of and satisfied with aggregate net proceeds of approximately HK$1,110,692,000. Following the completion of the Disposal Mandate, the Group's equity interests in Heilongjiang Interchina reduced from 53.77% to 28.02%.

Pursuant to the Disposal Mandate, on 14 January 2013, the Group initially disposed of 4.43% equity interest in Heilongjiang Interchina at a consideration of approximately HK$187,799,000 and the voting interest in Heilongjiang Interchina was reduced from 53.77% to 49.34% accordingly. The Group ceased to have control but remained significant influence over the Heilongjiang Interchina Group. Upon completion of the disposal that Heilongjian Interchina became an associate of the Company, the Group recognised a gain on disposal of subsidiaries of approximately HK$1,248,569,000 in the consolidated financial statements.

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2013 *(Continued)*

(e) *(Continued)*

The assets and liabilities of the Heilongjiang Interchina Group at the disposal date were as follows:

	HK$'000
Assets	
Investment properties (note 17)	1,619
Property, plant and equipment (note 18)	369,233
Prepaid lease payments (note 19)	112,453
Intangible assets (note 22(a))	982,805
Other financial assets	492,261
Deferred income	69,568
Interest in associates	1,201
Available-for-sale financial assets	70,000
Inventories	7,820
Trade and other receivables and prepayments	533,862
Amount due from the Group	31,212
Cash and cash equivalents	164,775
Liabilities	
Borrowings	(747,550)
Deferred tax liabilities (note 34)	(99,132)
Trade and other payables	(132,373)
Tax payable	(10,551)
Amounts due to the Group	(310)
Obligation of finance lease	(62,692)
Net identifiable assets and liabilities	1,784,201
Less: Non-controlling interests	(971,728)
Release of exchange reserve	(55,067)
Attributable goodwill (note 23)	421,827
Recognition of interests in associates	(2,240,003)
Gain on disposal of subsidiaries	1,248,569
Total consideration	187,799
Satisfied by:	
Cash consideration	187,799
Net cash inflow arising from the disposal	
Cash consideration received	187,799
Cash and cash equivalents disposed of	(164,775)
	23,024

39. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2013 *(Continued)*

(f) On 20 March 2013, the Group entered into a share transfer agreement with an independent third party relating to the disposal of entire equity interests in Top Sino Capital Limited at a consideration of approximately HK$405,000.

The assets and liabilities of Top Sino Capital Limited at the disposal date were as follows:

	HK$'000
Assets	
Other non-current assets	380
Liabilities	
Amount due to the Group	(380)
Net identifiable assets and liabilities	–
Amount due to the Group assigned to the purchaser	380
Gain on disposal of a subsidiary	25
Total consideration	405
Satisfied by:	
Cash consideration	405
Net cash inflow arising from the disposal	
Cash consideration received	405

40. ACQUISITION OF ASSET THROUGH ACQUISITION OF A SUBSIDIARY

On 18 July 2013, the Group entered into a sale and purchase agreement to acquire 100% equity interest and a shareholder loan of approximately HK$1,374,000 in Joint Triumph Investment Limited ("Joint Triumph") at a total consideration of HK$2,050,000. Joint Triumph is engaged in renting of motor vehicle and its only asset is a motor vehicle. The transaction has been accounted for as acquisition of asset that does not meet the definition of a business combination. The transaction had been completed on 19 July 2013.

Asset acquired and liability recognised at the date of acquisition is as follows:

	HK$'000
Property, plant and equipment (note 18)	2,053
Amount due to the shareholder	(1,374)
Accrual	(3)
	676
Sale loan	1,374
Consideration	2,050
Satisfied by:	
Cash and cash equivalents	2,050
Net cash outflow arising from acquisition of Joint Triumph	
Cash consideration	(2,050)

41. CAPITAL COMMITMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**2,109**	7,404
— acquisition of subsidiaries	**891,000**	507,000

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2014 and 2013, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**9,298**	8,087
In the second to fifth year inclusive	**25,604**	28,299
	34,902	36,386

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$23,473,000 (2013: HK$21,674,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2014, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**23,163**	38,359
In the second to fifth year inclusive	**38,810**	46,750
After five years	**4,480**	8,671
	66,453	93,780

43. 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. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to June 2013). Contributions to the plan vest immediately.

(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.

44. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following material transactions with related parties during the year:

(a) On 6 January 2012, the Company entered into a master agreement ("the Master Agreement") with Kingston Capital Asia Limited ("KCA"), pursuant to which the Company may engage KCA and its subsidiaries (the "KCA Group") to provide financial services, which including securities placement, underwriting or sub-underwriting, brokerage, margin financing and corporate financial advisory services and other ancillary services, to the Company for a fixed term commencing from the date of Master Agreement and up to 31 March 2014. KCA is a direct wholly-owned subsidiary of Kingston Financial Group Limited. Mrs. Chu Yuet Wah ("Mrs. Chu"), a substantial shareholder in the Company, has controlling interests in Kingston Financial Group Limited. Therefore, the KCA Group is an associate of Mrs. Chu, a connected person of the Company. The annual caps of the transactions for the year ended 31 March 2014 as determined under the Master Agreement were HK$30,000,000. Further details of the transaction were set out in the announcement of the Company dated 6 January 2012 and circular of the Company dated 17 February 2012.

During the year ended 31 March 2014, the Company had paid financial services fee amounted of approximately HK$12,000 (2013: HK$13,441,000) to the KCA Group pursuant to the Master Agreement.

(b) On 16 December 2012, the Company entered into the sale and purchase agreement (the "Sale and Purchase Agreement") with Mr. Jiang Zhaobai ("Mr. Jiang"), the chairman and executive director of the Company, regarding the acquisition, pursuant to which Mr. Jiang has agreed to disposal equity interest of Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural") and the sale loan of amounted to US$26,500,000 (equivalent to HK$206,700,000) at the aggregate consideration of US$65,000,000 (equivalent to HK$507,000,000). Upon completion, the Group will hold 99.9% equity interest of Empresa Agropecuaria Novagro S.A., a company principally engaged in farming of soybean and corn.

On 26 November 2013, the Company and Mr. Jiang entered into a termination deed (the "Termination Deed") to terminate the Sale and Purchase Agreement. Pursuant to the Termination Deed, Mr. Jiang shall refund the deposit together with the compensation to the Company. Subject to the refund of the deposit by Mr. Jiang, the Company and Mr. Jiang discharges and releases each other from the performance of any obligations under the Sale and Purchase Agreement. The corresponding compensation income amounted approximately HK$11,402,000 was recognised in the consolidated statement of profit or loss. Details of which were set out in the Company's announcements dated 16 December 2012, 9 January 2013, 31 January 2013, 28 February 2013, 28 March 2013, 31 May 2013, 31 July 2013, 27 September 2013 and 26 November 2013.

44. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) During the year ended 31 March 2014, the rental income and rental deposit amounted approximately HK$736,000 and HK$7,190,000 respectively was received or receivable from Heilongjiang Interchina, an associate of the Company.

(d) 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:

	2014 HK$'000	2013 HK$'000
Salaries and other short-term benefits	**9,860**	9,884
Pension scheme contributions	**380**	153
	10,240	10,037

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

45. GOVERNMENT SUBSIDIES

During the year, the Group received government subsidies of approximately HK$17,758,000 (2013: HK$11,052,000) for its operations in certain provinces in the PRC. The amount has been included in other income for the year.

46. 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, amount due from an associate, financial assets at fair value through profit or loss, trade and other payables, amounts due to associates, bank and other borrowings, derivative financial instruments and convertible notes. 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

	The Group	
	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**825,500**	1,410,891
Financial assets at fair value through profit or loss	**188,509**	171,894
Financial liabilities		
Amortised cost	**510,468**	1,124,724

46. FINANCIAL RISK MANAGEMENT *(Continued)*

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 in the exchange rate of Hong Kong dollars against the RMB, with all other variables held constant, of the Group's profit before tax would be increased or decreased by approximately HK$2,674,000. (2013: HK$14,022,000)

(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 analyses 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, profit before taxation for the Group would be increased/decreased by approximately HK$9,425,000 (2013: loss decreased/ increased by approximately HK$8,595,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

46. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(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 2014 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.

(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.

46. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

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 2014						
The Group						
Trade and other payables	–	51,593	–	–	51,593	51,593
Bank and other borrowings	2.45%–8.63%	457,058	15,768	199	473,025	442,575
Amount due to associates	–	16,300	–	–	16,300	16,300
		524,951	15,768	199	540,918	510,468
The Company						
Trade and other payables	–	11,654	–	–	11,654	11,654
Amount due to subsidiaries	–	833,238	–	–	833,238	833,238
		844,892	–	–	844,892	844,892

	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 2013						
The Group						
Trade and other payables and deposits received	–	144,327	–	–	144,327	144,327
Bank and other borrowings	8%	199,266	861,906	5,826	1,066,998	954,119
Amount due to associates	–	26,278	–	–	26,278	26,278
		369,871	861,906	5,826	1,237,603	1,124,724
The Company						
Trade and other payables and deposits received	–	4,284	–	–	4,284	4,284
Amount due to associates	–	937,530	–	–	937,530	937,530
		941,814	–	–	941,814	941,814

46. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

Bank and other borrowings with a repayment on demand clause are included in the "within 1 year or on demand" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of the Group's bank and other borrowings amounted to approximately HK$442,575,000 (2013: HK$954,119,000).

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 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
The Group						
At 31 March 2014	**2.45%–8.63%**	**457,058**	**15,768**	**199**	**473,025**	**442,575**
At 31 March 2013	8%	199,266	861,906	5,826	1,066,998	954,119

(d) Cash flow and fair value interest rate risk

Long term borrowings at variable interest rates expose the Group to cash flow interest rate risk 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 analyses 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 point 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 profit for the year ended 31 March 2014 would decrease/increase by approximately HK$2,213,000 (2013: loss increase/decrease HK$4,770,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

46. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation

Fair value of the Target Company's financial instruments that are measured at fair value on a recurring basis

Some of the Target Company's financial instruments are measured at fair value at the end of each Relevant Periods. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Target Company's financial instruments are measured at fair value at the end of each Relevant Periods. The following table gives information about how the fair values of these financial assets is determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2014				
Financial assets at fair value through profit or loss	**188,509**	**–**	**–**	**188,509**
As at 31 March 2013				
Financial assets at fair value through profit or loss	171,894	–	–	171,894

Details of the Group's non-financial assets that are measured at fair value at 31 March 2014 and 2013 were set out in the note 17 to the consolidated financial statement.

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.

46. 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 maximise returns to 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:

	2014 HK$'000	2013 HK$'000
Total borrowings (note 32)	**442,575**	954,119
Less: Cash and cash equivalents (note 30)	**(321,777)**	(975,279)
	120,798	(21,160)
Total equity	**5,458,884**	4,848,321
Gearing ratio	**2.21%**	N/A

47. MAJOR NON-CASH TRANSACTIONS

The Group had no major non-cash transactions of investing and financing activities during the years ended 31 March 2014 and 2013.

48. 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. 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
Action Investments Limited	Hong Kong	100	100	–	Property letting
Burlingame International Company Limited	Hong Kong	425,019,668	100	–	Investment holding
Interchina Corporate Services Limited	Hong Kong	10,000	100	–	Management
Interchina (Tianjin) Water Treatment Company Limited @	PRC	*RMB900,000,000	100	–	Environmental protection
Interchina Securities Limited	Hong Kong	300,000,000	5	95	Securities brokerage
Interchina Finance (H.K.) Limited	Hong Kong	10,000	–	100	Provision of financial services
Best Plain Trading Limited	Hong Kong	310,000,000	–	100	Property letting
Interchina Water Treatment Limited	BVI	US$10,000	–	100	Investment holding
Success Flow International Limited	BVI	US$1	100	–	Investment holding
Long Bao Property Limited	Hong Kong	100	–	100	Investment holding
北京龍堡物業管理有限公司 @	PRC	RMB45,000,000	–	100	Property management
Money Capture Investments Limited	BVI	US$100	100	–	Investment holding

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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
Shanghai Interchina Club Company Limited @	PRC	US$769,210	–	100	Provision of entertainment services
Equal Smart Profits Limited	BVI	US$100	–	100	Property investment
Universe Glory Limited	BVI	US$50,000	–	100	Investment holding
P.T.Satwa Lestari Permai	Indonesia	RP5,000,000,000	–	65	Exploration, mining, processing and sale of manganese resources

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

@ Wholly-owned foreign enterprise

49. EVENTS AFTER THE REPORTING PERIOD

(a) On 29 November 2013, the Company entered into the sale and purchase agreement with Mr. Jiang Zhaobai, ("Mr. Jiang") and his brother, Mr. Jiang Lei, regarding the acquisition of the entire equity interest in Loyal Rich International Investment Limited ("Loyal Rich") and the amount owing by Loyal Rich to Mr. Jiang and Mr. Jiang Lei at the consideration of HK$573,000,000 (the "Acquisition"). As at the date of approval of theses consolidated financial statements, acquisition of the entire equity interests has not completed and 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 announcements dated 26 November 2013, 29 November 2013, 10 January 2014 and 28 March 2014.

(b) On 21 March 2014, Interchina Resources Holdings Limited, a wholly-owned subsidiary of the Company entered into the sale and purchase agreement with Mr. Ji WenWen regarding the further acquisition of the 30% equity interest in the Indonesian Company at the consideration of HK$318,000,000. As at the date of approval of theses consolidated financial statements, acquisition of the additional interests has not completed and 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 announcements dated 21 March 2014, 30 April 2014 and 30 May 2014.

49. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) On 16 May 2014, Interchina (Tianjin) Water Treatment Company Limited, a wholly-owned subsidiary of the Company, disposed of an aggregate of 72,000,000 Heilongjiang Interchina Shares through the block trading system of the Shanghai Stock Exchange at an aggregate consideration of RMB 311,760,000 (equivalent to approximately HK$392,151,000). Following the disposal, the aggregate number of Heilongjiang Interchina Share held by the Group were 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 Share, representing approximately 15.61% of the issued share capital of Heilongjiang Interchina. Details of which was set out in the Company's announcements dated 16 May 2014.

(d) On 25 April 2012, the Group entered into a sale and purchase agreement with上海萊因思置業有限公司to acquire 5 units of luxury properties located at Above The Bund (白金灣府邸), Shanghai, the PRC (the "Properties"), at the aggregate consideration of RMB194,127,000 (equivalent to approximately HK$251,873,000).

On 29 March 2014, the Company exercises the right to terminate the sale and purchase agreement. The Company requested to refund the deposit together with the compensation. The corresponding compensation income amounted approximately HK$12,209,000 was recognised in the consolidated statement of profit or loss. The amounts have been received on 10 April 2014. Details of which were set out in the Company's announcements dated 25 April 2012 and 28 March 2014.

50. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 June 2014.

FIVE YEAR FINANCIAL SUMMARY

31 March 2014 (in HK Dollars)

	For the year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
Results					
Turnover	**40,785**	370,612	405,502	413,473	234,770
Profit/(loss) from ordinary activities before taxation	**121,932**	1,188,543	(256,225)	(39,901)	126,277
Taxation	**58,579**	(160,766)	(16,104)	(43,018)	(56,661)
Profit/(loss) for the year from continuing operations	**180,511**	1,027,777	(272,329)	(82,919)	69,616
Loss for the year from discontinued operation	**(1,696)**	(79,492)	(22,218)	–	(9,247)
Profit/(loss) for the year	**178,815**	948,285	(294,547)	(82,919)	60,369
Owners of the Company	**177,124**	942,344	(356,396)	(101,699)	63,293
Non-controlling interests	**1,691**	5,941	61,849	18,780	(2,924)
Profit/(loss) for the year	**178,815**	948,285	(294,547)	(82,919)	60,369

Assets and liabilities

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Restated)	(Restated)	
Total assets	**6,026,894**	6,539,062	7,228,609	6,834,487	3,673,173
Total liabilities	**(568,010)**	(1,304,857)	(2,498,876)	(2,541,386)	(1,315,054)
Non-controlling interests	**(384,055)**	(385,884)	(1,346,902)	(831,602)	(234,168)
Shareholders' fund	**5,074,829**	4,848,321	3,382,831	3,461,499	2,123,951

The summary of the results, assets and liabilities of the Group for the years ended 31 March 2010 have not been restated upon the adoption of HKAS 12 (Amendments) as the Directors are of the opinion that the restatement would involve costs not in proportion to the benefit of the Group.

PARTICULARS OF MAJOR PROPERTIES

Location	Use	Lease term
Flat No. 17 on 27/F, Apartment Tower, Western Side of Convention Plaza, No. 1 Harbour Road, Hong Kong	Residential premises for rental	Long-term lease
Retail portion on basement Level 1, Level 1 to Level 2 and 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