國中控股有限公司

INTERCHINA HOLDINGS CO LTD

Stock Code: 202

2013 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Jiang Zhaobai *(Chairman)*
Mr. Lam Cheung Shing Richard
Mr. Shen Angang
Mr. Zhu Deyu
Mr. Lu Yaohua

Independent Non-executive Directors
Mr. Ho Yiu Yue Louis
Mr. Ko Ming Tung Edward
Mr. Chen Yi, Ethan

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Mr. Ko Ming Tung Edward *(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

WEBSITE

www.interchina.com.hk

PRINCIPAL OFFICE IN HONG KONG

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

AUDITORS

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

SOLICITOR

Kirkpatrick & Lockhart Gates
44/F., Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

SHARE REGISTRAR

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

The Bank of East Asia Limited
Standard Chartered Bank 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 Interchina 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 2013.

PROFIT AND NET ASSET VALUE ATTRIBUTABLE TO SHAREHOLDERS

During the year under review, in view of the volatile market resulted from global political and economic instability, the Board has taken proactive measures to enhance business management, strength internal control and optimize assets and financial structure of the Group. The Company has realised a substantial gain of HK$1,601,833,000 through the disposal of the major assets of environmental water treatment operation, 110,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited. This strengthened the Group's capital base and cash position and has laid a solid foundation for the future development of the Group.

The Group delivered satisfactory results for the year ended 31 March 2013. Profit for the year recorded a significant improvement, reaching a historical high of HK$948,285,000 as compared the loss of HK$294,547,000 of last year. The rise in profit was mainly generated by gains of approximately HK$1.6 billion following the disposal of 110,000,000 shares of Heilongjiang Interchina Water Treatment Company Limited.

At 31 March 2013, the net asset value attributable to equity shareholders of the Company amounted to HK$4,848,321,000, 43% higher than the amount of HK$3,382,831,000 at 31 March 2012.

BUSINESS REVIEW

Environmental Water Treatment Operation

During the year under review, the Group operated the environmental water treatment operation through its wholly-owned subsidiary, Interchina (Tianjin) Water Treatment Company Limited ("Interchina (Tianjin)") and the former 53.77% owned Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina") (Stock Code: 600187, listed on the Shanghai Stock Exchange). During the period between January and February 2013, the Group had disposal an aggregate of 110,000,000 shares of Heilongjiang Interchina, representing 25.75% to the issued share capital of Heilongjiang Interchina at the average price of approximately RMB8.2 per Heilongjiang Interchina shares (the "Disposal"). The Disposal contributed a substantial gain of approximately HK$1,601,833,000 for the year. The Disposal is in accordance with the terms of the disposal mandate approved by the shareholder at the Company's extraordinary general meeting held on 19 October 2012. Since then Heilongjiang Interchina ceased to be a 53.77% owned subsidiary of the Group and become a 28.02% owned associate company of the Group. Commencing from 15 January 2013, the financial results of Heilongjiang Interchina and its net assets will be equity accounted for in the consolidated financial statement of the Group. Detail of the Disposal was set out in the Company's circular dated 28 September 2012.

As at 31 March 2013, the Group's environmental water treatment operation comprised a total of thirteen projects with aggregate daily processing capacity of approximately 1,337,500 tonnes, of which twelve projects with aggregate daily processing capacity of approximately 1,237,500 tonnes is under Heilongjiang Interchina, an associate company and one project with daily processing capacity of approximately 100,000 tonnes is under Interchina (Tianjin).

Heilongjiang Interchina is the flagship assets of the Group's environmental water treatment operation. The revenue from this segment amounted to HK$339,219,000 which was mainly contributed by Heilongjiang Interchina before the completion of the Disposal. The segment profit amounted to HK$4,488,000, representing a decrease of HK$81,967,000 or 94.8% as compared with last year. The decrease was mainly attributable to the one-time gain from the derivative financial instruments of HK$50,543,000 recorded in last year and consultancy income decreased by HK$25,236,000 to HK$13,502,000 for the year.

During the year, the Group has continued in further consolidation of the environmental water treatment operation. On 31 May 2012, Heilongjiang Interchina has entered into a Strategic Cooperation Framework Agreement with the Research Centre for Eco-Environmental Sciences, Chinese Academy of Sciences. Both parties have agreed to jointly invest in and incorporate the Interchina CAS Ecological Scientific Innovation Co. Ltd. for the management and implementation of actual operations involved in the incubation of technological innovation and industrialisation. Details of the agreement were set out in the Company's announcement dated 31 May 2012.

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 new shares at the price of RMB8.03 each to not more than ten subscribers (the "Non-public Share Issue") to raise not more than RMB1,242,000,000. The Non-public Share Issue also constituted a deemed disposal of the Group's interest of Heilongjiang Interchina (the "Deemed Disposal") as well as a very substantial disposal transaction of the Company under the Listing Rules. Details of the Non-public Share Issue and the Deemed Disposal were set out in the Company's circular dated 28 September 2012. The Non-public Share Issue and the Deemed Disposal were approved by the shareholders of the Company at the extraordinary general meeting held on 19 October 2012. Heilongjiang Interchina is planning to use the net proceed raised from the Non-public Share Issue to further expand the existing projects on hand and acquire the 90% equity interest in Beijing TDR Enviro-Tech Company Limited ("Beijing TDR") and 100% equity interest in Huaibei Zhonglian Huanshui Environmental Company Limited ("Huaibei Zhonglian"). Beijing TDR is principally engaged in the development of the treatment technology and technique and the production of equipment/construction of facility for sewage water treatment purpose and Huaibei Zhonglian is principally engaged in the sewage treatment operation. Therefore, on the even date Heilongjiang Interchina has entered into two sale and purchase agreement in relation to (i) the acquisition of 90% equity interest in Beijing TDR at the aggregate consideration is RMB495,000,000 (the "Beijing TDR Acquisition") and (ii) the acquisition of 100% equity interest in Huaibei Zhonglian at the aggregate consideration is RMB34,300,000 (the "Huaibei Zhonglian Acquisition"). Beijing TDR Acquisition constitutes a major transaction of the Company under the Listing Rules while Huaibei Zhonglian Acquisition did not constitute any notifiable transaction of the Company under the Listing Rules. The Beijing TDR Acquisition was approved by the shareholders of the Company at the extraordinary general meeting held on 19 December 2012. Detail of the Beijing TDR Acquisition was set out in the Company's circular dated 23 November 2012.

Due to the relevant government approval for the Huaibei Zhonglian Acquisition could not be obtained within the agreed timeframe, Huaibei Zhonglian Acquisition is finally terminated and on 20 September 2012, Heilongjiang Interchina had submitted a revised Non-public Share Issue proposal to the Shanghai Stock Exchange to reduce the proposed maximum proceeds raised from the Non-public Share Issue from RMB1,290,000,000 to RMB1,255,700,000 as the result of the termination of Huaibei Zhonglian Acquisition. Save for the aforesaid change, all other terms of the Non-public Share Issue remained unchanged. Heilongjiang Interchina has also submitted the revised proposal to the China Securities Regulatory Commission ("CSRS") on 26 September 2012.

On 18 April 2013, Heilongjiang Interchina, received the formal approval notice (the "Approval Notice") dated 12 April 2013 from the CSRC that the Non-public Share Issue was approved and the Approval Notice will be valid for a period of six months from its issue date. On 21 June 2013, Heilongjiang Interchina successfully issued an aggregate of 155,024,691 new shares to eight institutional investors at RMB8.1 per share raising net proceeds of approximately RMB1,215,000,000. The Group's equity interest in Heilongjiang Interchina further diluted from 28.02% to 20.56%, retained as associate investment of the Group.

Looking ahead, Heilongjiang Interchina remains as one of the major investments of the Group and will continue to contribute positively to the results of the Group through equity sharing. In addition, the Group will continue to seek opportunities of merger and acquisition of quality environmental water treatment projects to enrich the investment portfolio of this segment.

Property Investment Operation

During the year, the Group was successful in delivering stable revenue growth from property investment operation. Rental income slightly increased by 6.6% to HK$21,674,000.

The Group currently owns approximately total gross floor area of 19,620 sq. m. in Beijing Interchina Commercial Building, located in the CBD of Beijing (consist of approximately 7,700 sq. m. of office units, 5,800 sq. m. of retail units and 6,120 sq. m. of parking space) (the "Beijing Property"). As at 31 March 2013, the market value of the Beijing Property amounted to approximately HK$561,800,000 (2012: HK$533,901,000) and all of office units and retail units of the Beijing Property have been fully let out and provide stable rental income to the Group.

In November 2012, the Group entered into a sales and purchase agreement to disposal the property with total gross floor area of approximately 18,000 sq. m. in Yangpu District, Shanghai (the "Shanghai Property") at the consideration of RMB280,000,000 (equivalent to approximately HK$350,000,000) (the "Disposal of Shanghai Property"). Although the Disposal of Shanghai Property had realised a loss of approximately HK$82,988,000 after deduction of relevant costs and related taxes incurred in connection with the Disposal of Shanghai Property, the Board was of the view that it was a good opportunity to realise the Shanghai Property into cash and seek for another high quality property for long term investment which can provide a stable and reasonable income stream to the Group. Detail of the Disposal of Shanghai Property was set out in the Company's announcement dated 23 November 2012.

The segment loss amounted to HK$74,237,000, representing a significantly decrease of HK$89,398,000 as compared with the segment profit of HK$15,161,000 in last year. The loss was mainly attributable to the loss from the disposal of the Shanghai Property.

On 25 April 2012, the Group entered into a sale and purchase agreement 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 approximately RMB194,127,000 (equivalent to approximately HK$242,659,000). On the even date, the Group entered into a tenancy agreement with the vendor for the lease of the Properties to the vendor for a term of 3 years at the aggregate annual rental of RMB11,647,000 (equivalent to approximately HK$14,379,000). Detail of the transaction was set out in the Company's announcement dated 26 April 2012. However, due to the acquisition is being treated as a bulk transaction under the relevant PRC regulation, the procedures of transferring the legal title of the Properties is still underway.

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

Natural Resources Operation

During the year, this segment did not contribute any revenue to 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 company incorporated in 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 the rights for exploitation, refining, processing and export in the Mining Block for a period of twenty years. Resource of the Mining Block has no significant change during the year.

The segment loss amounted to HK$137,743,000, representing a significantly increase of HK$119,582,000 as compared with the segment loss of HK$18,161,000 in last year. The loss was mainly attributable to the impairment loss of HK$132,600,000 on the valuation of the mining rights of the Mining Block resulting from sluggish demand for manganese ore as well as downward pressure on the market prices as compared with the last year.

Besides, the Group has been under negotiation with the other shareholders of SLP to acquire the remaining 35% interests. This further acquisition does not just increase the Group's interest in SLP from 65% to 100% but also let the Group fully control and design the exploitation and production planning of the Mining Block.

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

Financing and Securities Investment Operation

As at 31 March 2013, total securities investment/financial assets at fair value through profit and loss stood at HK$171,894,000 and total loan receivable under financing operation amounted to HK$260,061,000. Although this segment only recorded revenue of HK$9,719,000 for the year, representing a decrease of 18.5% as compared to last year, the segment loss significantly decreased by 33.5% from HK$110,002,000 of last year to HK$73,163,000 for the year. The decrease was mainly attributed by the decrease in the loss on fair value change of the securities investment from HK$121,858,000 in last year to a gain of HK$81,136,000 for the 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.

Discontinued Operations

During the year, the Group decided to cease the operations of securities dealing and brokerage operation and supply and procurement operation, so as to minimise the business risk involved in these two operations. Both are presented as discontinued operations in the consolidated financial statements for the year ended 31 March 2013.

During the year, revenue from securities dealing and brokerage operation increased 22.4% to HK$15,953,000. The segment loss of HK$73,253,000 was recorded, representing an increase of 3.7 times as compared with the segment loss of HK$15,666,000 in last year. The loss is mainly attributed by the impairment loss of HK$84,498,000 in respect of client's receivable for the year.

During the year, revenue from supply and procurement operation decreased 96.4% to HK$8,633,000 as the result of cessation of business in April 2012. The segment loss of HK$6,898,000 was recorded, representing an increase 12.6% as compared with the segment loss of HK$6,126,000 in the last year.

FINANCIAL REVIEW

Results

The Group's turnover from continuing operations decreased 8.6% to approximately HK$370,612,000 compared with HK$405,502,000 in the year ended 31 March 2012. Despites results for the year were encumbered by the cessation of supply and procurement operation and securities dealing and brokerage operation, the loss on the disposal of the Shanghai Property and the decrease in the fair value of the mining rights, profit for the year increased substantially to approximately HK$948,285,000, versus the loss of HK$294,547,000 for the last year. The rise in profit was mainly generated by the aggregate gains of approximately HK$1,601,833,000 following the disposal of its 25.75% interests in Heilongjiang Interchina.

Basic earnings per share stood at HK16.292 cents, compared with the basic loss per share of HK9.527 cents (restated) in the previous year. The Board does not recommend the payment of dividend for the year ended 31 March 2013 (2012: Nil).

Liquidity, Financial Resources and Capital Structure

At 31 March 2013, the Group's total assets were HK$6,539,062,000 (31 March 2012: HK$7,228,609,000) and the total liabilities were HK$1,304,857,000 (31 March 2012: Restated HK$2,498,876,000). At 31 March 2013, the number of issued share of the Company was 6,078,669,363 (31 March 2012: 4,274,669,363) and the equity reached HK$5,234,205,000 (31 March 2012: Restated HK$4,729,733,000). At 31 March 2013, the current ratio of the Group was 2.4 (31 March 2012: 1.1) whereas the gearing ratio (total outstanding borrowings over total assets) of the Group was 14.6 % (31 March 2012: 27.6%).

At 31 March 2013, the Group's cash on hand and deposits in bank was HK$975,279,000 (31 March 2012: HK$398,751,000). Around 95% 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 2013, the Group's total borrowings comprising bank borrowings of HK$147,869,000 (31 March 2012: HK$876,728,000), other borrowings of HK$806,250,000 (31 March 2012: HK$1,116,606,000). The maturity profile of the outstanding bank and other borrowings was spread over a period of more than five years with HK$9,480,000 repayable within one year, HK$762,500,000 repayable after one year but within five years and HK$182,139,000 repayable after five years. Around 99% of the Group's total borrowings was denominated in Renminbi with the rest mainly in Hong Kong dollars.

On 8 May 2012, the Company successfully issued HK$294,500,000 of 2% convertible notes, at initial conversion price of HK$0.31 per conversion share, with a maturity of 3 years due in May 2015. The net proceeds of HK$287,138,000 was used to (i) as to HK$130 million for repayment of the bank borrowings of the Group; (ii) as to HK$143.3 million for investment in new projects in relation to environmental water treatment operation; and (iii) as to HK$13.3 million reserved for general working capital purpose. Detail of the convertible notes was set out in the Company's announcement dated 13 December 2011 and circular dated 17 February 2012. All the convertible notes had been converted into share capital on 14 May 2012. On 14 August 2012, the Company successfully issued 854,000,000 ordinary shares to seven subscribers at the price of HK$0.34 per share, which involved a total subscription price of HK$290,360,000. One of the subscribers, Pengxin Holdings Company Limited which is wholly and beneficially owned by Mr. Jiang Zhaobai ("Mr. Jiang"), has been issued 709,000,000 ordinary shares of the Company and become one of the substantial shareholders of the Company. Mr. Jiang was appointed as executive director and chairman of the Company on 24 September 2012. Detail of the placing was set out in the Company announcements dated 29 March 2012, 18 June 2012 and 14 August 2012.

Pledged of Assets

At 31 March 2013, the Group's investment properties with carrying amounts of HK$535,550,000 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 year, 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.

Material Acquisition and Disposal

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

Future Plans for Material Investments or Capital Assets

On 16 December 2012, the Company entered into the sale and purchase agreement with Mr. Jiang regarding the acquisition of the entire equity interest in Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural") and the amount owing by Pengxin Agricultural to Mr. Jiang at an aggregate consideration of USD65,000,000 (equivalent to approximately HK$507,000,000) (the "Proposed Acquisition"). Upon the completion of the acquisition, Pengxin Agricultural should own not less than 99.9% of Empresa Agropecuaria Novagro S.A. (the "Bolivian Company"), a company incorporated in the Republic of Bolivia with limited liability and principally engaged in agricultural business over approximately 12,500 hectare of self-owned farmland in the north of Santa Cruz, the Republic of Bolivia. The Proposed Acquisition constitutes a discloseable and connected transaction of the Company under the Listing Rules and is needed to be approved by independent shareholders of the Company. As at 31 March 2013, the Proposed Acquisition is still underway. The Company will dispatch the relevant circular to seek the approval of independent shareholders of the Company as soon as practicable. Detail of the Proposed Acquisition was set out in the Company's announcement dated 16 December 2012. The Board is of the opinion that, after taking into account the existing available internal resources, the Group has sufficient funding to meet the Proposed Acquisition and its foreseeable working capital requirements.

Save as the above mentioned, the Group did not have any future plans for material investments or capital assets acquisitions as at 31 March 2013.

Human Resources

As at 31 March 2013, the Group, excluding its associate companies, had approximately 68 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.

PROSPECTS

The Group's management remains cautiously optimistic towards the market environment given the global political and economic persistent uncertainties.

Looking ahead, the Group will adopt a vigorous but moderate investment tactic to develop the original environmental water treatment operation, property investment operation, natural resources operation and financing and securities investment operation. The Group will also continue to seek overseas investment projects with superb quality including the development of agricultural business and any other investment opportunity with low operating risk, and to provide shareholders with largest investment returns in return for their long-term support.

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, 28 June 2013

Mr. JIANG Zhaobai, Executive Director and Chairman

Mr. JIANG Zhaobai, aged 50, 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 25 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 55, 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 57, 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. ZHU Deyu, Executive Director

Mr. ZHU Deyu, aged 50, has been appointed as an executive Director of the Company in September 2012. Mr. Zhu has over 20 years experience in investment and corporate management. He was chairman of Zhejiang Beingmate Technology, Industry & Trading Co., Ltd. (a company listed on the Shenzhen Stock Exchange with its stock code 002570) and president of Beingmate Group Co., Ltd. from 2002 to mid of 2012. Mr. Zhu worked in a number of reputable companies in the PRC during the period from 1992 to 2001, including manager of the project investment department of Hainan Liuhe Market Development Company Limited (海南六合市場開發股份有限公司), general manager of Shanghai Rongjie Real Estate Development Company Limited (上海融捷房地產投資發展有限公司), vice-general manager of Shanghai branch of Guangzhou Sino baron Environmental Protection Equipment Co., Ltd. and China marketing manager of Germany Babcock Group (Shanghai) Co., Ltd. Mr. Zhu graduated in food inspection from Hangzhou University of Commerce (now known as Zhejiang Gongshang University) and obtained a master's degree in business administration from Donghua University.

Mr. LU Yaohua, Executive Director

Mr. LU Yaohua, aged 48, has been appointed as an executive Director of the Company in September 2012. Mr. Lu has 25 years experience in dairy sector and corporate management. He was president and director of Shandong Yatai Zhonghui Group Company Limited (山東亞太中慧集團有限公司) from 2010 to 2012. He was vice-president, director and communist party committee secretary of Shanghai Bright Diary & Food Co., Ltd. (a company listed on the Shanghai Stock Exchange with its stock code 600597) as well as chairman and general manager of Shanghai Danone Yoghurt Co., Ltd. from 2005 to 2010 respectively and served as general manager and vice-president of milk division of Shanghai Bright Diary & Food Co., Ltd. and managing director of Shanghai Bright Holstan Co., Ltd. from 1997 to 2005. He was also chairman of Shanghai Institute of Diary Science and officer of Shanghai Diary Cattle Breeding Centre as well as executive of the fine breed station from 1995 to 1997. He was appointed as animal husbandry expert and project manager of Shanghai Diary Group Co., Ltd. from 1987 to 1995. He was technician of Shanghai Institute of Diary Science and secretary of China Diary Association from 1985 to 1987. Mr. Lu graduated from Shanghai Agricultural College with a bachelor's degree in agricultural with major in the animal husbandry and obtained a qualification of senior technical translation from Simon Fraser University, Canada in September 1992. He also graduated from East China Normal University as on-the-job graduate student with western economic in January 1997.

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

Mr. Ho Yiu Yue, Louis, aged 65 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 52, 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 21 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 (formerly known as "Rainbow Brothers 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 30, 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 maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company has applied 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") and includes the implementation details for the CG Code and, where appropriate, the Recommended Best Practices.

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

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 of the Directors of the Company (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 organize the composition of the Board to serve the needs of the Group.

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 Directors, namely Mr. Jiang Zhaobai, Mr. Zhu Deyu and Mr. Lu Yaohua 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 2013. 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.

Pursuant to the Code Provision D.1.4 of the CG Code, the Company should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. Currently, the Company did not have formal letters of appointment for Directors. However, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors", and, if applicable, "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors of the Company. Besides, the Directors are required to comply with the requirements under the Listing Rules. In the opinion of Directors, it meets the objective of the Code provision D.1.4.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

Composition of the Board

The Board currently comprises eight Directors, including five 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. Zhu Deyu	
Mr. Lu Yaohua	

Independent Non-executive Directors

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

Their biographical details are set out in the "Biographical details of directors and senior management" section on pages 10 to 12 of this Annual Report.

The experience and views of our independent non-executive Directors are held in high regard and contribute to the effective direction of the Group. Throughout the year, the Company complied with the requirements under the Listing Rules by maintaining the proportion of its independent non-executive Directors to at least one third of the total members of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules. The Board has received from each independent non-executive Director an annual confirmation of his independence and considers that all the independent non-executive Directors are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Responsibilities 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).

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. The post of Chairman has been vacated from 10 October 2011 to 23 September 2012. Mr. Jiang Zhaobai was 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.

Continuous Professional Development of Directors

To ensure the Directors' contribution to the Board remains informed and relevant and in compliance with Code Provision A.6.5 of the CG Code, the Company would arrange and fund suitable continuous professional development for Directors to participate to develop and refresh their knowledge and skills.

During the year ended 31 March 2013, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records to the Company.

Appointment 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 MEETINGS AND COMMITTEE MEETINGS

The Board meets regularly and at least four times a year at approximately quarterly intervals to review the financial performance of the Group. Non-regular Board meetings will be convened as and when required by business needs. 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

As at 31 March 2013, the Board has three committees namely, Audit Committee, the 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 as follows:

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

* *Independent Non-executive Directors*

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 main duties of the Audit Committee are to review financial information of the Company, monitor the integrity of financial statements, financial reports and accounts, to examine and review matters such as the financial control, internal control and risk management system of the Company, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, to approve the remuneration and terms of engagement of the external auditors and to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors. During the year, the Audit Committee has duly discharged the above duties.

Remuneration Committee

The Remuneration Committee is composed as follows:

Mr. Ho Yiu Yue Louis*	*(Committee Chairman)*
Mr. Ko Ming Tung Edward*	(appointed on 15 August 2012)
Mr. Lam Cheung Shing Richard	

* *Independent Non-executive Directors*

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. During the year, the Remuneration Committee has duly discharged the above duties.

Nomination Committee

The Nomination Committee is composed as follows:

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

* *Independent Non-executive Directors*

The primary functions of the Nomination Committee are to review the structure, size and composition of the Board, identify individuals suitably qualified to become members of the Board, and assess the independence of independent non-executive Directors. During the year, the Nomination Committee has duly discharged the above duties.

ATTENDANCE AT BOARD OR COMMITTEE MEETINGS DURING THE YEAR

	Number of meetings attended/ Number of meetings held during the term of office				
Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	AGM
Executive Directors					
Mr. Jiang Zhaobai (Note 1)	2/3	N/A	N/A	N/A	N/A
Mr. Lam Cheung Shing Richard	10/10	N/A	1/1	1/1	1/1
Mr. Shen Angang	10/10	N/A	N/A	N/A	0/1
Mr. Lu Yaohua (Note 1)	3/3	N/A	N/A	N/A	N/A
Mr. Zhu Deyu (Note 1)	3/3	N/A	N/A	N/A	N/A
Mr. Zhu Yongjun (Note 2)	10/10	N/A	N/A	N/A	0/1
Mr. Choi Fun Tai, Bosco (Note 3)	6/6	N/A	N/A	N/A	1/1
Mr. Wong Hin Shek (Note 4)	4/4	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Ho Yiu Yue Louis	10/10	2/2	1/1	1/1	1/1
Mr. Ko Ming Tung Edward	10/10	2/2	1/1	1/1	1/1
Mr. Chen Yi, Ethan	10/10	2/2	N/A	1/1	1/1
Mr. Chi Chi Hung, Kenneth (Note 4)	4/4	0/0	0/0	N/A	0/1

Notes:

(1) Appointed on 24 September 2012

(2) Resigned on 1 March 2013

(3) Resigned on 24 September 2012

(4) Retired on 15 August 2012

DIRECTORS' SECURITIES TRANSACTIONS

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.

AUDITORS' REMUNERATION

HLB Hodgson Impey Cheng Limited ("HLB") has been the Company's independent auditor since 2006. For the year ended 31 March 2013, the auditors' remuneration (excluding out of pocket and miscellaneous expenses) payable/paid to HLB for audit services is approximately HK$1,800,000 (2012: HK$1,720,000) and approximately HK$1,560,000 (2012: HK$180,000 for the review of the Group's interim financial report) for non-audit services which in connection with the review of the Group's interim financial report, very substantial disposal transaction and a major transaction. In addition, the auditors' remuneration of approximately HK$601,000 (2012: HK$884,000) was payable/paid to the PRC auditors for auditing the PRC subsidiaries of the Group.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND EXTERNAL AUDITORS

The Directors are responsible for the preparation of the financial statement, which give a true and fair view of the state of affairs of the Group and of the Group's results and cash flows. The external auditors are responsible to form an independent opinion, based on the audit, on the financial statements prepared by the Directors and report the opinion solely to the members of the Company as a body and for no other purpose. A statement by the external auditors about their reporting responsibilities is contained in the independent auditors' report.

INTERNAL CONTROL

The Board is responsible for the effectiveness of the internal control system of the Group to ensure the financial and operational function, compliance control, material control, asset management and risk management functions are in place and functioning effectively. The system can only provide reasonable but not absolute assurance against misstatements or losses. The internal control system has been designed to safeguard the shareholders' investment and assets of the Group. It should provide a basis for the maintenance of proper accounting records and assist in compliance with the relevant rules and regulations.

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 2013 through an independent professional. No major issues but areas of improvement 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 Code.

All recommendations from the independent professional will be properly followed up to ensure that they are implemented within a reasonable time. The Board will continue to engage independent professionals to review its internal control systems and will continue to review the need for setting up an internal audit function.

RELATIONS WITH SHAREHOLDERS

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 21 days prior to an AGM and a general meeting called for passing of a special resolution and at least 14 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.

Shareholders' Rights

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

Shareholder(s) holding not less than one-twentieth of the issued share capital of the Company have statutory rights pursuant to Section 113 of the Companies Ordinance of Hong Kong 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.

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.

Memorandum and Articles of Association

There is no change in the Memorandum and Articles of Association of the Company during the year. A copy of the latest version is available on the website of the Stock Exchange and the Company's website.

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 affairs. The company secretary reports to the Board and is responsible for advising the Board on corporate governance matters. During financial year, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

On behalf of the Board
Jiang Zhaobai
Chairman

Hong Kong, 28 June 2013

REPORT OF DIRECTORS

The directors of the Company present their annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 51 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated income statement on page 27 of the annual report.

The directors of the Company did not recommend the payment of a dividend for the year ended 31 March 2013 (2012: 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.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of movements in investment properties and property, plant and equipment of the Group and the Company during the year are set out in notes 16 and 17 to the consolidated financial statements respectively.

MAJOR PROPERTIES

Details of the major properties of the Group held for investment purposes at 31 March 2013 are set out on page 132 of the annual report.

BANK AND OTHER BORROWINGS

Details of the bank and other borrowings at 31 March 2013 are set out in note 34 to the consolidated financial statements.

CONVERTIBLE NOTES

Details of the convertible notes are set out in note 35 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in note 46 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movements in reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity on pages 32 to 34 and note 38 to the consolidated financial statements respectively.

At 31 March 2013, the Company had no distributable reserve as calculated under Section 79B of the Hong Kong Companies Ordinance.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 37 to the consolidated financial statements.

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.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Jiang Zhaobai (appointed on 24 September 2012)
Mr. Lam Cheung Shing Richard
Mr. Shen Angang
Mr. Zhu Deyu (appointed on 24 September 2012)
Mr. Lu Yaohua (appointed on 24 September 2012)
Mr. Zhu Yongjun (resigned on 1 March 2013)
Mr. Choi Fun Tai, Bosco (resigned on 24 September 2012)
Mr. Wong Hin Shek (retired on 15 August 2012)

Independent non-executive directors:

Mr. Ko Ming Tung Edward
Mr. Ho Yiu Yue Louis
Mr. Chen Yi, Ethan
Mr. Chi Chi Hung, Kenneth (retired on 15 August 2012)

In accordance with the Company's articles of association, Mr. Jiang Zhaobai, Mr. Zhu Deyu and Mr. Lu Yaohua who were newly appointed as Directors of the Company during the current year shall retire at the forthcoming annual general meeting. All of them, being eligible, have offered themselves 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. Lam Cheung Shing Richard and Mr. Ho Yiu Yue Louis 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.

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

DIRECTORS' REMUNERATION

The directors' emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2013, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in shares and underlying shares

Name of Director	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital (Note 1)
Jiang Zhaobai	Interest in controlled corporation	709,000,000	11.66%
Shen Angeng	Beneficial owner	187,865,000	3.09%
Lam Cheung Shing Richard	Beneficial owner	7,700,000	0.13%
Zhu Deyu	Beneficial owner	1,000,000	0.02%
Lu Yaohua	Beneficial owner	1,000,000	0.02%

Note:

(1) The calculation of percentages is based on 6,078,669,363 shares of the Company in issue as at 31 March 2013.

Save as disclosed above, as at 31 March 2013, none of the directors or chief executive had registered an interest or a 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 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. Details of movements in the share option and the share option scheme are set out in note 39 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 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholders had an interest of 5% or more in the issued share capital of the Company:

Long positions in shares and underlying shares

Name of shareholder	Capacity	Number of shares and underlying shares held	Percentage of the issued share capital of the Company (Note 3)
Chu Yuet Wah	Interest in controlled corporation (Note 1)	1,033,300,000	16.99%
Rich Monitor Limited	Beneficial owner	1,033,300,000	16.99%
Jiang Zhaobai	Interest in controlled corporation (Note 2)	709,000,000	11.66%
Pengxin Holdings Company Limited	Beneficial owner	709,000,000	11.66%

Notes:

(1) The entire issued share capital of Rich Monitor Limited is held by Chu Yuet Wah. Therefore, Chu Yuet Wah is deemed to be interested in 1,033,300,000 shares of the Company under the SFO.

(2) The entire issued share capital of Pengxin Holdings Company Limited is held by Jiang Zhaobai. Therefore, Jiang Zhaobai is deemed to be interested in 709,000,000 shares of the Company under SFO.

(3) The calculation of percentages is based on 6,078,669,363 shares of the Company in issue as at 31 March 2013.

Save as disclosed above, as at 31 March 2013, 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 47(c) to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transaction as set out in note 47(c) 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 47(c) 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 47(a), (b), (d) and (e) 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.

EVENTS AFTER THE REPORTING PERIOD

Details of significant subsequent events of the Group are set out in note 52 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 47%. The percentage of turnover attributable to the Group's largest customer to the total turnover during the year was 14%.

The percentage of purchases attributable to the Group's five largest suppliers to the total purchases during the year was 48%. The percentage of purchase attributable to the Group's largest supplier to the total purchase during the year was 15%.

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

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 13 to 19.

AUDITORS

The consolidated financial statements for the year ended 31 March 2013 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. The consolidated financial statements for the years ended 31 March 2011 and 2012 were audited by HLB Hodgson Impey Cheng. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. Save for the above, there has been no other change in the auditors of the Company in any of the preceding three years.

On behalf of the Board
Jiang Zhaobai
Chairman

Hong Kong, 28 June 2013

INDEPENDENT AUDITORS' REPORT

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
INTERCHINA HOLDINGS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Interchina Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 130, which comprise the consolidated and company statements of financial position as at 31 March 2013, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 141 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors 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 2013, 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, 28 June 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000 (Restated)
Continuing operations			
Turnover	7	**370,612**	405,502
Cost of sales		**(172,571)**	(195,278)
Other income and gain, net	8	**56,670**	115,316
Staff costs	9	**(48,270)**	(52,440)
Amortisation and depreciation		**(65,214)**	(71,539)
Administrative costs		**(197,555)**	(114,205)
Other operating expenses		**(213,171)**	(64,447)
Fair value change in financial assets at fair value through profit or loss		**81,136**	(123,346)
Fair value change in investment properties	16	**24,306**	26,928
Loss from operations	10	**(164,057)**	(73,509)
Finance costs	11	**(189,656)**	(163,490)
Share of result of associates	23	**23,386**	(109)
Loss on disposal of investment property	16	**(82,988)**	–
Gain on disposal of associates		**353,264**	–
Gain/(loss) on disposal of subsidiaries	41	**1,248,594**	(19,118)
Profit/(loss) before taxation		**1,188,543**	(256,226)
Taxation	12	**(160,766)**	(16,103)
Profit/(loss) for the year from continuing operations		**1,027,777**	(272,329)
Discontinued operations			
Loss for the year from discontinued operations	13	**(79,492)**	(22,218)
Profit/(loss) for the year		**948,285**	(294,547)
Attributable to:			
Owners of the Company		**942,344**	(356,396)
Non-controlling interests		**5,941**	61,849
		948,285	(294,547)
Earnings/(loss) per share attributable to owners of the Company	14		
From continuing and discontinued operations			
— Basic and diluted		**HK16.292 cents**	HK(9.527) cents
From continuing operations			
— Basic and diluted		**HK17.666 cents**	HK(8.933) cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000 (Restated)
Profit/(loss) for the year	**948,285**	(294,547)
Other comprehensive income/(loss)		
Exchange differences on translation of overseas subsidiaries	**(11,804)**	67,343
Reclassification adjustment upon disposal of subsidiaries	**(55,067)**	(2,293)
Share of other comprehensive income of associates	**7,155**	–
Total comprehensive income/(loss) for the year	**888,569**	(229,497)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**893,443**	(300,890)
Non-controlling interests	**(4,874)**	71,393
	888,569	(229,497)
Total comprehensive income/(loss) attributable to owners of the Company arises from:		
Continuing operations	**972,935**	(278,672)
Discontinuing operations	**(79,492)**	(22,218)
	893,443	(300,890)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
Non-current assets				
Investment properties	16	**586,800**	951,247	746,881
Property, plant and equipment	17	**17,533**	404,295	299,878
Prepaid lease payments	18	**–**	102,315	15,781
Mining rights	20	**1,099,800**	1,232,400	–
Intangible assets	21(a)	**121,492**	1,065,905	1,051,305
Other financial assets	21(b)	**–**	494,408	483,996
Goodwill	22	**18,069**	439,927	426,017
Interests in associates	23	**1,634,026**	1,104	1,122
Available-for-sale financial assets	24	**–**	69,136	1,190
Other non-current assets	25	**64,159**	88,451	97,515
		3,541,879	4,849,188	3,123,685
Current assets				
Prepaid lease payments	18	**–**	3,436	–
Inventories	26	**–**	21,613	6,511
Trade and other receivables and prepayments	27	**1,560,003**	1,500,628	2,239,489
Loan receivables	28	**260,061**	316,278	223,768
Financial assets at fair value through profit or loss	29	**171,894**	73,985	162,771
Derivative financial instruments	30	**–**	62,889	–
Tax recoverable		**1,246**	1,527	76
Bank balances — trust and segregated accounts	31	**137**	314	5,202
Cash and cash equivalents	32	**975,279**	398,751	1,072,985
		2,968,620	2,379,421	3,710,802
Assets classified as held for sale	40	**28,563**	–	–
		2,997,183	2,379,421	3,710,802
Total assets		**6,539,062**	7,228,609	6,834,487
Equity				
Share capital	37	**607,867**	427,467	355,542
Share premium and reserves		**4,240,454**	2,955,364	3,105,957
Equity attributable to owners of the Company		**4,848,321**	3,382,831	3,461,499
Non-controlling interests		**385,884**	1,346,902	831,602
Total equity		**5,234,205**	4,729,733	4,293,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000 (Restated)	1 April 2011 HK$'000 (Restated)
Non-current liabilities				
Bank borrowings — due after one year	34	**–**	127,114	198,000
Other borrowings — due after one year	34	**–**	–	822,976
Deferred tax liabilities	36	**57,399**	145,864	174,850
		57,399	272,978	1,195,826
Current liabilities				
Trade and other payables and deposits received	33	**152,722**	349,269	444,414
Tax payable		**140,617**	10,409	14,950
Bank borrowings — due within one year	34	**147,869**	749,614	499,406
Other borrowings — due within one year	34	**806,250**	1,116,606	386,790
Convertible notes	35	**–**	–	–
		1,247,458	2,225,898	1,345,560
Total liabilities		**1,304,857**	2,498,876	2,541,386
Total equity and liabilities		**6,539,062**	7,228,609	6,834,487
Net current assets		**1,749,725**	153,523	2,365,242
Total assets less current liabilities		**5,291,604**	5,002,711	5,488,927

Approved by the Board of Directors on 28 June 2013 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.

STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	31 March 2013 HK$'000	31 March 2012 HK$'000
Non-current assets			
Interests in subsidiaries	19(a)	**1,129,810**	1,129,888
Other non-current assets	25	**–**	380
		1,129,810	1,130,268
Current assets			
Trade and other receivables and prepayments	27	**468,436**	495
Financial assets at fair value through profit or loss	29	**171,894**	73,985
Amounts due from subsidiaries	19(b)	**2,329,759**	2,344,842
Cash and cash equivalents	32	**42,288**	437
		3,012,377	2,419,759
Total assets		**4,142,187**	3,550,027
Equity			
Share capital	37	**607,867**	427,467
Share premium and reserves	38	**2,584,110**	2,291,744
		3,191,977	2,719,211
Current liabilities			
Trade and other payables and deposits received	33	**12,680**	4,222
Amounts due to subsidiaries	19(b)	**937,530**	819,494
Other borrowings — due within one year	34	**–**	7,100
Convertible notes	35	**–**	–
		950,210	830,816
Total liabilities		**950,210**	830,816
Total equity and liabilities		**4,142,187**	3,550,027
Net current assets		**2,062,167**	1,588,943
Total assets less current liabilities		**3,191,977**	2,719,211

Approved by the Board of Directors on 28 June 2013 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 2013

	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$'000	(Accumu-lated losses)/ retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
The Group													
At 1 April 2011 (as previously stated)	355,542	1,338,944	571,996	1,342,477	289,004	67,369	285,813	–	13,122	(803,841)	3,460,426	831,602	4,292,028
Effect on adoption of HKAS 12 (Amendment)	–	–	–	–	–	–	–	–	–	1,073	1,073	–	1,073
At 1 April 2011 (restated)	355,542	1,338,944	571,996	1,342,477	289,004	67,369	285,813	–	13,122	(802,768)	3,461,499	831,602	4,293,101
Exchange differences on translation of overseas subsidiaries	–	–	–	–	–	–	57,776	–	–	–	57,776	9,567	67,343
Reclassification adjustment upon disposal of a subsidiary	–	–	–	–	–	–	(2,270)	–	–	–	(2,270)	(23)	(2,293)
Net (loss)/profit for the year (restated)	–	–	–	–	–	–	–	–	–	(356,396)	(356,396)	61,849	(294,547)
Total comprehensive income /(loss) for the year (restated)	–	–	–	–	–	–	55,506	–	–	(356,396)	(300,890)	71,393	(229,497)
Transfer to statutory surplus reserve	–	–	–	–	–	–	–	–	13,288	(13,288)	–	–	–
Acquisition of additional interest in subsidiaries	–	–	–	–	–	–	–	–	–	(3,409)	(3,409)	(16,479)	(19,888)
Placement of shares	71,200	149,520	–	–	–	–	–	–	–	–	220,720	–	220,720
Transaction cost on placement of shares	–	(5,518)	–	–	–	–	–	–	–	–	(5,518)	–	(5,518)
Reorganisation with Heilongjiang Interchina Water Treatment Company Limited ("Heilongjiang Interchina")	–	–	–	–	3,956	–	–	–	–	–	3,956	(3,956)	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	432,844	432,844
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(2,205)	(2,205)
Incorporation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	33,703	33,703
Exercise of share options	725	7,994	–	–	–	(2,246)	–	–	–	–	6,473	–	6,473
Lapse of share options	–	–	–	–	–	(9,948)	–	–	–	9,948	–	–	–
At 31 March 2012 and 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 (loss)/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 Heilongjiang Interchina	–	–	–	–	(292,960)	–	–	–	(35,848)	328,808	–	(971,728)	(971,728)
At 31 March 2013	**607,867**	**1,882,587**	**571,996**	**1,342,477**	**–**	**–**	**292,418**	**–**	**871**	**150,105**	**4,848,321**	**385,884**	**5,234,205**

Share premium

The application of is governed by Section 48B of the Hong Kong Companies Ordinance.

Special reserve

The special reserve represents 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 losses 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 comprised of the following:

(i) During the year ended 31 March 2011, pursuant to completion of issuing of shares of Heilongjiang Interchina, a then indirect non-wholly owned subsidiary of the Company, to seven independent third parties, the Group's interest in Heilongjiang Interchina has been decreased from 70.21% to 53.77%. The increase in non-controlling interests was recorded in other reserve as equity transaction.

(ii) During the year ended 31 March 2011, Heilongjiang Interchina acquired four companies from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$259,583,000. The decrease in equity attributable to owners of the Company was due to the shortfall between the net carrying amount of the four companies and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as a transaction with non-controlling interests and accordingly the effect of changes in equity attributable to owners of the Company of the respective equity interests of the four companies in excess of the consideration received is recorded in other reserve for reorganisation with Heilongjiang Interchina.

(iii) During the year ended 31 March 2012, Heilongjiang Interchina acquired a company from an indirect wholly-owned subsidiary of the Company at a consideration of approximately HK$94,420,000. The increase in equity attributable to owners of the Company was due to the difference between the net carrying amount of the acquired company and the consideration received in connection with the reorganisation of Heilongjiang Interchina. This reorganisation is treated as a transaction with non-controlling interests and accordingly the effect of changes on equity attributable to owners of the Company of the consideration received in excess of the equity interests of the acquired company is recorded in other reserve for reorganisation with Heilongjiang Interchina. Details of the transaction were set out in note 43(a).

(iv) On 14 January 2013, the Group disposed of an aggregate of 4.43% equity interest in Heilongjiang Interchina. The voting power of the Group over Heilongjiang Interchina is dropped from 53.77% to 49.34%. The Group ceased to have control but remained 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 if losing control of the Heilongjiang Interchina Group during the year ended 31 March 2013.

Share options reserve

The share options reserve comprises the fair value of share options granted and vested which are yet to be exercised. The reserve is dealt with in accordance with the accounting policy of share-based compensation set out in note 4. The amount will either to be transferred to the share premium account when the related share options are exercised, or transferred to retained profits should the related share options lapse or be forfeited.

Exchange reserve

Exchange differences arising from the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. The reserve is dealt with in accordance with the accounting policy of foreign currencies set out in note 4.

Convertible notes reserve

Under Hong Kong Accounting Standard 32 *Financial Instruments: Presentation*, 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 premium) or redeemed (in which case it is released directly to accumulated losses.)

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 entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised, upon approval by 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 entity's capital after such usage.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation — continuing operations		**1,188,543**	(256,226)
Loss before taxation — discontinued operations		**(79,498)**	(21,036)
Adjustments for:			
Depreciation of property, plant and equipment	17	**29,550**	15,051
Amortisation of interests in prepaid lease payments and intangible assets	18, 21(a)	**35,777**	56,620
Fair value change in investment properties	16	**(24,306)**	(26,928)
Fair value change in derivative financial instruments		**–**	(50,543)
Impairment loss recognised in respect of trade and other receivables and prepayments	27	**29,381**	55,998
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	27	**(12,200)**	(1,340)
Impairment loss recognised in respect of loan receivables	28	**98,526**	2,764
Impairment loss recognised in respect of other non-current assets	25	**23,388**	9,065
Impairment loss recognised in respect of property, plant and equipment	17	**2,323**	–
Impairment loss recognised in respect of mining rights	20	**132,600**	–
Impairment loss recognised in respect of goodwill	22	**31**	–
Write down of inventories		**3,666**	–
Loss on disposal of property, plant and equipment	17	**356**	44
Loss on disposal of investment properties	16	**82,988**	–
(Gain)/loss on disposal of a subsidiary	41	**(1,248,594)**	19,118
Gain on disposal of associates	23	**(353,264)**	–
Share of result of associates	23	**(23,386)**	109
Gain from sale of financial assets at fair value through profit or loss		**(1,214)**	(1,488)
Fair value (gain)/loss on financial assets at fair value through profit or loss		**(79,922)**	123,346
Interest income	8	**(8,484)**	(4,046)
Remeasurement of fair value less costs to sell in respect of assets classified as held-for-sale	40	**12,015**	–
Interest expenses	11	**189,656**	164,061
Operating cash flows before movements in working capital		**(2,068)**	84,569
Increase in other financial assets		**(2,786)**	(10,412)
Increase in intangible assets	21(a)	**(84,300)**	(294,157)
Decrease/(increase) in inventories		**9,980**	(15,418)
Increase in loan receivables		**(42,309)**	(95,274)
Increase in trade and other receivables and prepayments		**(494,976)**	(34,748)
Increase in financial assets at fair value through profit or loss		**(16,773)**	(33,072)
Decrease in bank trust and segregated accounts		**40**	4,888
Decrease in trade and other payables and deposits received		**(41,434)**	(73,635)
Cash used in operating activities		**(674,626)**	(467,259)
Profits tax paid		**(24,390)**	(15,534)
Interest received		**8,484**	4,046
Net cash used in operating activities		**(690,532)**	(478,747)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	**(12,170)**	(106,891)
Purchase of investment properties	16	**(37,546)**	–
Purchase of leasehold land	18	**(9,806)**	(86,146)
Purchase of derivative financial instrument	30	**–**	(12,346)
Proceeds from disposal of investment properties		**350,000**	–
Capital contribution from non-controlling shareholders		**–**	33,703
Acquisition of subsidiaries	42	**–**	(293,892)
Purchase of available-for-sale financial assets	24	**–**	(67,946)
Investment in other non-current assets		**–**	(1)
Refunds from other non-current assets		**1,601**	–
Incorporation of non-wholly-owned subsidiaries		**15,584**	–
Step acquisition of subsidiaries	43	**–**	(19,888)
Proceeds on disposal of associates		**922,894**	
Proceeds on disposal of subsidiaries	41	**23,429**	154,704
Receipts of amounts due from associates		**309**	–
Repayment on amounts due to associates		**(4,934)**	–
Net cash generated from/(used in) investing activities		**1,249,361**	(398,703)
FINANCING ACTIVITIES			
Interest paid		**(189,301)**	(164,061)
New bank and other borrowings raised		**988,839**	1,369,646
Repayment of bank and other borrowings		**(1,360,009)**	(1,238,524)
Proceed from issue of convertible notes	35	**287,138**	–
Placement of shares		**290,360**	220,720
Issue cost on placement of shares		**(5,806)**	(5,518)
Issue of new shares under the share options		**–**	6,473
Net cash generated from financing activities		**11,221**	188,736
Net increase/(decrease) in cash and cash equivalents		**570,050**	(688,714)
Cash and cash equivalents at beginning of the year		**398,751**	1,072,985
Effect of change in foreign exchange rate		**6,341**	14,480
Cash and cash equivalents at end of the year		**975,142**	398,751
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**975,279**	399,065
Less: Bank balances — trust and segregated accounts	31	**(137)**	(314)
		975,142	398,751

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 51.

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.

Key events

On 19 October 2012, the shareholders of the Company approved a disposal mandate (the "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%. Further details of the disposal of the Heilongjiang Interchina Group were set out in note 41(a).

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 HKFRS, 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, the Hong Kong Companies Ordinance and the applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The financial statements have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair value, as detailed in the accounting policies set out in note 4.

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.

3.1 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied the following new standards, amendments and interpretations issued by the HKICPA which are effective for the current accounting periods.

HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures — Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

Other than as further explained below regarding the impact of HKAS 12 (Amendments), the adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements. The principal effects of adopting these new and revised HKFRSs are as follows:

Amendments to HKFRS 1 — *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

The amendments to HKFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation, whereby these entities can elect fair value as the deemed cost for assets and liabilities affected by severe hyperinflation in their first HKFRS financial statements. The amendments also remove the legacy fixed dates in HKFRS 1 relating to derecognition and day one gain or loss transactions. As the Group is not a first time adopter of HKFRSs, the amendments have no financial impact on the Group.

Amendments to HKFRS 7 *Disclosures — Transfers of Financial Assets*

The Group has applied the amendments to HKFRS 7 *Disclosures — Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets*

The Group has applied for the first time the amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

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

Amendments to HKAS 12 *Deferred Tax: Recovery of Underlying Assets* (Continued)

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors of the Company reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors of the Company have determined that the "sale" presumption set out in the amendments to HKAS 12 is not rebutted. The application of the amendments to HKAS 12 has resulted in the Group not recognising any deferred taxes on changes in fair value of the investment properties located in Hong Kong as the Group is not subject to any income taxes on disposal of its investment properties located in Hong Kong. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use. The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being decreased by approximately HK$1,073,000 as at 1 April 2011 with the corresponding credit being recognised in retained earnings. Similarly, the deferred tax liabilities have been decreased by approximately HK$1,403,000 as at 31 March 2012.

In the current year, no deferred taxes have been provided for changes in fair value of the Group's investment properties located in Hong Kong. The change in accounting policy has resulted in the Group's income tax expense for the years ended 31 March 2013 and 31 March 2012 being reduced by approximately HK$495,000 and HK$330,000 respectively and hence resulted in profit/loss for the years ended 31 March 2013 and 2012 being increased/decreased by approximately HK$495,000 and HK$330,000 respectively.

Impact of the application of amendments to HKAS 12

Impact on profit/(loss) for the year

	For the year ended 31 March	
	2013	2012
	HK$'000	HK$'000
Decrease in income tax expenses	**495**	330
Increase/decrease in profit/(loss) for the year attributable to:		
Owners of the Company	**495**	330
Non-controlling interests	**–**	–
	495	330

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

Impact of the application of amendments to HKAS 12 *(Continued)*

Impact on net assets and equity as at 1 April 2011

	As at 1 April 2011 as previously reported HK$'000	Amendments to HKAS 12 adjustments HK$'000	As at 1 April 2011 as restated HK$'000
Deferred tax liabilities	175,923	(1,073)	174,850
Total effect on net assets	4,292,028	1,073	4,293,101
Accumulated losses	803,841	(1,073)	802,768
Total effect on equity	4,292,028	1,073	4,293,101

Impact on net assets and equity as at 31 March 2012

	As at 31 March 2012 as previously reported HK$'000	Amendments to HKAS 12 adjustments HK$'000	As at 31 March 2012 as restated HK$'000
Deferred tax liabilities	147,267	(1,403)	145,864
Total effect on net assets	4,728,330	1,403	4,729,733
Accumulated losses	1,167,316	(1,403)	1,165,913
Total effect on equity	4,728,330	1,403	4,729,733

Impact on net assets and equity as at 31 March 2013

	Amendments to HKAS 12 adjustments HK$'000
Deferred tax liabilities	(1,898)
Total effect on net assets	1,898
Retained earnings	(1,898)
Total effect on equity	1,898

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

The effect of the above change in accounting policy on the Group's basic and diluted earnings/(loss) per share for the current and prior year are as follows:

Impact on basic and diluted earnings/(loss) per share from continuing operations

	2013 HK cents per share	2012 HK cents per share
Basic and diluted earnings/(loss) per share for the year, as previously stated	**17.658**	(8.941)
Effect on adoption of HKAS 12 (Amendments)	**0.008**	0.008
Basic and diluted earnings/(loss) per share for the year, as restated	**17.666**	(8.933)

Impact on basic and diluted earnings/(loss) per share from continuing and discontinued operations

	2013 HK cents per share	2012 HK cents per share
Basic and diluted earnings/(loss) per share for the year, as previously stated	**16.284**	(9.535)
Effect on adoption of HKAS 12 (Amendments)	**0.008**	0.008
Basic and diluted earnings/(loss) per share for the year, as restated	**16.292**	(9.527)

There is no impact on basic and diluted earnings/(loss) per share from discontinued operations.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs amendments and interpretations ("new and revised HKFRSs") that have been issued but are not yet effective:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle[2]
HKFRS 1 (Amendments)	Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[3]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (Revised in 2011)	Employee Benefits[2]
HKAS 27 (Revised in 2011)	Separate Financial Statements[2]
HKAS 28 (Revised in 2011)	Investment in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[3]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[3]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]
HK(IFRIC)-Int 21	Levies[3]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2014.
4 Effective for annual periods beginning on or after 1 January 2015.

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.

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

HKFRS 9 *Financial Instruments* (Continued)

Key requirements of HKFRS 9 are described below:

All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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 Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the application of these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below:

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements. HK (SIC)-Int 12 *Consolidation — Special Purpose Entities* will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 *Jointly Controlled Entities — Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

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

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided all of these standards are applied at the same time. The directors anticipate that the adoption of the revised standard does not have any impact on the financial position or performance of the Group.

HKFRS 13 *Fair Value Measurement*

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies 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 in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that the application of the new Standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKFRS 7 and HKAS 32 *Offsetting Financial Assets and Financial Liabilities and the related disclosures*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

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

Amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*

The amendments to HKAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a 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 items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (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 to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 *Property, Plant and Equipment* and the 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 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 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.

The directors of the Group has commenced their assessments of the impact of the above new and revised HKFRSs, but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies followed by the Group and the Company in the preparation of the consolidated financial statements is set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Unrealised profits arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised profits, but only to the extent that there is no evidence of impairment.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

(i) Business combination

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 at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets 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 transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

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

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

Basis of consolidation *(Continued)*

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

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

Where the consideration the Group transfers in business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

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

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

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

Basis of consolidation *(Continued)*

(i) Business combination *(Continued)*

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

(ii) Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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.

(iii) 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, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated losses as specified 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 "Financial instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an interest in an associate or a jointly controlled entity.

Goodwill

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

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

Goodwill *(Continued)*

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that are 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 whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in the reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

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

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. 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.

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

Interests in associates *(Continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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 (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) 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.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value 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 (as a reclassification adjustment) when it loses significant influence over that associate.

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

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 4.

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 income statement, 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 timely basis, by reference to the principal outstanding and at the interest rate applicable.

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.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

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

Property, plant and equipment *(Continued)*

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.

Construction in progress is stated at cost, less any impairment loss. Cost includes construction cost, interest, finance charges and other direct cost attributable to the construction. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost of property, plant and equipment, other than properties under development and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following principal annual rates:

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%

The gain or loss arising from disposal of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the consolidated income statement.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated on an arm's length basis.

Investment properties are stated at their fair value at the end of the reporting period. Any gain or loss arising from a change in the fair value of the investment properties is recognised directly in the consolidated income statement. Gain or loss on disposal of investment properties is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated income statement upon disposal.

The fair value of investment property is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

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.

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.

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

Intangible assets *(Continued)*

Amortisation of intangible asset is charged to the consolidated income statement 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 income statement 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.

Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to determine whether there is any indication of impairment of assets, or whether there is any indication that an impairment loss previously recognised no longer exists or may have decreased. If any such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the consolidated income statement in the year in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant policy for that revalued asset.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the higher of its net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of any asset and from its disposal at the end of its useful life. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of asset that generates cash inflows independently (i.e. a cash-generating unit).

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been change in the estimates used to determine the recoverable amount. An impairment loss of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates the reversal effect of that specific event. A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the consolidated income statement in the year in which the reversals are recognised.

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

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. 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 the consolidated income statement.

(i) Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sale is purchases or sales of financial assets that requires delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two subcategories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At the end of each reporting period subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arise.

Loans and receivables

Loans and receivables (including amount due from an associate, trade and other receivables, loan receivables, pledged deposits, securities trading receivables and deposits, bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each financial reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the other categories (set out above). At the end of each reporting period subsequent to initial recognition, available-for- sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in the consolidated income statement. Any impairment losses on available-for-sale financial assets are recognised in the consolidated income statement. Impairment losses on available-for-sale equity investments will not reverse in subsequent periods. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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

Financial instruments *(Continued)*

(i) Financial assets *(Continued)*

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset 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 losses will not reverse in subsequent periods.

(ii) Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the asset of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss have two subcategories, including financial liabilities held for trading and those designated at fair value through profit or loss on initial recognition. At the end each financial reporting period subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised directly in the consolidated income statement in the period in which they arises.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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 income statement over the period of the borrowings using the effective interest method.

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

Financial instruments *(Continued)*

(ii) Financial liabilities and equity *(Continued)*

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.

Other financial liabilities

Other financial liabilities including trade and other payables and deposits received, convertible notes and borrowings are subsequently measured at amortised cost, using the effective interest rate method.

(iii) Convertible notes

Convertible notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. 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 classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve — equity reserve).

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve — equity reserve until the conversion option is exercised (in which case the balance stated in convertible notes — equity reserve will be transferred to share capital and share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve — equity reserve will be released to the retained profits. No gain or loss is recognised in the consolidated income statement upon conversion or expiration of the 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 proceeds. Transaction costs relating to the equity component are charged directly to convertible notes reserve — equity reserve. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

(iv) Equity instruments

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

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

Financial instruments *(Continued)*

(v) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of debt instrument. A financial guarantee contract issued by the Group and not designed as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

(vi) Derivative financial instruments that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the consolidated income statement.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

(i) Assets carried at amortised cost

If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (ie. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in consolidated income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individual significant, and individually or collectively for financial assets that are not individual significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial assets, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previous recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated income statement, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

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

Impairment of financial assets *(Continued)*

(ii) Assets carried at cost

If there is objective that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Derecognition of financial instruments

(i) Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(ii) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payables is recognised in the consolidated income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated income statement.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit is the profit for the year, determined in accordance with the rules established by the taxation authorities, upon which income taxes are payable.

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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for “Financial liabilities (loans and borrowings)” above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the income statement over the expected useful life of the relevant asset by equal annual instalments.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 income statement.

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.

Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as liabilities.

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

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

Trade payables

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

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

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

Provision

A provision is recognised when the Group has a present legal or constructive obligation, as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value money is material, the amount of a provision is the present value at the end of reporting period of the expenditures expected to be required to settle the obligation.

Other non-current assets

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

Art works and jade

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

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

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 arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

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

Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely that the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

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

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme in Hong Kong (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement 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 income statement.

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 income statement, 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.

Related parties

A related party is a person or entity that is related to the Group which included the followings:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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 discussed below.

Estimated impairment of goodwill

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

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Useful lives of property, plant and equipment

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

In considering the impairment losses that may be required for the Group's property, plant and equipment, the Group has to exercise 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.

Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and the extent to which the estimated value of an investment is less than its cost; and the financial health of and the short term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operating and financing cash flows.

Mineral reserves

Engineering estimates of the Group's mineral resources are inherently imprecise and represent only approximate amounts because of the assumptions involved in developing such information.

There are authoritative guidelines regarding the engineering criteria that have to be met before estimated mineral reserves can be designated as "proven" and "probable". Proven and probable mineral reserve estimates are updated on a regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost level change from year to year, the estimate of proven and probable mineral reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation/amortisation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation/amortisation expenses and impairment losses. Depreciation/amortisation rates of the mining structures and mining rights are determined based on the proven and probable mineral reserve quantity (the denominator) and capitalised costs of the mining structures or mining rights (the numerator). The capitalised cost of mining structures and mining rights are depreciated and amortised based on the units produced.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Impairment of the mining rights

In determining whether there is an impairment of the mining rights, it is required to assess whether there is any impairment indicator which indicates that there is impairment on the mining rights including (a) the period for which the Indonesia subsidiary has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) the mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Indonesia subsidiary has decided to discontinue such activities in the specific area; and (c) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the mining rights is unlikely to be recovered in full from successful development or by sale.

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 income statement. Changes in the collectibility of receivables for which provisions are not made could affect the results of operations.

Provision against obsolete and slow-moving inventories

Management reviews the condition of inventories of the Group and makes provision against obsolete and slow-moving inventory items which are identified as no longer suitable for sale or use. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review at the end of each reporting period and makes provision against obsolete and slow-moving items. Management reassesses the estimation at the end of each reporting period. The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been changed.

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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Fair value of other financial assets and liabilities

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

Construction contracts

The Group recognises revenue for construction work and service contracts according to the percentage of completion of the individual contract of construction or service work. The Group's management estimates the percentage of completion of construction and service work based on the actual cost incurred over the total budgeted cost, where corresponding contract revenue is also estimated by management. Because of the nature of the activity undertaken in construction and service contracts, the date at which the activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each construction contract and service contract as the contract progresses.

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.

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.

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
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

Discontinued operations

Securities dealing and brokerage operation	–	Provision of securities dealing and brokerage services
Supply and procurement operation	–	Supply and procurement of metal minerals and electronic components

6. SEGMENT INFORMATION *(Continued)*

(a) Segment revenue and results

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

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
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

For the year ended 31 March 2012

	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$'000 (Restated)	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000 (Restated)
Segment revenue	373,241	20,333	11,928	–	405,502	13,037	238,821	251,858	657,360
Segment results	86,455	15,161	(110,002)	(18,161)	(26,547)	(15,666)	(6,126)	(21,792)	(48,339)
Interest income and other income					116,804			1,327	118,131
Unallocated expenses					(163,766)			–	(163,766)
Loss from operations					(73,509)			(20,465)	(93,974)
Finance costs					(163,490)			(571)	(164,061)
Share of result of an associate					(109)			–	(109)
Loss on disposal of a subsidiary					(19,118)			–	(19,118)
Loss before taxation					(256,226)			(21,036)	(277,262)
Taxation					(16,103)			(1,182)	(17,285)
Loss for the year					(272,329)			(22,218)	(294,547)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2012: Nil).

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

6. SEGMENT INFORMATION *(Continued)*

(b) Segment assets and liabilities

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	3,496,086	794,136	260,061	1,158,557	5,708,840	138,673	527	139,200	5,848,040
Unallocated corporate assets									689,776
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

At 31 March 2012

	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$'000 (Restated)	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000 (Restated)
Assets/liabilities									
Segment assets	4,251,845	1,155,059	86,164	1,240,076	6,733,144	390,378	15,881	406,259	7,139,403
Unallocated corporate assets									87,679
Tax recoverable									1,527
Total assets									7,228,609
Segment liabilities	132,655	59,725	–	14,335	206,715	587	8,753	9,340	216,055
Unallocated corporate liabilities									2,272,412
Tax payable									10,409
Total liabilities									2,498,876

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 unallocated corporate assets.

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 unallocated corporate liabilities.

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information

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 on investment properties (note 16)	–	(24,306)	–	–	(24,306)	–	–	–	(24,306)
Remeasurement of fair value less costs to sell in respect of assets classified as held-for-sale (note 40)	12,015	–	–	–	12,015	–	–	–	12,015
Gain from sale of financial assets at fair value through profit or loss	–	–	(1,214)	–	(1,214)	–	–	–	(1,214)
Fair value change on financial assets at fair value through profit or loss	–	–	(79,922)	–	(79,922)	–	–	–	(79,922)
Impairment loss recognised in respect of other non-current assets (note 25)	23,388	–	–	–	23,388	–	–	–	23,388
Impairment loss recognised in respect of trade and other receivables and prepayments (note 27)	2,500	4,707	–	–	7,207	22,174	–	22,174	29,381
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments (note 27)	(308)	(11,892)	–	–	(12,200)	–	–	–	(12,200)
Impairment loss recognised in respect of goodwill (note 22)	31	–	–	–	31	–	–	–	31
Written down of inventories	–	344	–	–	344	–	3,322	3,322	3,666
Impairment loss recognised in respect of loan receivables (note 28)	–	–	36,202	–	36,202	62,324	–	62,324	98,526
Impairment loss recognised in respect of mining rights (note 20)	–	–	–	132,600	132,600	–	–	–	132,600
Impairment loss recognised in respect of property, plant and equipment (note 17)	116	1,267	–	–	1,383	–	940	940	2,323
Loss on disposal of investment property (note 16)	–	82,988	–	–	82,988	–	–	–	82,988

6. SEGMENT INFORMATION *(Continued)*

(c) Other segment information *(Continued)*

For the year ended 31 March 2012

	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$'000 (Restated)	Securities dealing and brokerage operation HK$'000	Supply and procurement operation HK$'000	Sub-total HK$'000	Consolidated total HK$'000 (Restated)
Other segment information									
Amortisation and depreciation	69,878	809	–	–	70,687	21	111	132	70,819
Unallocated amounts									852
									71,671
Capital expenditure	482,301	843	–	1,725	484,869	–	1,064	1,064	485,933
Unallocated amounts									1,261
									487,194
Fair value change on investment properties (note 16)	–	(26,928)	–	–	(26,928)	–	–	–	(26,928)
Gain from sale of financial assets at fair value through profit or loss	–	–	(1,488)	–	(1,488)	–	–	–	(1,488)
Fair value change on financial assets at fair value through profit or loss	–	–	123,346	–	123,346	–	–	–	123,346
Fair value gain on derivative financial assets	(50,543)	–	–	–	(50,543)	–	–	–	(50,543)
Impairment loss recognised in respect of other non-current assets (note 25)	9,065	–	–	–	9,065	–	–	–	9,065
Impairment loss recognised in respect trade and other receivables and prepayments (note 27)	23,555	10,676	–	–	34,231	21,767	–	21,767	55,998
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments (note 27)	–	–	(1,340)	–	(1,340)	–	–	–	(1,340)
Impairment loss recognised in respect of loan receivables (note 28)	–	–	2,764	–	2,764	–	–	–	2,764

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, available-for-sale financial assets, other non-current assets and service concession assets.

	Revenue from external customers		Specified non-current assets	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Hong Kong	**25,672**	24,965	**27,276**	23,086
The PRC	**369,526**	632,395	**2,407,496**	3,593,702
The Republic of Indonesia (the "Indonesia")	**–**	–	**1,107,107**	1,236,362
	395,198	657,360	**3,541,879**	4,853,150

(e) Information from major customers

Included in revenues arising from environmental water treatment operation of HK$339,219,000 (2012: HK$373,241,000) are revenue of approximately HK$55,743,000 (2012: HK$44,527,000) which arose from sales to the Group's largest customer.

7. TURNOVER

Turnover represents (i) sewage and water treatment operation; (ii) construction service income; (iii) property rental and management fee; (iv) brokerage commission income generated from securities and commodities brokering; (v) interest income 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sewage and water treatment operation*	**244,462**	282,376	**–**	–
Sewage and water treatment construction service income	**94,757**	90,865	**–**	–
Property rental and management fee	**21,674**	20,333	**–**	–
Brokerage commission income	**–**	–	**51**	1,283
Interest income	**9,719**	11,928	**15,902**	11,754
Supply and procurement	**–**	–	**8,633**	238,821
	370,612	405,502	**24,586**	251,858

* Finance income on other financial assets under service concession arrangements of approximately HK$21,423,000 (2012: HK$43,108,000) 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank interest income	**8,477**	3,999	**7**	47
Consultancy service income	**13,502**	38,738	**–**	–
Government subsidies	**11,052**	10,195	**–**	–
Gain on derivative financial instruments	**–**	50,543	**–**	–
Net foreign exchange gain	**–**	2,907	**–**	–
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments	**12,200**	1,340	**–**	–
Sundry income	**11,439**	7,594	**646**	1,280
	56,670	115,316	**653**	1,327

9. STAFF COSTS

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Salaries and allowances (including directors' emoluments)	**46,796**	50,662	**1,479**	3,478
Retirement benefit scheme contributions	**1,474**	1,778	**340**	100
	48,270	52,440	**1,819**	3,578

(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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Executive directors										
Jiang Zhaobai[1]	**93**	–	**–**	–	**–**	–	**–**	–	**93**	–
Lam Cheung Shing Richard	**180**	315	**4,017**	3,840	**120**	108	**–**	–	**4,317**	4,263
Shen Angang[2]	**180**	19	**–**	–	**–**	–	**–**	–	**180**	19
Zhu Deyu[1]	**93**	–	**928**	–	**6**	–	**–**	–	**1,027**	–
Lu Yaohua[1]	**93**	–	**928**	–	**6**	–	**–**	–	**1,027**	–
Zhu Youngjun[3]	**165**	315	**1,936**	1,963	**15**	12	**–**	–	**2,116**	2,290
Wong Hin Shek[4]	**68**	132	**508**	606	**6**	4	**–**	–	**582**	742
Choi Fun Tai, Bosco[5]	**87**	19	**–**	–	**–**	–	**–**	–	**87**	19
Zhang Yang[6]	**–**	120	**–**	1,794	**–**	6	**–**	–	**–**	1,920
Zhang Chen[7]	**–**	183	**–**	946	**–**	6	**–**	–	**–**	1,135
	959	1,103	**8,317**	9,149	**153**	136	**–**	–	**9,429**	10,388
Independent non-executive directors										
Ho Yiu Yue, Louis	**180**	315	**–**	–	**–**	–	**–**	–	**180**	315
Ko Ming Tung, Edward	**180**	315	**–**	–	**–**	–	**–**	–	**180**	315
Chen Yi, Ethan[2]	**180**	19	**–**	–	**–**	–	**–**	–	**180**	19
Chi Chi Hung, Kenneth[4]	**68**	132	**–**	–	**–**	–	**–**	–	**68**	132
Ha Ping[7]	**–**	183	**–**	–	**–**	–	**–**	–	**–**	183
Fu Tao[7]	**–**	183	**–**	–	**–**	–	**–**	–	**–**	183
	608	1,147	**–**	–	**–**	–	**–**	–	**608**	1,147
	1,567	2,250	**8,317**	9,149	**153**	136	**–**	–	**10,037**	11,535

9. STAFF COSTS *(Continued)*

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

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

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

1 Appointed on 24 September 2012
2 Appointed on 23 February 2012
3 Resigned on 1 March 2013
4 Retired on 15 August 2012
5 Resigned on 24 September 2012
6 Resigned on 10 October 2011
7 Resigned on 4 October 2011

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2012: five) were directors of the Company whose emoluments are included in the disclosures in note (a) above. The emoluments of the remaining one (2012: Nil) individual, who are neither a director nor chief executive of the Company, are detailed as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	**965**	–
Contributions to retirement benefits schemes	**43**	–
	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	
	2013 HK$'000	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000 (Restated)
Depreciation (note 17)	**29,437**	14,919	**113**	132
Amortisation of prepaid lease payments and intangible assets (notes 18 and 21(a))	**35,777**	56,620	**–**	–
Auditors' remuneration	**2,401**	2,604	**–**	–
(Gain)/loss on disposal of subsidiaries	**(1,248,594)**	19,118	**–**	–
Gain on disposal of associates	**(353,264)**	–	**–**	–
Impairment loss recognised in respect of trade and other receivables and prepayments (note 27)	**7,207**	34,231	**22,174**	21,767
Reversal of impairment loss recognised in respect of trade and other receivables and prepayments (note 27)	**(12,200)**	(1,340)	**–**	–
Impairment loss recognised in respect of loan receivables (note 28)	**36,202**	2,764	**62,324**	–
Impairment loss recognised in respect of other non-current assets (note 25)	**23,388**	9,065	**–**	–
Impairment loss recognised in respect of property, plant and equipment (note 17)	**1,383**	–	**940**	–
Written down of inventories	**344**	–	**3,322**	–
Impairment loss recognised in respect of mining rights (note 20)	**132,600**	–	**–**	–
Impairment loss recognised in respect of goodwill (note 22)	**31**	–	**–**	–
Operating lease rentals in respect of premises	**5,026**	9,913	**–**	–
Net foreign exchange loss/(gain)	**297**	(2,907)	**–**	–
Gain from sale of financial assets at fair value through profit or loss	**(1,214)**	(1,488)	**–**	–
Fair value change on financial assets at fair value through profit or loss	**(79,922)**	123,346	**–**	–
Fair value change on derivative financial instruments	**–**	(50,543)	**–**	–
Remeasurement of fair value less costs to sell in respect of assets classified as held-for-sale (note 40)	**12,015**	–	**–**	–
Gross rental income from investment properties	**(21,674)**	(17,452)	**–**	–
Less: direct operating expenses from investment properties that generated rental income during the year	**1,556**	2,617	**–**	–

11. FINANCE COSTS

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest on:				
Bank borrowings and overdrafts wholly repayable:				
— within five years	**189,129**	142,508	**–**	571
— over five years	**–**	19,139	**–**	–
Other borrowings	**172**	1,843	**–**	–
Convertible notes (note 35)	**355**	–	**–**	–
	189,656	163,490	**–**	571

12. TAXATION

	Continuing operations Year ended 31 March		Discontinued operations Year ended 31 March	
	2013	2012	**2013**	2012
	HK$'000	HK$'000 (Restated)	**HK$'000**	HK$'000 (Restated)
Current tax				
Hong Kong Profits Tax	**–**	3	**–**	1,182
The PRC Enterprise Income Tax	**148,761**	9,329	**–**	–
	148,761	9,332	**–**	1,182
Under/(over) provision in prior year:				
Hong Kong Profits Tax	**1,625**	4	**(6)**	–
The PRC Enterprise Income Tax	**(1,082)**	–	**–**	–
	149,304	9,336	**(6)**	1,182
Deferred tax (note 36)	**11,462**	6,767	**–**	–
	160,766	16,103	**(6)**	1,182

Hong Kong Profits Tax

Hong Kong Profits Tax is calculated at 16.5% (2012: 16.5%) of the estimated assessable profits of certain subsidiaries in Hong Kong for the year.

At 31 March 2013, the Group had unused estimated tax losses of approximately HK$104,674,000 (2012: HK$237,479,000) 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 2013 and 2012, 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% (2012: 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	
	2013 HK$'000	2012 HK$'000 (Restated)	**2013 HK$'000**	2012 HK$'000 (Restated)
Profit/(loss) before taxation	**1,188,543**	(256,226)	**(79,498)**	(21,036)
Tax calculated at the domestic rates applicable in the country concerned	**296,460**	(35,966)	**(13,702)**	(3,995)
Tax effect of share of results of associate	**(5,830)**	(13)	**–**	–
Tax effect of expenses not deductible for tax purpose	**60,176**	28,487	**1,073**	3,773
Tax effect of income not taxable for tax purpose	**(38,825)**	(33,271)	**(140)**	(2,019)
Under/(over) provision in prior year	**543**	4	**(6)**	–
Tax effect of tax losses not recognised	**24,718**	123,877	**12,773**	3,905
Utilisation of tax losses previously not recognised	**(179,659)**	(59,607)	**(4)**	(463)
Tax effect of unrecognised temporary difference	**3,183**	(7,408)	**–**	(19)
Tax charge/(credit) for the year	**160,766**	16,103	**(6)**	1,182

13. DISCONTINUED OPERATIONS

During the year, the Group decided to cease the operations of securities dealing and brokerage operation and supply and procurement operation.

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 2013 HK$'000	Year ended 31 March 2012 HK$'000
Turnover	**15,953**	13,037
Other income and gain, net	**632**	1,282
Staff costs	**(1,466)**	(2,863)
Amortisation and depreciation	**(10)**	(21)
Administrative costs	**(3,232)**	(4,052)
Other operating expenses	**(84,498)**	(21,767)
Loss from operation	**(72,621)**	(14,384)
Finance costs	**–**	(482)
Loss before taxation	**(72,621)**	(14,866)
Taxation	**6**	(1,182)
Loss for the year	**(72,615)**	(16,048)
Attributable to:		
Owners of the Company	**(72,615)**	(16,048)
Non-controlling interests	**–**	–
	(72,615)	(16,048)
Net cash used in operating activities	**(9,893)**	(48,456)
Net cash used in financing activities	**–**	(482)
Net cash outflows	**(9,893)**	(48,938)

13. DISCONTINUED OPERATIONS *(Continued)*

Supply and procurement operation

	Year ended 31 March 2013 HK$'000	2012 HK$'000
Turnover	**8,633**	238,821
Cost of sales	**(9,413)**	(237,507)
Other income and gain, net	**21**	45
Staff costs	**(353)**	(715)
Amortisation and depreciation	**(103)**	(111)
Administrative costs	**(1,400)**	(6,614)
Other operating expenses	**(4,262)**	–
Loss from operation	**(6,877)**	(6,081)
Finance costs	**–**	(89)
Loss before taxation	**(6,877)**	(6,170)
Taxation	**–**	–
Loss for the year	**(6,877)**	(6,170)
Attributable to:		
Owners of the Company	**(6,877)**	(6,170)
Non-controlling interests	**–**	–
	(6,877)	(6,170)
Net cash used in operating activities	**(2,097)**	(74,245)
Net cash used in financing activities	**(1)**	(89)
Net cash generated from investing activities	**–**	76,955
Net cash (outflows)/inflows	**(2,098)**	2,621

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company was based on the following data:

From continuing and discontinued operations

	Year ended 31 March 2013 HK$'000	2012 HK$'000 (Restated)
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted profit/(loss) per share	**942,344**	(356,396)

	At 31 March 2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted profit/(loss) per share	**5,784,252,924**	3,741,051,194

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

From continuing and discontinued operations *(Continued)*

The diluted earnings/(loss) per share is the same as basic earnings/(loss) per share as the Company has no dilutive potential shares outstanding for the year ended 31 March 2013 and the Company's outstanding share options would have anti-dilutive effect for the year ended 31 March 2012.

From continuing operations

	Year ended 31 March	
	2013	2012
	HK$'000	HK$'000
		(Restated)
Profit/(loss) for the year attributable to owners of the Company for the purpose of basic and diluted profit/(loss) per share	**942,344**	(356,396)
Loss for the year from discontinued operations	**79,492**	22,218
	1,021,836	(334,178)

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

From discontinued operations

Basic and diluted loss per share from discontinued operations is HK1.374 cents per share (2012: HK0.594 cents per share), based on the loss for the year from the discontinued operations of approximately HK$79,492,000 (2012: HK$22,218,000).

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

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

For the year ended 31 March 2013, the loss attributable to owners of the Company includes a loss of approximately HK$99,259,000 (2012: approximately HK$121,770,000) which has been dealt with in the financial statements of the Company (note 38).

16. INVESTMENT PROPERTIES

	The Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**951,247**	746,881
Acquisition of subsidiaries (note 42(a))	**–**	162,167
Additions	**37,546**	–
Fair value change	**24,306**	26,928
Disposal (note a)	**(432,988)**	–
Disposal of subsidiaries (note 41(a))	**(1,619)**	–
Exchange alignment	**8,308**	15,271
At end of the year	**586,800**	951,247

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 approximately HK$82,988,000 was recognised in the consolidated income statement.

(b) The fair value of the Group's investment properties at 31 March 2013 and 2012 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 market evidence of transaction prices for similar properties in similar location.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Investment properties in Hong Kong, held on:		
Long-term leases	**25,000**	22,000
Investment properties outside Hong Kong, held on:		
Medium-term leases	**561,800**	929,247
	586,800	951,247

(d) Investment properties with the carrying amount of approximately HK$535,550,000 (31 March 2012: HK$379,531,000) have been pledged to secure banking facilities granted to the Group.

(e) The Group's investment properties, amounting to approximately HK$520,800,000 (31 March 2012: HK$535,420,000) are rented out under operating leases.

17. 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 2011	–	25,895	11,470	244,966	20,165	27,394	329,890
Additions	1,725	–	827	94,782	1,980	7,577	106,891
Disposals	–	–	–	–	–	(1,162)	(1,162)
Acquisition of subsidiaries (notes 42(a)&(b))	3,962	–	–	–	–	35	3,997
Disposal of a subsidiary (note 41(c))	–	–	–	–	–	(10,916)	(10,916)
Exchange alignment	914	1,013	249	6,173	460	702	9,511
At 31 March 2012 and 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)
Disposals of subsidiaries (note 41(a))	(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	7,310	–	5,456	–	19,703	10,201	42,670
Accumulated depreciation and impairment							
At 1 April 2011	–	559	5,310	457	10,219	13,467	30,012
Charge for the year	–	544	2,225	6,153	2,697	3,432	15,051
Elimination on disposal of a subsidiary (note 41(c))	–	–	–	–	–	(10,836)	(10,836)
Elimination upon disposal	–	–	–	–	–	(1,118)	(1,118)
Exchange alignment	–	41	93	11	222	440	807
At 31 March 2012 and 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	–	–	–	–	(154)	(1,296)	(1,450)
Elimination on disposal of a subsidiary (note 41(a))	–	(2,143)	(3,872)	(31,803)	(2,020)	(3,993)	(43,831)
Impairment (note b)	–	–	–	–	1,205	1,118	2,323
Exchange alignment	–	585	309	3,089	457	189	4,629
At 31 March 2013	3	–	5,075	–	14,820	5,239	25,137
Carrying amount							
At 31 March 2013	**7,307**	**–**	**381**	**–**	**4,883**	**4,962**	**17,533**
At 31 March 2012	6,601	25,764	4,918	339,300	9,467	18,245	404,295

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

The Group *(Continued)*

Notes:

(a) No property, plant and equipment (31 March 2012: plant and machinery, furniture and fixtures, and equipment, motor vehicle and others with carrying amounts of approximately HK$336,808,000, HK$133,000 and HK$4,351,000 respectively) have been pledged to secure general banking facilities granted to the Group.

(b) During the year ended 31 March 2013, certain property, plant and equipment were obsolete, damaged or that could not generate future economic benefits. In the opinion of the directors of the Company, an impairment loss of approximately HK$2,323,000 was provided for in the consolidated income statement.

(c) Buildings of the Group included above as at 31 March 2012 are held under medium term leases in the PRC.

18. PREPAID LEASE PAYMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost		
At beginning of the year	**106,873**	16,325
Additions	**9,806**	86,146
Disposal of subsidiaries (note 41(a))	**(114,170)**	–
Exchange alignment	**(2,509)**	4,402
At end of the year	**–**	106,873
Accumulated amortisation		
At beginning of the year	**1,122**	544
Charge for the year	**574**	564
Elimination on disposal of subsidiaries (note 41(a))	**(1,717)**	–
Exchange alignment	**21**	14
At end of the year	**–**	1,122
Carrying amount		
At 31 March	**–**	105,751
The Group's prepaid lease payment comprises:		
Land in the PRC — Medium term lease	**–**	105,751
Analysed for reporting purposes as:		
Non-current assets	**–**	102,315
Current assets	**–**	3,436
	–	105,751

19. INTERESTS IN SUBSIDIARIES

(a) Investments in subsidiaries

	The Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**1,154,704**	1,154,782
Impairment loss recognised	**24,894**	24,894
	1,129,810	1,129,888

Details of the Company's principal subsidiaries at 31 March 2013 are set out in note 51.

(b) Amounts due from/(to)subsidiaries

	The Company 2013 HK$'000	2012 HK$'000
Amounts due from subsidiaries	**2,329,759**	2,344,842
Amounts due to subsidiaries	**(937,530)**	(819,494)

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 to their fair values.

20. MINING RIGHTS

The Group

	HK$'000
Cost	
At 1 April 2011	–
Acquisition of subsidiaries (note 42(b))	1,232,400
At 31 March 2012, 1 April 2012 and 31 March 2013	1,232,400
Accumulated amortisation and impairment	
At 1 April 2011, 31 March 2012 and 1 April 2012	–
Impairment	132,600
At 31 March 2013	132,600
Carrying amount	
At 31 March 2013	**1,099,800**
At 31 March 2012	1,232,400

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

20. MINING RIGHTS *(Continued)*

The Group *(Continued)*

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 2012 and 2013, the management considered that it is not commercially viable to commence the commercial production of the mine. Hence, no amortisation was provided during both years.

The Group is required to assess any indication of impairment at the end of each reporting period. The Group has completed its annual impairment test for the mining rights by comparing the recoverable amount of the mining rights to its carrying amount as at 31 March 2013.

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$132,600,000 was charged to the consolidated income statement for the year. The pre-tax discount rate applied to the cash flow projection was 13.22%.

21. 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 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 41(a) of the consolidated financial statements.

21. 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 2011	1,107,934
Additions	294,157
Disposal of a subsidiary (note 41(c))	(319,897)
Exchange alignment	50,630
At 31 March 2012 and 1 April 2012	1,132,824
Additions	84,300
Disposal of subsidiaries (note 41(a))	(1,086,442)
Exchange alignment	(9,190)
At 31 March 2013	121,492
Accumulated amortisation	
At 1 April 2011	56,629
Charge for the year	56,056
Elimination on disposal of a subsidiary (note 41(c))	(47,194)
Exchange alignment	1,428
At 31 March 2012 and 1 April 2012	66,919
Charge for the year	35,203
Elimination on disposal of subsidiaries (note 41(a))	(103,637)
Exchange alignment	1,515
At 31 March 2013	–
Carrying amount	
At 31 March 2013	**121,492**
At 31 March 2012	1,065,905

(b) Other financial assets

	The Group	
	2013 HK$'000	2012 HK$'000
Receivables under service concession arrangements	**–**	494,408

21. 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	Type of service concession arrangements	Service concession period
國中(漢中)石門供水有限公司	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.

The carrying amounts of the Group's assets under service concession arrangement were used to secure the Group's banking facilities are as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Intangible assets	–	464,279
Other financial assets	–	391,580
	–	855,859

22. GOODWILL

	The Group HK$'000
Cost	
At 1 April 2011	437,279
Additions (note 42(a))	18,069
Disposal of a subsidiary (note 41(c))	(4,589)
Exchange alignment	430
At 31 March 2012 and 1 April 2012	451,189
Disposal of subsidiaries (note 41(a))	(421,827)
At 31 March 2013	29,362
Impairment	
At 1 April 2011, 31 March 2012 and 1 April 2012	11,262
Impairment	31
At 31 March 2013	11,293
Carrying amount	
At 31 March 2013	**18,069**
At 31 March 2012	439,927

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

	The Group	
	2013 HK$'000	2012 HK$'000
Environmental protection and water treatment operation	**–**	421,858
Property investment operation	**18,069**	18,069
	18,069	439,927

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 3.00% (2012: 2.37%) 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 8.00% (2012: 7.12%) 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.

23. INTERESTS IN ASSOCIATES

	The Group	
	2013	2012
	HK$'000	HK$'000
Cost of investment		
— Listed (note a)	**1,631,331**	–
— Unlisted (note b)	**–**	1,140
Share of result of associates	**21,817**	(109)
Share of other comprehensive income of associates	**7,155**	(44)
Exchange alignment	**–**	117
	1,660,303	1,104
Amount due from an associate	**1**	–
Amounts due to associates	**(26,278)**	–
	1,634,026	1,104

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

(i) On 19 October 2012, the shareholders of the Company approved 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 income statement. The Heilongjiang Interchina Group then became associates of the Group thereafter. Details of the disposal were set out in note 41(a).

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 income statement. Following completion of the Disposal Mandate, the Group remained 28.02% interests in the Heilongjiang Interchina Group.

23. INTERESTS IN ASSOCIATES *(Continued)*

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

(ii) At 31 March 2013, included in the cost of investments is goodwill amounted to approximately HK$1,159,671,000 arising on the initial 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.

Management of the Group has reviewed the shortfall between the carrying amount of the associates and the fair value of the associates 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 growth rate of 3% and discount rate of 13%.

(iii) The fair value of the Group's interest in the Heilongjiang Interchina Group of approximately HK$2,199,425,000 as at 14 January 2013 was determined based on quoted market price of Heilongjiang Interchina on the same date. The above mentioned fair values have been regarded as cost of interests in associates from the date on which the Group ceased to have control, and incorporated in the consolidated financial statements using equity method of accounting.

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

	2013 HK$'000
Total assets	3,686,917
Total liabilities	(1,980,339)
Total equity	1,706,578
The Group's share of net assets of a listed associate	478,183
Turnover	112,610
Profit for the year	69,200
The Group's share of results of a listed associate for the period	23,353
The Group's share of other comprehensive income of associates for the period	7,155

23. INTERESTS IN ASSOCIATES *(Continued)*

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

(v) Particulars of the Group's associates at 31 March 2013 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 held by the Group Indirectly	Directly	Principal activity
Heilongjiang Interchina (黑龍江國中水務股份有限公司)	The PRC	RMB427,225,000	–	28.02%	Investment holding
漢中市國中自來水有限公司	The PRC	RMB60,000,000	28.02%	–	Water supply
漢中市漢江供水實業有限責任公司	The PRC	RMB5,026,000	28.02%	–	Water facilities construction
漢中市漢江水業發展有限責任公司	The PRC	RMB910,000	28.02%	–	Distilled water supply
青海雄越環保科技有限責任公司	The PRC	RMB20,900,000	26.62%	–	Sewage treatment
Taiyuan Haofeng Sewage Treatment Company Limited (太原豪峰污水處理有限公司)	The PRC	RMB90,930,000	22.42%	–	Sewage treatment
Ordos Interchina Water Treatment Company Limited (鄂爾多斯國中水務有限公司)	The PRC	RMB154,000,000	28.02%	–	Sewage treatment
湘潭國中水務有限公司	The PRC	RMB150,000,000	22.92%	–	Water supply
Interchina (Maanshan) (國水(馬鞍山)污水處理有限公司)	The PRC	RMB52,655,215	28.02%	–	Sewage treatment
Interchina (Changli) Sewage Treatment Company Limited (國水(昌黎)污水處理有限公司)	The PRC	RMB41,000,000	28.02%	–	Sewage treatment
Interchina (Qinhuangdao)	The PRC	US$4,091,003	21.02%	–	Sewage treatment
北京國中科創環境科技有限責任公司	The PRC	RMB25,000,000	25.22%	–	Environmental protection engineering service
牙克石市國中水務有限公司	The PRC	RMB11,000,000	28.02%	–	Water supply
湘潭國中污水處理有限公司	The PRC	RMB48,000,000	21.24%	–	Sewage treatment
東營國中環保科技有限公司	The PRC	RMB69,000,000	28.02%	–	Environmental protection engineering service
Interchina Water Treatment Hong Kong Company Limited	Hong Kong	USD1,000,000	28.02%	–	Investment holdings
Beijing Zhongke Guoyi Environmental Protection Engineering Company Limited ("Beijing Zhongke") (北京中科國益環保工程有限公司)	The PRC	RMB55,000,000	25.22%	–	Environmental protection engineering service

23. INTERESTS IN ASSOCIATES *(Continued)*

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

(v) *(Continued)*

Name of associates	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/registered capital held by the Group Indirectly	Directly	Principal activity
Zhuozhou Zhongke Guoyi Water Treatment Company Limited (涿州中科國益水務有限公司)	The PRC	RMB75,500,000	28.02%	–	Sewage treatment
東營國中水務有限公司	The PRC	RMB110,000,000	15.54%*	–	Water supply

* The entities are accounted for as associate by virtue of the Company has significant influence over it.

(b) Details of the Group's interest in 25% equity interests in Interchina (Qinhuangdao) are as follows:

On 28 January 2013, the Group entered into a share transfer agreement relating to disposal of 25% equity interest in Interchina (Qinhuangdao) Sewage Treatment Company Limited ("Interchina (Qinhuangdao)") to Interchina Water Treatment Hong Kong Company Limited ("Interchina Water Treatment Hong Kong"), a direct wholly-owned subsidiary of Heilongjiang Interchina, at a consideration of RMB22,850,000 (equivalent to approximately HK$28,563,000). The share transfer has not been completed at the end of the reporting period. Therefore, the Group's 25% equity interest in Interchina (Qinhuangdao) with carrying amount of approximately HK$40,578,000 was transferred to asset classified as held for sale at the end of the reporting period (note 40).

(c) Details of the Group's interests in 天津煉達中科環保技術有限公司 ("天津煉達") are as follows:

(i) On 23 August 2010, the Group invested an unlisted associate in 天津煉達 via investment in Beijing Zhongke amounted to approximately HK$1,140,000, which representing 49% equity interest in 天津煉達.

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

(iii) The summarised financial information of 天津煉達 as extracted from its financial statement is set out below:

	2013 HK$'000	2012 HK$'000
Total assets	**–**	26,507
Total liabilities	**–**	(24,355)
Total equity	**–**	2,152
The Group's share of net assets of an unlisted associate	**–**	1,055
Turnover	**–**	–
Profit/(loss) for the year	**69**	(223)
The Group's share of results of an unlisted associate for the period	**33**	(109)
The Group's share of other comprehensive income of associate of the period	**–**	44

23. INTERESTS IN ASSOCIATES *(Continued)*

(c) Details of the Group's interests in 天津煉達中科環保技術有限公司 ("天津煉達") are as follows: *(Continued)*

(iv) Particulars of the Group's unlisted associates at 31 March 2012 were as follows:

Name of associate	Place of incorporation/ registration and operation	Paid-up issued ordinary shares/ registered capital	Percentage of issued ordinary shares/registered capital held by the Group Indirectly	Directly	Principal activity
天津煉達	The PRC	RMB2,000,000	49%	–	Provision of consultancy service in relation to water treatment

(d) The amounts due from/(to) associates were unsecured, interest-free and had no fixed terms of repayment.

The provision for impairment in respect of the amounts due from associates at the end of the reporting period was determined on the basis of the amounts recoverable from the associates with reference to the fair value of the underlying assets held by the associates.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2013	2012
	HK$'000	HK$'000
Unlisted securities	**–**	69,136

At 31 March 2012, the available-for-sale financial assets comprised of the Heilongjiang Interchina Group's investments of (i) approximately HK$1,190,000, representing 8.33% equity interests in 北京清環同盟環境發展股份有限公司 ("北京清環同盟"), and (ii) approximately HK$67,946,000, representing 10% equity interests in 北京天地人環保科技有限公司 (Beijing TDR Enviro-Tech Co., Ltd) ("Beijing TDR"). As the Group is not able to exercise significant influence over 北京清環同盟 and Beijing TDR, both of them are classified as an available-for-sale financial assets accordingly.

The unlisted equity securities are measured at cost less impairment because they do not have a quoted market in an active market and hence, in the opinion of the directors of the Company, the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The entire amount of available-for-sale financial assets has been disposed of upon the Group losing control over the Heilongjiang Interchina Group. Details of the disposal of the Heilongjiang Interchina Group were set out in note 41(a).

25. OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Art works and jade (note a)	**63,862**	86,173	**–**	–
Contribution to the compensation fund and fidelity fund with the Stock Exchange	**197**	197	**–**	–
Admission fee paid to Hong Kong Securities Clearing Company Limited ("HKSCCL")	**–**	100	**–**	–
Guarantee fund contributions to HKSCCL	**100**	100	**–**	–
Statutory deposits with HKFE Clearing Corporation Limited	**–**	1,501	**–**	–
Club membership (note b)	**–**	380	**–**	380
	64,159	88,451	**–**	380

Notes:

(a) The amounts 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 a professional valuer, the carrying amounts of the art works and jade exceeds the residual value at the end of the reporting period. It results an impairment loss of approximately HK$23,388,000 (2012: HK$9,065,000) was recognised in the consolidated income statements for the year accordingly.

(b) The club membership is stated at cost less impairment at the end of each reporting period and the directors of the Company reassessed the recoverable amount of the club membership and considered no impairment was made for the year ended 31 March 2012. The club membership was disposed of upon disposal of a subsidiary during the year ended 31 March 2013. Details of disposal of the subsidiary were set out in note 41(b).

26. INVENTORIES

	The Group	
	2013	2012
	HK$'000	HK$'000
Finished goods	**–**	21,613

At 31 March 2013 and 2012, all inventories are carried at net realisable value.

27. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group allows an average credit period of 60 days (2012: 60 days) to its trade customers. All the trade receivables are aged within 30 days.

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**77,681**	206,360	**–**	–
Margin clients accounts receivables	**99,761**	91,889	**–**	–
Clearing houses, brokers and dealers	**–**	274	**–**	–
Prepayments and deposits	**1,429,427**	1,200,611	**468,386**	445
Other receivables	**27,286**	58,465	**50**	50
	1,634,155	1,557,599	**468,436**	495
Less: Impairment of trade and other receivables and prepayments	**(74,152)**	(56,971)	**–**	–
	1,560,003	1,500,628	**468,436**	495

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

	The Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**56,971**	2,313
Reversal of impairment loss recognised in previous years	**(12,200)**	(1,340)
Impairment loss recognised	**29,381**	55,998
At end of the year	**74,152**	56,971

The aged analysis of the trade receivables that are not considered to be impaired was as follow:

	2013	2012
	HK$'000	HK$'000
Neither past due nor impaired	**77,681**	206,360

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.

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

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

The Group's prepayments and deposits as at 31 March 2013 and 2012, inter alia, the following:

(i) deposits of HK$51,000,000 (31 March 2012: Nil) paid for acquisition of companies principally engaged in the exploration, mining, processing and sale of manganese resources in Indonesia;

(ii) deposits of approximately HK$439,663,000 (31 March 2012: HK$198,765,000) paid for acquisition of certain investment properties in the PRC;

(iii) deposits of HK$223,250,000 (31 March 2012: HK$306,914,000) paid for acquisition of several potential water projects in the PRC;

(iv) prepayments of approximately HK$382,611,000 (31 March 2012: HK$602,102,000) to various contractors for construction of environmental protection and water treatment projects in the PRC; and

(v) deposits of HK$225,000,000 (31 March 2012: Nil) paid for acquisition of the entire equity interests of companies principally engaged in investment holding of a Bolivian company and the related sale loan.

28. LOAN RECEIVABLES

	The Group	
	2013	2012
	HK$'000	HK$'000
Loan receivables	**361,351**	319,042
Less: Impairment loss recognised	**(101,290)**	(2,764)
	260,061	316,278

The loan was unsecured, carrying at the prevailing interest rate ranging from 2.00% to 7.20% (2012: 9.60% to 15.00%) per annum with fixed repayment terms.

During the year, an impairment loss of approximately HK$98,526,000 (2012: HK$2,764,000) 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 a number of independent debtors that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the amounts were still considered recoverable. The Group does not hold any collateral over these balances.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Held for trading:				
Listed equity securities — Hong Kong, at fair value	**171,894**	73,985	**171,894**	73,985

30. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets related to the purchase option	**–**	62,889

On 10 February 2012, Heilongjiang Interchina entered into a purchase option agreement, in respect of an option (the "Option") granted by seven independent third parties to the Group that enable Heilongjiang Interchina to acquire an aggregate of 90% equity interests in Beijing TDR at a consideration of RMB495,000,000. The consideration of the Option was amounted to RMB10,000,000. The Option will be expired within 3 months from the date of the option agreement. On 8 May 2012, Heilongjiang Interchina further entered into a supplementary option agreement which the option period was extended to 9 July 2012. On 21 June 2012, Heilongjiang Interchina exercised the Option and entered into a sale and purchase agreement for acquisition of Beijing TDR. The fair value of the option premium was reassessed at the exercise date. Details of the Option were set out in the Company's announcement dated 8 May 2012 and 27 June 2012.

Upon completion of the Disposal Mandate, the acquisition of Beijing TDR has not completed yet and therefore the option premium was therefore reclassified as prepayment of Heilongjiang Interchina accordingly.

The fair value of the Option was assessed by Ascent Partners Transaction Service Limited, a firm of independent valuers, using the Binominal Option Pricing Model. The significant inputs into the model included the value of the equity interests at the date of grant and at the end of the reporting period, exercise price, expected life of the option, annual risk-free rate and expected volatility which was based on the statistical analysis of volatility of weekly share prices of comparable companies over the past years before the date of grant and the end of the reporting period. Details of the inputs into the model were as follows:

	At the date of issue	At 31 March 2012
Spot price	RMB495,000,000	RMB495,000,000
Conversion price	RMB495,000,000	RMB495,000,000
Expected exercise period	0.25 year	0.11 year
Nature of the option	Call	Call
Volatility	51.68%	51.68%

30. DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

The movement of the Option during the year ended 31 March 2013 and 2012 are as follow:

	The Group	
	2013	2012
	HK$'000	HK$'000
At beginning of the year	**62,889**	–
Initial recognition	**–**	12,346
Fair value gain on derivative financial instruments	**–**	50,543
Exercise of the derivative financial instruments	**(62,889)**	–
At end of the year	**–**	62,889

31. BANK BALANCES — TRUST AND SEGREGATED ACCOUNTS

	The Group	
	2013	2012
	HK$'000	HK$'000
Trust accounts	**137**	114
Segregated accounts	**–**	200
	137	314

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 and 2012, all trust and segregated accounts are denominated in Hong Kong dollar.

32. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**975,279**	398,751	**42,288**	437

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

At 31 March 2013, cash and cash equivalents of approximately HK$926,867,000 (31 March 2012: HK$380,147,000) 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.

33. TRADE AND OTHER PAYABLES AND DEPOSITS RECEIVED

The aged analysis of trade payables is as follow:

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**137**	38,451	**–**	–
Accounts payable arising from the business of dealing in securities and equity options:				
Margin clients	**–**	493	**–**	–
Other payables and deposits received	**152,585**	310,325	**12,680**	4,222
	152,722	349,269	**12,680**	4,222

Amounts due to margin clients are 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$50,846,000.

34. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank borrowings, secured	**147,869**	615,370	**–**	–
Bank borrowings, unsecured	**–**	261,358	**–**	–
Total bank borrowings	**147,869**	876,728	**–**	–
Other borrowings, secured	**556,250**	1,109,506	**–**	–
Other borrowings, unsecured	**250,000**	7,100	**–**	7,100
Total other borrowings	**806,250**	1,116,606	**–**	7,100
Total borrowings	**954,119**	1,993,334	**–**	7,100
The maturity profiles are as follows:				
On demand or repayable within one year:				
bank borrowings	**147,869**	749,614	**–**	–
other borrowings	**806,250**	1,116,606	**–**	7,100
Portion classified as current liabilities	**954,119**	1,866,220	**–**	7,100
Repayable in the second years, inclusives bank borrowings	**–**	38,843	**–**	–
Repayable in the third to fifth years, inclusives bank borrowings	**–**	70,370	**–**	–
Repayable after the fifth year bank borrowings	**–**	17,901	**–**	–
Portion classified as non-current liabilities bank borrowings	**–**	127,114	**–**	–
Total borrowings	**954,119**	1,993,334	**–**	7,100

The other borrowings bear interest at rates ranging from 5.60% to 11.10% per annum for the year ended 31 March 2013 (2012: 9.00% to 12.00% per annum).

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

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% (2012: 2.45% to 5.25%) per annum. The effective interest rate on bank borrowings denominated in RMB is ranging from 4.00% to 9.00% (2012: 5.47% to 9.00%) per annum.

34. BANK AND OTHER BORROWINGS *(Continued)*

Secured bank borrowings comprise term loans and mortgage loans which bear interest at commercial rates. The term loans are secured by the assets of the Group with carrying values as follow:

	The Group	
	2013	2012
	HK$'000	HK$'000
Intangible assets	**–**	464,279
Other financial assets	**–**	391,580
	–	855,859

The mortgage loans are secured by the Group's investment properties in both the PRC and Hong Kong with carrying values of approximately HK$535,550,000 (2012: HK$379,531,000). The term loans are repayable on agreed repayment schedule and the mortgage loans are repayable by instalments over a period of 1 to 20 years.

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

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollars	**9,999**	21,027	**–**	7,100
RMB	**944,120**	1,972,307	**–**	–
	954,119	1,993,334	**–**	7,100

35. 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

	The Group	
	2013	2012
	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	**–**	–

36. DEFERRED TAX LIABILITIES

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

	Revaluation of properties 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	Others HK$'000	Total HK$'000
At 1 April 2011, as previously reported	54,414	–	86,750	34,730	29	175,923
Effect of change in accounting policy	(1,073)	–	–	–	–	(1,073)
At 1 April 2011 (restated)	53,341	–	86,750	34,730	29	174,850
Acquisition of subsidiaries (note 42(a))	17,669	–	–	–	–	17,669
Disposal of a subsidiary (note 41(c))	–	–	(55,675)	–	(29)	(55,704)
Charge/(credit) to the consolidated income statement (restated) (note 12)	(231)	–	–	6,998	–	6,767
Exchange alignment	2,218	–	(388)	452	–	2,282
At 31 March 2012 and 1 April 2012 (restated)	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 41(a))	–	–	(38,511)	(60,621)	–	(99,132)
Disposal of investment property	(15,377)	–	–	–	–	(15,377)
Charge to the consolidated income statement (note 12)	5,327	–	–	6,135	–	11,462
Exchange alignment	(5,548)	–	7,824	12,306	–	14,582
At 31 March 2013	**57,399**	**–**	**–**	**–**	**–**	**57,399**

The Company

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

	HK$'000
At 1 April 2011, 31 March 2012 and 1 April 2012	**–**
Issue of convertible notes	**6,885**
Conversion of convertible notes	**(6,885)**
At 31 March 2013	**–**

Under the New Tax Law, withholding tax is imposed on dividends declared in respect of profits earned by 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 for which deferred tax liabilities have not been recognised of approximately HK$314,872,000 (2012: HK$380,130,000). 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.

37. SHARE CAPITAL

	Number of shares		Nominal value	
	2013	2012	**2013**	2012
			HK$'000	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At beginning and end of the year	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At beginning of the year	**4,274,669,363**	3,555,419,363	**427,467**	355,542
Placement of shares (notes a and c)	**854,000,000**	712,000,000	**85,400**	71,200
Exercise of share options (note d)	**–**	7,250,000	**–**	725
Conversion of convertible notes (note b)	**950,000,000**	–	**95,000**	–
At end of the year	**6,078,669,363**	4,274,669,363	**607,867**	427,467

All shares issued by the Company rank pari passu with the then existing shares in all respects.

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.

37. SHARE CAPITAL *(Continued)*

For the year ended 31 March 2012

(c) On 13 December 2011, the Company allotted and issued an aggregate of 712,000,000 new shares of HK$0.10 each by way of placing to independent investors at a price of HK$0.31 per share. The net proceeds from the placing was approximately HK$215,202,000.

(d) On 6 April, 3 May, 8 July and 28 July 2011, the Company allotted and issued in aggregated of 4,250,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.89 per share.

On 6 April and 20 April 2011, the Company allotted and issued in aggregated of 2,000,000 and 1,000,000 new shares of HK$0.10 each pursuant to the exercise of share options granted to the Group's employees and consultants. The exercise price was HK$0.83 and HK$1.03 per share respectively.

38. SHARE PREMIUM AND RESERVES

	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 2011	1,338,944	1,342,477	67,369	(5,323)	–	(479,575)	2,263,892
Total comprehensive loss for the year	–	–	–	–	–	(121,770)	(121,770)
Placement of shares	149,520	–	–	–	–	–	149,520
Transaction cost on placement of shares	(5,518)	–	–	–	–	–	(5,518)
Exercise of share options	7,994	–	(2,246)	–	–	–	5,748
Lapse of share option	–	–	(9,948)	–	–	9,948	–
Exchange alignment	–	–	–	(128)	–	–	(128)
At 31 March 2012 and 1 April 2012	1,490,940	1,342,477	55,175	(5,451)	–	(591,397)	2,291,744
Total comprehensive loss for the year	–	–	–	–	–	(99,259)	(99,259)
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	–
Exchange alignment	–	–	–	(22)	–	–	(22)
At 31 March 2013	**1,882,587**	**1,342,477**	**–**	**(5,473)**	**–**	**(635,481)**	**2,584,110**

The Company did not have any reserves available for distribution to shareholders at 31 March 2013 (2012: Nil).

39. 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.

Details of the movements in the share options during the years ended 31 March 2012 and 2013 under the 2002 Share Option Scheme and the New Share Option Scheme were set out below:

39. SHARE OPTIONS *(Continued)*

(a) 2002 Share Option Scheme

The following share options were outstanding under the 2002 Share Option Scheme during the year:

	Number of share options								
Name of category of participant	Outstanding as at 1 April 2011	Exercised during the year	Lapsed during the year	Outstanding as at 31 March 2012	Lapsed during the year	Outstanding as at 31 March 2013	Date of grant	Exercise period	Exercise price HK$
Director									
Lam Cheung Shing Richard	20,200,000	–	–	20,200,000	(20,200,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	7,000,000	–	–	7,000,000	(7,000,000)	–	26-07-2010	26-07-2010 to 02-09-2012	0.83
	15,000,000	–	–	15,000,000	(15,000,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Zhang Chen	20,000,000	–	(20,000,000)	–	–	–	05-07-2010	05-07-2010 to 02-09-2012	0.86
Zhu Yongjin	20,200,000	–	–	20,200,000	(20,200,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	7,000,000	–	–	7,000,000	(7,000,000)	–	26-07-2010	26-07-2010 to 02-09-2012	0.83
	20,000,000	–	–	20,000,000	(20,000,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ha Ping	500,000	–	(500,000)	–	–	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
	2,000,000	–	(2,000,000)	–	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	2,500,000	–	(2,500,000)	–	–	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ho Yiu Yue, Louis	1,000,000	–	–	1,000,000	(1,000,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	2,500,000	–	–	2,500,000	(2,500,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Ko Ming Tung, Edward	1,000,000	(1,000,000)	–	–	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	2,500,000	(2,500,000)	–	–	–	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Fu Tao	1,000,000	–	(1,000,000)	–	–	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	2,500,000	–	(2,500,000)	–	–	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Consultants									
In aggregate	3,300,000	–	–	3,300,000	(3,300,000)	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
	2,000,000	–	–	2,000,000	(2,000,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	10,000,000	–	–	10,000,000	(10,000,000)	–	26-07-2010	26-07-2010 to 02-09-2012	0.83
	27,000,000	(1,750,000)	–	25,250,000	(25,250,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
Employees									
In aggregate	1,500,000	–	–	1,500,000	(1,500,000)	–	28-08-2007	29-08-2007 to 02-09-2012	1.46
	7,600,000	–	–	7,600,000	(7,600,000)	–	30-07-2009	31-07-2009 to 02-09-2012	1.03
	2,000,000	(2,000,000)	–	–	–	–	26-07-2010	26-07-2010 to 02-09-2012	0.83
	11,000,000	–	(3,000,000)	8,000,000	(8,000,000)	–	25-08-2010	25-08-2010 to 02-09-2012	0.89
	189,300,000	(7,250,000)	(31,500,000)	150,550,000	(150,550,000)	–			
Weighted average exercise price	HK$0.935	HK$0.893	HK$0.893	HK$0.946	HK$0.946	–			

39. SHARE OPTIONS *(Continued)*

(a) 2002 Share Option Scheme *(Continued)*

(1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(2) The exercise price of the share option is subject to adjustment in the case of a capitalisation issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

(3) The fair values of the share options granted during the year ended 31 March 2008, 2010 and 2011 were calculated, using the Binomial Option Pricing Model, by Savills Valuation and Professional Services Limited. The inputs into the model at the date of grant of options were as follows:

Date of grant:	28 August 2007	30 July 2009	5 July 2010	26 July 2010	25 August 2010
Total number of share options:	459,490,000	1,568,000,000	20,000,000	26,000,000	276,000,000
Option value: – (directors)	–	–	HK$0.294	HK$0.279	HK$0.282
– (consultants)	HK$0.078	HK$0.049	–	HK$0.279	HK$0.282
– (employees)	HK$0.071	HK$0.049	–	HK$0.279	HK$0.282
Valuables					
– Maturity date	2 September 2012	2 September 2012	2 September 2012	2 September 2012	2 September 2012
– Annual risk free rate*	4.4%	0.100%~0.984%	0.47%~0.6951%	0.36%~0.5448%	0.20%~0.37%
– Stock price at the date of grant	HK$0.146	HK$0.103	HK$0.86	HK$0.83	HK$0.89
– Exercise price	HK$1.46#	HK$1.03#	HK$0.86	HK$0.83	HK$0.89
– Expected life	approximately 5 years	approximately 3 years	approximately 2 years	approximately 2 years	approximately 2 years
– Expected volatility	66%	93%~113%	65.61%~88.95%	95.53%~113.33%	57.49%~90.17%
– Expected ordinary dividend	Nil	Nil	Nil	Nil	Nil

* Risk free rate was interpolated from the yields to maturity of respective Hong Kong Exchange Fund Note with respective terms as at the date of grant.

The exercise prices were adjusted due to the Capital Reorganisation of the Company in 1 April 2010.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations.

There are no share-based payment expenses was recognised for the year ended 31 March 2013 (2012: Nil) in relation to share options granted by the Company.

Following sanction from the High Court of Hong Kong for the capital reorganisation of the Company in April 2010, the exercise prices of share options granted during the year ended 31 March 2008 and 2010 were adjusted accordingly. Details of the adjustment were set out in the Company's announcement dated 9 April 2010.

At 31 March 2013, there were no share options outstanding under the 2002 Share Option Scheme. (2012: 150,550,000 share options).

39. SHARE OPTIONS *(Continued)*

(b) New Share Option Scheme

No share options have been granted pursuant to the New Share Option Scheme since its adoption.

40. ASSETS CLASSIFIED AS HELD FOR SALE

On 28 January 2013, the Company entered into a share transfer agreement with Interchina Water Treatment Hong Kong, pursuant to which the Company agreed to disposal of 25% equity interest in Interchina (Qinhuangdao) to Interchina Water Treatment Hong Kong at a consideration of RMB22,850,000 (equivalent to approximately HK$28,563,000). As at 31 March 2013, the disposal has not completed. It results the 25% equity interest in Interchina (Qinhuangdao) amounted to approximately HK$40,578,000 were reclassified from interests in associates to assets classified as held for sale at the end of the reporting period. The Group determined the fair value of interest in Interchina (Qinhuangdao) and considered an impairment loss of approximately HK$12,015,000 was recognised in the consolidated income statement. Details of the disposal were set out in the Company's announcement dated 28 January 2013.

41. DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2013

(a) Disposal of Heilongjiang Interchina

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.

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

(a) Disposal of Heilongjiang Interchina *(continued)*

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

	HK$'000
Assets	
Investment properties (note 16)	1,619
Property, plant and equipment (note 17)	369,233
Prepaid lease payments (note 18)	112,453
Intangible assets (note 21(a))	982,805
Other financial assets	492,261
Deferred income	69,568
Interest in an associate (note 23(b))	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 bank balance	164,775
Liabilities	
Borrowings	(747,550)
Deferred tax liabilities (note 36)	(99,132)
Trade and other payables	(132,373)
Tax liabilities	(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 reserves	(55,067)
Attributable goodwill (note 22)	421,827
Recognition of interests in associates (note 23(a))	(2,240,003)
Gain on disposal of subsidiaries	1,248,569
Total consideration	187,799
Satisfied by:	
Cash consideration	187,799
Net cash flow arising from the disposal	
Cash consideration received	187,799
Cash and cash equivalents disposed of	(164,775)
	23,024

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

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

(b) Disposal of Top Sino Capital Limited

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 (note 25)	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 flow arising from the disposal	
Cash consideration received	405

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2012

(c) In October 2011, the Group entered into a conditional sales and purchase agreement with 西安閻良航城水務有限公司 (Xian Yanliang Hang Cheng Water Co., Ltd.) relating to the disposal of (i) 99% equity interests in 西安航空科技產業園供排水有限公司 (Xian Aviation Technology Asset Zone Water Supply Co., Ltd.) ("Xian Aviation Water Supply"); and (ii) a non-interest bearing loan due from Xian Aviation Water Supply to the Group at consideration of RMB149,500,000 (equivalent to approximately HK$184,568,000). The consideration was satisfied by cash. Xian Aviation Water Supply has entered into a services concession agreement with 西安閻良國家航空高技術產業基地發展中心 (Development Center of Xian Yanliang National Aviation Hi-tech Industrial Base*) to transfer, operate and transfer a water supply plant in Xian Aviation Asset Zone, Yanliang, Xian, the PRC. The disposal was completed in November 2011. The assets and liabilities of Xian Aviation Water Supply at the disposal date were as follows:

	HK$'000
Intangible assets (note 21(a))	272,703
Property, plant and equipment (note 17)	80
Inventories	316
Trade receivables, prepayments and other receivables	70,283
Cash and cash equivalents	3,707
Trade payables	(5,101)
Amount due to the Group	(26,157)
Other payables	(13,812)
Tax payables	(976)
Bank borrowings — due with one year	(67,901)
Deferred tax liabilities (note 36)	(55,704)
	177,438
Disposal of 99% equity interest	175,233
Goodwill (note 22)	4,589
Amount due to the Group assigned to the purchaser	26,157
Release of translation reserves	(2,293)
Loss on disposal of a subsidiary	(19,118)
Total consideration	184,568
Satisfied by:	
Cash consideration	158,411
Assignment of loan to the purchaser	26,157
	184,568
Net cash flow arising from the disposal	
Cash consideration received	158,411
Cash and cash equivalents disposed of	(3,707)
	154,704

42. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2012

(a) In July 2011, the Group entered into sales and purchase agreements with several independent third parties to acquire the entire equity interest in External Fame Limited and its subsidiaries (the "External Fame Group") at considerations of approximately HK$162,000,000. The consideration was satisfied by cash. The External Fame Group was principally engaged in properties investment in the PRC and the fair value of its identified assets and liabilities at the date of acquisition were as follows:

	Fair value HK$'000
Investment properties (note 16)	162,167
Property, plant and equipment (note 17)	35
Trade receivables	185
Cash and cash equivalents	65
Trade and other payables and deposit received	(852)
Deferred tax liabilities (note 36)	(17,669)
	143,931
Goodwill (note 22)	18,069
Consideration	162,000
Satisfied by:	
Trade receivables	10,622
Prepayments and deposits	100,000
Other receivables	51,378
	162,000
Net cash inflow on acquisition of subsidiaries	
Cash and cash equivalents acquired	65

Had the acquisitions taken place at beginning of the year, the turnover and loss of the Group for the year ended 31 March 2012 would have been HK$4,265,000 and HK$60,743,000 respectively.

42. ACQUISITION OF SUBSIDIARIES *(Continued)*

For the year ended 31 March 2012 *(Continued)*

(b) In March 2011, the Group entered into sales and purchase agreements with Mr. Zhou Yuning to acquire the entire equity interest in Universe Glory Limited at considerations of approximately HK$800,000,000. Universe Glory Limited directly holds 65% equity interest in an Indonesia subsidiary, P.T. Satwa Lestari Permai. The consideration was satisfied by cash. Further details of the acquisition were set out in the Company's announcement dated 2 March 2011. The acquisition was completed in December 2011. The Universe Glory Group are principally engaged in exploration and mining of manganese in the Republic of Indonesia.

Universe Glory Group has not carried out any significant business transactions on acquisition date. In the opinion of the directors of the Company, the acquisition has been accounted for as acquisition of assets through acquisition of a subsidiary and not accounted for as a business combination in accordance with the requirements of HKFRS 3 Business Combinations.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	Fair value HK$'000
Property, plant and equipment (note 17)	3,962
Mining rights (note 20)	1,232,400
Cash and cash equivalents	1,281
Other creditor and accruals	(22,708)
	1,214,935
Less: Non-controlling interests	(432,844)
	782,091
Less: Consideration	(800,000)
	(17,909)
Satisfied by:	
Prepayments and deposits	504,762
Cash	295,238
	800,000
Net cash outflow on acquisition of subsidiaries:	
Cash consideration paid	(295,238)
Cash and cash equivalents acquired	1,281
	(293,957)

As the revenue and result of Universe Glory Group before the acquisition were not significant to the Group, the total group revenue and result, as if the acquisition had been completed on 1 April 2011, are not disclosed as the information does not give additional value.

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 31 March 2012

(a) Reorganisation with Heilongjiang Interchina

Pursuant to the transfer agreement (the "Reorganisation") entered into between Heilongjiang Interchina and Interchina Water Treatment Company Limited ("Interchina Water Treatment") dated 3 March 2010, Interchina Water Treatment agreed to transfer its (i) 75% equity interest in Interchina (Qinhuangdao); (ii) 100% equity interest in Interchina (Changli); (iii) 100% equity interest in Interchina (Maanshan); (iv) 100% equity interest in Ordos Interchina (collectively referred to as the "2011 Transferred Assets") and (v) 100% equity interest in Taiyuan Haofeng (the "2012 Transferred Assets"), to Heilongjiang Interchina.

The consideration of the exchange of the 2012 Transferred Assets and the 2011 Transferred Assets between Heilongjiang Interchina and Interchina Water Treatment was determined based on the valuation of the respective assets as at 31 December 2009.

For the 2012 Transferred Assets, the Reorganisation was approved by China Securities Regulatory Committee ("CSRC") on 13 January 2011 and completed on 24 August 2011. Heilongjiang Interchina paid a cash consideration of approximately HK$94,420,000 to Interchina Water Treatment.

The Reorganisation with Heilongjiang Interchina is treated as transaction with non-controlling interests. The consideration paid by Heilongjiang Interchina and the carrying amounts of the 2012 Transferred Assets on the completion date of the Reorganisation were approximately HK$94,420,000 and HK$83,722,000 respectively. Considering the non-controlling interests increased from 20% to 56.98% before and after the Reorganisation and the consideration received by the Group in excess of the carrying amounts of the 2012 Transferred Assets, the Group recognised a decrease in non-controlling interests of approximately HK$3,956,000 and an increase in equity attributable to owners of the Company of approximately HK$3,956,000. The effect of changes of the equity attributable to owners of the Company and the non-controlling interests as at the completion date of the Reorganisation is summarised as follow:

	HK$'000
Carrying amount of the 2012 Transferred Assets	83,722
Consideration received from Heilongjiang Interchina	(94,420)
Excess of consideration received	(10,698)
Multiply: percentage of non-controlling interests	36.98%
Effect of changes on the equity attributable to owners of the Company	3,956
Effect of changes in non-controlling interest	3,956

43. TRANSACTIONS WITH NON-CONTROLLING INTERESTS *(Continued)*

For the year ended 31 March 2012 *(Continued)*

(b) Acquisition of non-controlling interests

(i) Acquisition of 5% equity interests in Beijing Zhongke

In November 2011, the Group further acquired 5% equity interests of Beijing Zhongke from which increasing the Group's shareholding in Beijing Zhongke from 85% to 90%. The consideration paid by the Group and the carrying amount of Beijing Zhongke on the completion date of acquisition were approximately HK$3,208,000 and HK$48,781,000 respectively. The Group recognised a decrease in non-controlling interests of approximately HK$2,439,000 and a decrease in equity attributable to owners of the Company of approximately HK$769,000.

(ii) Acquisition of 29% equity interests in Regent Victor Development Limited ("Regent Victor")

In July 2011, the Group further acquired 29% equity interest of Regent Victor from 71% to 100%. The consideration paid by the Group and the carrying amounts of Regent Victor on the completion date of acquisition were approximately HK$16,680,000 and HK$48,414,000 respectively. The Group recognised a decrease in non-controlling interests of approximately HK$14,040,000 and a decrease in equity attributable to owners of the Company of approximately HK$2,640,000.

44. CAPITAL COMMITMENTS

	The Group	
	2013	2012
	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	**7,404**	236,978
— acquisition of subsidiaries	**507,000**	679,012
— acquisition of investment properties	**–**	44,926

45. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2013 and 2012, 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	
	2013	2012
	HK$'000	HK$'000
Within one year	**8,087**	8,113
In the second to fifth year inclusive	**28,299**	9,308
After five years	**–**	8,991
	36,386	26,412

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 HK$21,674,000 (2012: HK$17,452,000). Some of the properties held have committed tenants for one to two years.

At 31 March 2013, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**38,359**	15,516
In the second to fifth year inclusive	**46,750**	23,498
After five years	**8,671**	15,121
	93,780	54,135

46. 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 2012). 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.

47. 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 16 December 2012, the Company entered into a sale and purchase agreement with Mr. Jiang regarding the acquisition, pursuant to which Mr. Jiang, an executive director, chairman and substantial shareholder of the Company, has agreed to dispose of entire equity interest of Pengxin Agricultural Holdings Company Limited ("Pengxin Agricultural") and the sale loan of approximately US$26,500,000 was at an aggregate consideration of US$65,000,000. Upon completion, the Group will hold 99.9% equity interest of Empresa Agropecuaria Novagro S.A. (the "Bolivian Company"), the Bolivian Company was principally engaged in farming of soybean and corn.

(b) On 28 January 2013, the Company entered into a share transfer agreement with Interchina Water Treatment Hong Kong, a directly wholly-owned subsidiary of Heilongjiang Interchina, pursuant to which the Company agreed to dispose of 25% equity interest in Interchina (Qinhuangdao) to Interchina Water Treatment Hong Kong at a consideration of RMB22,850,000.

(c) 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 current year and for the year ending 31 March 2014 as determined under the Master Agreement were HK$30,000,000 and HK$30,000,000 respectively. 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 2013, the Company had paid financial services fee amounted of approximately HK$13,441,000 to the KCA Group pursuant to the Master Agreement.

(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:

	2013 HK$'000	2012 HK$'000
Salaries and other short-term benefits	**9,884**	11,399
Pension scheme contributions	**153**	136
	10,037	11,535

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

47. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Balance with related parties

Included in other receivables was an amount advanced to directors of a subsidiary amounted to approximately HK$32,000 (2012: HK$2,040,000).

Included in deposits and prepayments were a deposit paid to amounted to approximately HK$242,659,000 (2012: Nil) for acquisition of investment properties in the PRC. The acquisition has not been completed at the end of the reporting period. Details of the acquisition was set out in the Company's announcement dated 26 April 2012.

Included in other payables was an amount payable to related parties amounted to approximately HK$8,396,000 (2012: Nil).

48. GOVERNMENT SUBSIDIES

During the year, the Group received government subsidies of approximately HK$11,052,000 (2012: HK$10,195,000) for its operations in certain provinces in the PRC. The amount has been included in other income for the year.

49. 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, available-for-sale financial assets, 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	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**1,395,036**	1,146,462
Available-for-sales financial assets	**–**	69,136
Financial assets at fair value through profit or loss	**171,894**	73,985
Derivative financial instruments	**–**	62,889
Financial liabilities		
Amortised cost	**1,124,724**	2,342,603

49. 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 Group is mainly exposed to the effects of fluctuation in RMB. At 31 March 2013, if there is a 5% increase or decrease in exchange rate of Hong Kong dollars against the RMB with all other variables held constant, the Group's exchange reserve would be increased or decreased by approximately HK$37,075,000 (2012: HK$16,783,000).

(ii) Price risk

The Group is exposed to equity securities price risk because certain 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$8,595,000 (2012: loss decreased/increased by approximately HK$3,699,000) as a result of the changes of fair value of financial assets at fair value through profit or loss.

(b) Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2013 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.

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(b) Credit risk *(Continued)*

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.

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 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
Amounts 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
Amounts due to subsidiaries	–	937,530	–	–	937,530	937,530
		941,814	–	–	941,814	941,814

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(c) Liquidity risk *(Continued)*

	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 2012						
The Group						
Trade and other payables and deposits received	–	349,269	–	–	349,269	349,269
Bank and other borrowings	9.89%	2,041,492	129,259	19,666	2,190,417	1,993,334
		2,390,761	129,259	19,666	2,539,686	2,342,603
The Company						
Trade and other payables and deposits received	–	4,222	–	–	4,222	4,222
Amounts due to subsidiaries	–	819,494	–	–	819,494	819,494
Bank and other borrowings	8%	7,100	–	–	7,100	7,100
		830,816	–	–	830,816	830,816

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 2013, the aggregate undiscounted principal amounts of the Group's bank and other borrowings amounted to approximately HK$954,119,000 (2012: HK$1,993,334,000).

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 2013	**8%**	**199,266**	**861,906**	**5,826**	**1,066,998**	**954,119**
At 31 March 2012	9.89%	2,041,492	129,259	19,666	2,190,417	1,993,334

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Financial risk factors *(Continued)*

(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 2013 would decrease/increase by approximately HK$4,770,000 (2012: loss increase/decrease by approximately HK$9,967,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Fair value estimation

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

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

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

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value at 31 March 2013 and 2012:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 March 2013				
Financial assets at fair value through profit or loss	**171,894**	**–**	**–**	**171,894**
At 31 March 2012				
Financial assets at fair value through profit or loss	73,985	–	–	73,985
Derivative financial instruments	–	–	62,889	62,889

49. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value estimation *(Continued)*

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

The fair value of the Group's derivative financial instruments as classified under level 3 has been estimated using a valuation technique based on assumptions and significant input. The assumptions and relevant input and the reconciliation were set out in note 30 to the consolidated financial statements.

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.

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:

	2013 **HK$'000**	2012 HK$'000 (Restated)
Total borrowings (note 34)	**954,119**	1,993,334
Less: Cash and cash equivalents (note 32)	**(975,279)**	(398,751)
	(21,160)	1,594,583
Total equity	**4,848,321**	3,382,831
Gearing ratio	**N/A**	47%

50. MAJOR NON-CASH TRANSACTIONS

The Group had no major non-cash transactions of investing and financing activities during the years ended 31 March 2013 and 2012.

51. 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 subsidiaries	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@	The PRC	*RMB900,000,000	100	–	Environmental protection
國中(漢中)石門供水有限公司#	The PRC	*RMB50,000,000	–	80	Water supply
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@	The PRC	RMB45,000,000	–	100	Property management
Money Capture Investments Limited	BVI	US$1	100	–	Investment holding
Shanghai Interchina Club Company Limited	The PRC	US$769,210	–	100	Provision of entertainment services
Universe Glory Limited	BVI	US$50,000	100	–	Investment holding

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiaries	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
Equal Smart Profits Limited	BVI	US$1	–	100	Property investment
P.T.Satwa Lestari Permai	Republic of 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.

\# Sino foreign equity joint venture
@ Wholly-owned foreign enterprise

52. EVENTS AFTER THE REPORTING PERIOD

(a) On 21 June 2012, the board of directors of Heilongjiang Interchina, approved a proposal in respect of the issue of maximum of 160,000,000 Heilongjiang Interchina new shares at the price of RMB8.03 each to not more than ten subscribers. The deemed disposal was approved by the shareholders of the Company on 19 October 2012 and completed on 21 June 2013.

On 18 April 2013, Heilongjiang Interchina received the formal approval notice dated 12 April 2013 from the CSRC and the issue of new shares has been completed on 21 June 2013.

Details of which were set out in the Company's announcements dated 25 June 2012, 13 July 2012, 20 September 2012, 19 October 2012, 18 April 2013 and 24 June 2013 and circular dated 28 September 2012.

(b) On 28 June 2012, Universe Glory Limited, an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding pursuant to which Group intend to acquire additional of 35% issued share capital of P.T. Satwa Lestari Permai. As at the date of approval of these consolidated financial statements, acquisition of the additional interests has not completed. Details of which were set out in the Company's announcement dated 28 June 2012 and 3 October 2012.

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

(c) On 16 December 2012, the Company entered into the sale and purchase agreement with Mr. Jiang regarding the acquisition, pursuant to which Mr. Jiang has agreed to disposal equity interest of Pengxin Agricultural and the sale loan of amounted to approximately US$26,500,000 (equivalent to approximately HK$206,700,000) at the aggregate consideration of US$65,000,000 (equivalent to approximately 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. As at the date of approval of these consolidated financial statements, the acquisition has not completed. 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 and 31 May 2013.

(d) On 28 January 2013, the Company entered into a share transfer agreement with Interchina Water Treatment Hong Kong, pursuant to which the Company agreed to disposal of 25% equity interest in Interchina (Qinhuangdao) to Interchina Water Treatment Hong Kong at a consideration of RMB22,850,000 (equivalent to approximately HK$28,563,000). As at the date of approval of these consolidated financial statements, the transaction has not completed. Details of the disposal were set out in the Company's announcement dated 28 January 2013.

53. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 June 2013.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Results					
Turnover	**370,612**	405,502	413,473	234,770	116,182
Profit/(loss) from ordinary activities before taxation	**1,188,543**	(256,226)	(39,901)	126,277	(365,869)
Taxation	**(160,766)**	(16,103)	(43,018)	(56,661)	14,491
Profit/(loss) for the year from continuing operations	**1,027,777**	(272,329)	(82,919)	69,616	(351,378)
Loss for the year from discontinued operations	**(79,492)**	(22,218)	–	(9,247)	(412,867)
Profit/(loss) for the year	**948,285**	(294,547)	(82,919)	60,369	(764,245)
Owners of the Company	**942,344**	(356,396)	(101,699)	63,293	(764,496)
Non-controlling interests	**5,941**	61,849	18,780	(2,924)	251
Profit/(loss) for the year	**948,285**	(294,547)	(82,919)	60,369	(764,245)

Assets and liabilities

	At 31 March				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)		
Total assets	**6,539,062**	7,228,609	6,834,487	3,673,173	3,065,296
Total liabilities	**(1,304,857)**	(2,498,876)	(2,541,386)	(1,315,054)	(1,190,145)
Non-controlling interests	**(385,884)**	(1,346,902)	(831,602)	(234,168)	(155,686)
Shareholders' fund	**4,848,321**	3,382,831	3,461,499	2,123,951	1,719,465

The summary of the results, assets and liabilities of the Group for the years ended 31 March 2010 and 2009 have not been restated upon the adoption of HKAS12 (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, Wan Chai, 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, the PRC	Commercial premises for rental	Medium-term lease