ICube Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:139

Annual Report 2013-14

Contents

Corporate Information

EXECUTIVE DIRECTORS
Wong Howard *(Chairman & Chief Executive Officer)*
Wong Yat Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS
Tung Tat Chiu, Michael
Li Chi Ming
Kwok Chi Kwong

AUDIT COMMITTEE
Tung Tat Chiu, Michael *(Chairman)*
Li Chi Ming
Kwok Chi Kwong

REMUNERATION COMMITTEE
Li Chi Ming *(Chairman)*
Tung Tat Chiu, Michael
Kwok Chi Kwong

NOMINATION COMMITTEE
Wong Howard *(Chairman)*
Wong Yat Fai
Tung Tat Chiu, Michael
Li Chi Ming
Kwok Chi Kwong

COMPANY SECRETARY
Szeto Pui Tong, Patrick

AUDITORS
Ernst & Young

PRINCIPAL BANKERS
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE
Clarendon House
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Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
Room 1603-05
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR
MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Tengis Limited
Level 22
Hopewell Centre
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Hong Kong

COMPANY'S WEBSITE
www.icubetech.com.hk

STOCK CODE
139

Chairman's Statement and Management Discussion and Analysis

BUSINESS REVIEW

The Group for the year (the "Year") recorded revenue of HK$36.1 million, representing an increase of HK$21.1 million or 140.3% as compared the last corresponding year. The increase in revenue was mainly attributable to the realized gains on the disposal of listed securities of HK$26.0 million in the treasury investment segment. The net loss for the Year decreased by HK$9.9 million or 55.6% to HK$7.9 million as compared to the last corresponding year. It was mainly attributable to the fair value gains on the derivative component of convertible bonds of HK$10.3 million, the unrealized gains and realized gains on the listed securities of HK$31.4 million and HK$26.0 million respectively in the treasury investment segment.

According to the report published by the Technology Institute of PwC in September 2013, Mainland China's semiconductor consumption market grew by 8.7% in 2012 to reach a new record of 52.5% of the global market despite a 2.6% decrease in the worldwide consumption semiconductor market for the same year. The main reason for this exceptional growth was a result of Mainland China's dominant position in the production of smartphones and media tablets. Since 2001, Mainland China semiconductor consumption has grown at approximately 22.9% compounded annual growth rate (CAGR) while the total worldwide consumption has grown at a 6.9% CAGR.

Mainland China's semiconductor consumption market continues to grow significantly faster than the worldwide market as a result of two driving factors – the continuing transfer of worldwide electronic equipment production to Mainland China and the above-average semiconductor content of that equipment, the growth in Mainland China's semiconductor continues to outpace the rest of the world. In 2012, Mainland China's electronic equipment production increased by US$42 billion while the electronic equipment production in the rest of the world decreased marginally. Consequently, Mainland China's share of worldwide electronic equipment production increased by 2% to 34.2% and is forecasted to increase to more than 40% by 2017. In addition, the semiconductor content of Mainland China's equipment production was 26% in 2012 well above the 20% worldwide average. The market trend of mobile internet and open-sourced development have continued to have a great impact in guiding the future direction of the market.

Chairman's Statement and Management Discussion and Analysis

The Group has principally engaged in the design, research and development on its proprietary System-on-chip (SoC) technology that enabled a wide range of applications for mobile computing, communications, and other electronic devices including consumer electronic products and home appliances. The core architecture in development is a Multi-Threaded Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is new core architecture for high computation performance based on multi-processing and parallel computing. ICube's MVP is an independently developed "China Core" featuring the versatility of a unified processor, combining the capabilities of a central processing unit (CPU) and graphics processing unit (GPU) in one solution for Mainland China's vast consumer electronics market. The Group's development of this new processing architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independent Instruction-Set-Architecture with optimized compiler, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

During the Year, the Group continued to formulate a plan to roll out its MVP based SoC in a variety of applications. As a testament to our continued efforts in research and development of MVP based SoC, the Group continued to receive funds from reputable government organization to launch its Unified Processor Unit (UPU) technology on its self-developed SoC. Meanwhile, the Group has actively collaborated with several reputable electrical and home appliance manufacturers to develop smart touch control panel solutions, targeting the huge consumer electronics and home appliances market. These smart touch technology solutions under development is able to facilitate shifting the finger multi-touch functionality so common in the smartphone and tablet markets to the electrical appliances market. During the Year, a great deal of product design and engineering efforts have been made in the new products development, and the smart touch control panel was also undergoing qualifications for production and demo trials with potential customers.

Amid the slow economic recovery and weak customer sentiment in Europe and United States markets, the sales demand for electronic products in export market was generally slow and flat. Coupled with the intensified market competition and lower demand for the new smart phone models in the local retail market, the local sales orders for the electronic accessories declined dramatically. During the Year, the Group operated its electronic products trading business in a difficult trading environment. To react to this, the Group has placed more efforts in sourcing new higher-margin products and broadening the existing products range. For the Year, the sales revenue from the electronic products segment decreased by HK$6.5 million or 40.6% to HK$9.5 million. The operating loss for this segment for the Year decreased by HK$0.4 million or 8.7% to HK$4.0 million.

Chairman's Statement and Management Discussion and Analysis

The Group continued to utilise its available funds in treasury investment. During the Year, the local stock market remained volatile and exhibited considerable fluctuation. Adversely affected by the US Federal Reserve's asset tapering discussion and the economic slowdown in Mainland China, The Hang Seng Index hit a bottom in June. With signs of gradual economic recovery in the United States and Europe and fiscal measures taken by US Federal Reserve and European Central Bank, the local stock market recovered lost ground and finished with almost same level with last year. The treasury investment segment recorded a realised gain on disposal of equity investments of HK$26.0 million and an unrealised gain on equity investments of HK$31.4 million for the Year.

PROSPECTS

The worldwide tablet shipments totaled 217.1 million units in 2013 which is up from 144.2 million units in 2012, representing year over year growth rate of 50.6%. Worldwide tablets market, inclusive of both tablets and 2 in 1 devices, is forecast to grow 19.4% in 2014 to reach 260.9 million units and increase to 383.8 million units in 2018. It is expected that tablet shipments will exceed total PC shipments by 2015. Low-cost tablet devices will drive interest worldwide and fuel uptake amongst first buyers in commercial sectors.

For the year to come, the Group will continue its efforts in strengthening its MVP technology and expanding its applications to a wide array of products in semiconductor market particularly, the consumer electronic and home appliances sectors. Smart Home Electronic Devices is an emerging application sector in the semiconductor and information technology industry. The Group will strive to focus on developing applications of its MVP based SoC technology for the smart touch control solutions. More new products with smart touch control solution features will be launched in the pipeline. With the low cost, low-power consumption and higher performance in UPU technology, the Group is well-positioned to capitalize on growth opportunities in the emerging smart home electronics market.

Looking ahead, with the economies led by the US expected to see improvement and the Eurozone economy emerged from recession, the global economy is expected to recover and improve. However, the threat from the uncertain US monetary policies and the ultra-low interest environment remain the key factors dragging on global economic recovery. The broad macroeconomic challenge still persists, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

Chairman's Statement and Management Discussion and Analysis

FINANCIAL REVIEW

The Group for the Year recorded revenue of HK$36.1 million, representing an increase of HK$21.1 million or 140.3% as compared to the last corresponding year. The Group's revenue principally comprised the sales of electronic products of HK$9.5 million and the realized gains on disposal of listed securities investment of HK$26.0 million from treasury investments. During the Year, the revenue from electronic products decreased by HK$6.5 million or 40.6% to HK$9.5 million.

The loss for the Year was HK$7.9 million, representing a decrease of HK$9.9 million or 55.6% as compared to last corresponding year. As at 31 March 2014, the Group's net asset value was HK$128.7 million compared to the consolidated deficiency in assets of HK$3.3 million last year. The increase was mainly due to the net proceeds of approximately HK$130.6 million raised from the rights issue on the basis of two rights shares for every existing share during the Year. The total comprehensive loss for the Year was HK$6.5 million compared to the total comprehensive loss of HK$16.3 million last year.

Research costs for the Year came to HK$20.4 million, compared to HK$13.5 million last year. The research costs were utilized primarily in the development of the Group's MVP based product, IC1. Administrative expenses amounted to HK$41.5 million, representing an increase of HK$3.3 million or 8.7% compared with last year.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group generally financed its operation with internally generated cash flow, cash reserve and banking facilities. The Group's cash and bank balance as at 31 March 2014 were HK$83.2 million (31 March 2013: HK$30.7 million).

As at 31 March 2014, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (31 March 2013: Nil).

As at 31 March 2014, the Group's current ratio was 21.8 times (31 March 2013: 9.9 times) based on current assets of HK$279.5 million (31 March 2013: HK$132.3 million) and current liabilities of HK$12.8 million (31 March 2013: HK$13.4 million).

As at 31 March 2014, the Group did not have any significant commitment (31 March 2013: Nil). The Group also had no other contingent liabilities or material commitments.

Chairman's Statement and Management Discussion and Analysis

CAPITAL STRUCTURE

As at 31 March 2014, the Group's gearing ratio, being bonds and convertible bonds payable to net worth and bonds and convertible bonds payable was 54.3% (31 March 2013: 102.5%).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks the Group is exposed to are minimal.

On 25 June 2013, the Company entered an agreement with an underwriter for raising approximately HK$135.58 million before expenses by issuing 1,355,825,218 new shares to the qualifying shareholders by way of the rights issue at subscription price of HK$0.10 per right share on the basis of two rights shares for every share in issue on the record date. The net proceeds of approximately HK$130.6 million will be used as to 50% on the research and development on the Group's MVP based SoC products and 50% for the general working capital of the Group including 10% on the development of electronic products segment. Details of the above were disclosed in the Company's circular dated 29 July 2013 and prospectus dated 28 August 2013 respectively. Up to 31 March 2014, the use of net proceeds of approximately HK$60.8 million were utilized on research and development of MVP, electronic products segment and general working capital.

SIGNIFICANT INVESTMENTS

As at 31 March 2014, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK$191.1 million. The related dividend income for the Year was HK$0.7 million.

DETAILS OF CHARGES ON ASSETS

As at 31 March 2014, the Company had no charges on assets (31 March 2013: Nil).

Chairman's Statement and Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Company had no material acquisition and disposal of subsidiaries and associate.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 March 2014, the Group had a total of 98 employees, of which 31 were based in Hong Kong and 67 were based in Mainland China. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

On behalf of the Board
ICube Technology Holdings Limited
Wong Howard
Chairman of the Board

Hong Kong, 19 June 2014

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Wong Howard, aged 58, is an executive director, the Chairman of the Board, the Chief Executive Officer and the Chairman of both the Executive Committee and Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, Mr. Wong is a director and shareholder of Allied Way International Limited, the substantial shareholder of the Company. Mr. Wong joined the Group in February 2000. He has over 20 years of senior management experience in overall strategy, business development and retail chain shops establishment. Mr. Wong had been a Managing Director of a listed company in Hong Kong for two years before joining the Group.

Wong Yat Fai, aged 54, is an executive director and a member of both the Executive Committee and Nomination Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wong joined the Group in February 2000. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Prior to joining the Group, Mr. Wong had over 13 years of working experience in an international banking group. He is a non-executive director of C C Land Holdings Limited and Y. T. Realty Group Limited, both being listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Chi Ming, aged 56, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of both the Audit Committee and Nomination Committee of the Company. He joined the Group in February 2000. Mr. Li holds an Honorary Bachelor of Laws (LLB) and Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong, and Master of Laws (LLM) from City University of Hong Kong. He has been a Partner of Messrs Poon, Yeung & Li, Solicitors over 19 years.

Tung Tat Chiu, Michael, aged 52, is an independent non-executive director, the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nomination Committee of the Company. He joined the Group in September 2000. Mr. Tung holds a Bachelor of Arts degree in law and accounting from The University of Manchester, U.K.. Mr. Tung is a practicing solicitor in Hong Kong and a China-Appointed Attesting Officer. He is the company secretary of various listed companies in Hong Kong.

Directors and Senior Management Profile

Kwok Chi Kwong, aged 50, has been appointed as an independent non-executive director and a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company on 10 January 2014. Mr. Kwok holds a master degree in business administration from the University of Leicester. He is a Certified Public Accountant (Practicing) registered with the Hong Kong Institute of Certified Public Accountants ("HKICPA"), an associate member of the HKICPA and a fellow member of the Association of Chartered Certified Accountants. Mr. Kwok has been a partner of JYC & Co since 2005. He has gained more than 20 years of experience in auditing, accounting and finance area.

SENIOR MANAGEMENT

Szeto Pui Tong, Patrick, aged 54, joined the Group in March 2000, is the Financial Controller and the Company Secretary of the Group. Before joining the Group, Mr. Szeto has over 13 years of experience in finance and accounting field. Mr. Szeto holds a master degree of business in accounting from Monash University in Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators.

Simon Moy, aged 56, is the Chief Technical Officer of the Group. He joined the Group in March 2009. Mr. Moy has over 20 years of semiconductor experience including his previous position as Principal Engineer at NVIDIA. He holds over 40 US patents, including 3 that led to the first GPU, first programmable CPU and first general-purpose (compute) GPU (GGPU) respectively.

Fred Chow, aged 59, is the Chief Scientist of the Group. He joined the Group in July 2009. Dr. Chow has over 30 years of experience working on compilers and related software. With an international reputation in production optimising compilers, he has held other previous positions including Chief Scientist at SGI (Silicon Graphics Inc.) and Principal Engineer at MIPS. Dr. Chow holds 8 US patents and has written over 20 professional publications.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year consisted of the trading and distribution of electronic products and other merchandise, securities investment and trading, and the research and development of integrated circuit technology.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 38 to 132.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

SUMMARY FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**36,119**	15,030	(10,151)	26,210	39,695
Loss before tax	**(7,906)**	(17,723)	(167,486)	(53,796)	(57,966)
Tax	**–**	(79)	–	–	–
Profit/(Loss) for the year attributable to					
Ordinary equity holders of the parent	**5,404**	(6,199)	(156,601)	(46,416)	(57,966)
Non-controlling interests	**(13,310)**	(11,603)	(10,885)	(7,380)	–
	(7,906)	(17,802)	(167,486)	(53,796)	(57,966)

Assets and liabilities

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**295,713**	146,519	197,603	320,111	366,502
Total liabilities	**167,024**	149,850	191,357	199,244	197,828
Net assets/(liabilities)	**128,689**	(3,331)	6,246	120,867	168,674

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company had no reserves available for distribution. The Company's share premium account and capital reserve, with an aggregate balance of HK$862,779,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales of electronic products to the Group's five largest customers accounted for 99% of the sales from the electronic products segment for the year and sales to the largest customer included therein amounted to 58%. Purchases of electronic products from the Group's five largest suppliers accounted for 98% of the total purchases from the electronic products segment for the year and the largest supplier included therein amounted to 80%.

None of the directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Wong Howard
Mr. Wong Yat Fai

Independent non-executive directors:
Mr. Tung Tat Chiu, Michael
Mr. Li Chi Ming
Mr. Wan Ngar Yin, David (resigned on 10 January 2014)
Mr. Kwok Chi Kwong (appointed on 10 January 2014)

In accordance with Clause 98 of the bye-laws of the Company, Mr. Wong Howard and Mr. Li Chi Ming, two of the existing directors of the Company, will retire from office by rotation at the 2014 annual general meeting (the "2014 AGM"). In addition, in accordance with Clause 103(B) of the bye-laws of the Company, Mr. Kwok Chi Kwong will retire from office at the 2014 AGM. All of the above three retiring directors of the Company, being eligible, will offer themselves for re-election at the 2014 AGM.

Report of the Directors

The Company has received annual confirmations of independence from Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Kwok Chi Kwong as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 10 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Howard and Mr. Wong Yat Fai has a service contract with the Company for a term of two years commencing on 1 February 2013 and 1 April 2013, respectively.

Mr. Tung Tat Chiu, Michael and Mr. Li Chi Ming have been appointed for a fixed term of one year commencing on 27 September 2013.

Mr. Kwok Chi Kwong has been appointed for a fixed term of one year commencing on 10 January 2014.

All directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other 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 CONTRACTS

Save as disclosed above, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SHARE OPTION SCHEMES

The Company currently operates share option schemes for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations. Details of the Scheme are set out in note 29 to the financial statements.

The Company's old share option scheme adopted on 27 August 2003 was expired on 27 August 2013. In order to continue to provide incentives and rewards to the eligible participants, the Company adopted a new share option scheme on 27 September 2013.

A summary of the movements of the share options granted during the year ended 31 March 2014 is set out as follows:–

Name or category of participant	Number of share options outstanding at 1 April 2013	Number of share options granted during the Year[3]	Number of share options forfeited/ lapsed during the Year	Number of share options exercised/ cancelled during the Year	Adjustment for Rights Issue	Number of share options outstanding at 31 March 2014	Date of grant of share options	Exercise period of share options[1]	Exercise price of share options before the Rights Issue[2] (HK$ per share)	Adjusted exercise price of share options after the Rights Issue[2] (HK$ per share)
Director										
Mr. Wong Howard	1,400,000	–	–	–	400,000	1,800,000	18/7/2011	1/1/2012-31/12/2016	0.620	0.4822
	1,400,000	–	–	–	400,000	1,800,000	18/7/2011	1/1/2013-31/12/2016	0.620	0.4822
	1,400,000	–	–	–	400,000	1,800,000	18/7/2011	1/1/2014-31/12/2016	0.620	0.4822
	1,400,000	–	–	–	400,000	1,800,000	18/7/2011	1/1/2015-31/12/2016	0.620	0.4822
	1,400,000	–	–	–	400,000	1,800,000	8/1/2013	1/7/2013-31/12/2017	0.325	0.2528
	1,400,000	–	–	–	400,000	1,800,000	8/1/2013	1/7/2014-31/12/2017	0.325	0.2528
	1,400,000	–	–	–	400,000	1,800,000	8/1/2013	1/7/2015-31/12/2017	0.325	0.2528
	1,400,000	–	–	–	400,000	1,800,000	8/1/2013	1/7/2016-31/12/2017	0.325	0.2528
	–	4,000,000	–	–	–	4,000,000	18/2/2014	18/2/2014-31/12/2017	–	0.195
	–	4,000,000	–	–	–	4,000,000	18/2/2014	18/2/2015-31/12/2017	–	0.195
	11,200,000	8,000,000	–	–	3,200,000	22,400,000				
Mr. Wong Yat Fai	500,000	–	–	–	142,857	642,857	18/7/2011	1/1/2012-31/12/2016	0.620	0.4822
	500,000	–	–	–	142,857	642,857	18/7/2011	1/1/2013-31/12/2016	0.620	0.4822
	500,000	–	–	–	142,857	642,857	18/7/2011	1/1/2014-31/12/2016	0.620	0.4822
	500,000	–	–	–	142,857	642,857	18/7/2011	1/1/2015-31/12/2016	0.620	0.4822
	900,000	–	–	–	257,142	1,157,142	8/1/2013	1/7/2013-31/12/2017	0.325	0.2528
	900,000	–	–	–	257,142	1,157,142	8/1/2013	1/7/2014-31/12/2017	0.325	0.2528
	900,000	–	–	–	257,142	1,157,142	8/1/2013	1/7/2015-31/12/2017	0.325	0.2528
	900,000	–	–	–	257,142	1,157,142	8/1/2013	1/7/2016-31/12/2017	0.325	0.2528
	–	1,500,000	–	–	–	1,500,000	18/2/2014	18/2/2014-31/12/2017	–	0.195
	–	1,500,000	–	–	–	1,500,000	18/2/2014	18/2/2015-31/12/2017	–	0.195
	5,600,000	3,000,000	–	–	1,599,996	10,199,996				

Name or category of participant	Number of share options outstanding at 1 April 2013	Number of share options granted during the Year[3]	Number of share options forfeited/ lapsed during the Year	Number of share options exercised/ cancelled during the Year	Adjustment for Rights Issue	Number of share options outstanding at 31 March 2014	Date of grant of share options	Exercise period of share options[1]	Exercise price of share options before the Rights Issue[2] (HK$ per share)	Adjusted exercise price of share options after the Rights Issue[2] (HK$ per share)
Other employees										
In aggregate	5,938,000	–	(87,427)	–	1,696,561	7,547,134	18/7/2011	1/1/2012-31/12/2016	0.620	0.4822
	5,938,000	–	(87,427)	–	1,696,561	7,547,134	18/7/2011	1/1/2013-31/12/2016	0.620	0.4822
	5,920,000	–	(84,855)	–	1,691,417	7,526,562	18/7/2011	1/1/2014-31/12/2016	0.620	0.4822
	5,916,000	–	(82,284)	–	1,690,276	7,523,992	18/7/2011	1/1/2015-31/12/2016	0.620	0.4822
	300,000	–	–	–	85,714	385,714	8/9/2011	1/1/2012-31/12/2016	0.620	0.4822
	300,000	–	–	–	85,714	385,714	8/9/2011	1/1/2013-31/12/2016	0.620	0.4822
	300,000	–	–	–	85,714	385,714	8/9/2011	1/1/2014-31/12/2016	0.620	0.4822
	300,000	–	–	–	85,714	385,714	8/9/2011	1/1/2015-31/12/2016	0.620	0.4822
	11,224,000	–	(1,684,282)	–	3,206,826	12,746,544	8/1/2013	1/7/2013-31/12/2017	0.325	0.2528
	11,224,000	–	(1,684,282)	–	3,206,826	12,746,544	8/1/2013	1/7/2014-31/12/2017	0.325	0.2528
	11,224,000	–	(1,684,282)	–	3,206,826	12,746,544	8/1/2013	1/7/2015-31/12/2017	0.325	0.2528
	11,220,000	–	(1,684,282)	–	3,205,683	12,741,401	8/1/2013	1/7/2016-31/12/2017	0.325	0.2528
	–	12,720,000	–	–	–	12,720,000	18/2/2014	18/2/2014-31/12/2017	–	0.195
	–	12,720,000	–	–	–	12,720,000	18/2/2014	18/2/2015-31/12/2017	–	0.195
	–	2,370,000	–	–	–	2,370,000	18/2/2014	18/2/2016-31/12/2017	–	0.195
	–	2,390,000	–	–	–	2,390,000	18/2/2014	18/2/2017-31/12/2017	–	0.195
	69,804,000	30,200,000	(7,079,121)	–	19,943,832	112,868,711				
Total	86,604,000	41,200,000	(7,079,121)	–	24,743,828	145,468,707				

Notes:

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

(2) The exercise price of the share options is subject to adjustment in case of rights or bonus issues, or other similar changes in the Company's share capital.

(3) The closing price of the Company's shares immediately before the date of offer on 6 February 2014 was HK$0.225.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2014, the interests of the directors of the Company in the shares and underlying shares of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

(1) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Mr. Wong Howard	Interest held by a controlled corporation	408,000,000 *(Note)*	20.06%
	Beneficial owner	12,779,400	0.63%
		420,779,400	20.69%
Mr. Wong Yat Fai	Beneficial owner	12,779,400	0.63%

Note: These shares were held by Allied Way International Limited ("Allied Way"). Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca ("Ms. Rebacca Cheung"). Mr. Wong Howard and his spouse were deemed to be interested in these 408,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2014.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Mr. Wong Howard	Beneficial owner	22,400,000	1.10%
Mr. Wong Yat Fai	Beneficial owner	10,199,996	0.50%

Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" above and note 29 to the financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2014.

In addition to the above, as at 31 March 2014, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum of two shareholders.

Save as disclosed above, as at 31 March 2014, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests in shares and underlying shares of the Company" and "Share Option Scheme" above and in the share option scheme disclosures in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2014, the following parties had interests of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as the Company is aware:

(1) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Note	Number of ordinary shares interested	Percentage* of the Company's issued share capital
Allied Way	Beneficial owner	(1)	408,000,000	20.06%
Ms. Rebecca Cheung	Interest held by a controlled corporation	(1)	408,000,000	20.06%
	Interest of spouse	(2)	12,779,400	0.63%
			420,779,400	20.69%

Notes:

(1) These shares were held by Allied Way. Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Rebecca Cheung. Mr. Wong Howard and his spouse were deemed to be interested in these 408,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

The interest of Allied Way is also disclosed as the interest of Mr. Wong Howard in the above section headed "Directors' interests in shares and underlying shares of the Company".

(2) Ms. Rebecca Cheung was deemed to be interested in 12,779,400 shares of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO.

* The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 31 March 2014.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Ms. Rebacca Cheung	Interest of spouse	22,400,000 *(Note)*	1.10%

Note: Ms. Rebacca Cheung was deemed to be interested in 22,400,000 share options of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO. Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" above and note 29 to the financial statements.

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 31 March 2014.

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed “Corporate Governance Report” in this annual report.

AUDITORS

Ernst & Young will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the 2014 AGM.

On behalf of the Board

Wong Howard
Chairman

Hong Kong
19 June 2014

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

Throughout the year under review, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules, save for the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

THE BOARD

Responsibilities, Accountabilities and Contributions of the Board

Direction and control of Company business are vested in the Board. The Board establishes policies, strategies and plans for the development of Company business, and provides leadership in the creation of value for shareholders. All directors have carried out their duties in good faith, in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

The Board takes responsibility for all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (particularly those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

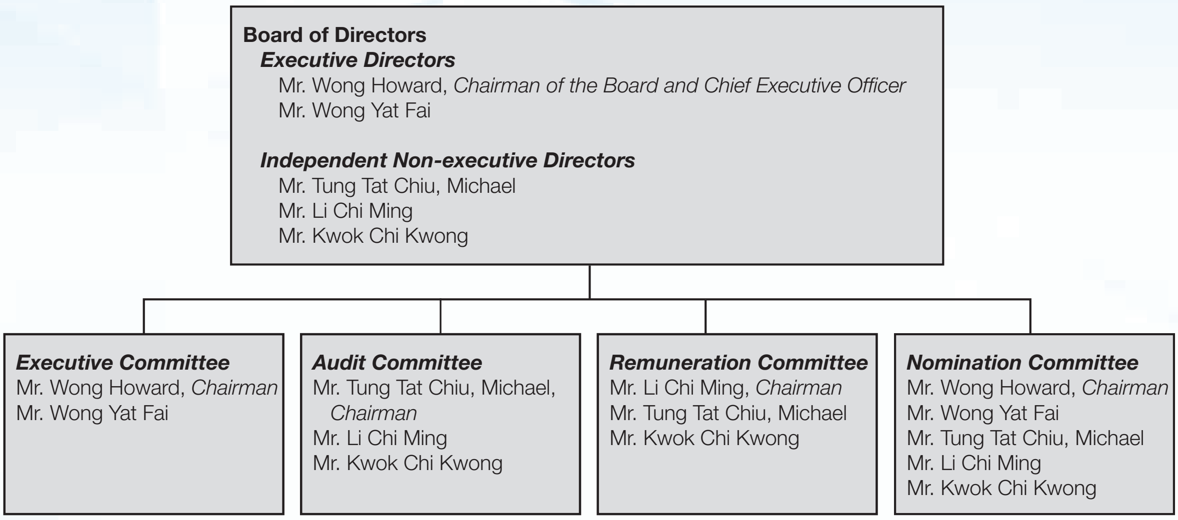
All directors have timely access to all relevant information as well as the advice and services of the Company Secretary and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any director may request independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board.

Corporate Governance Report

The day-to-day management, administration and operation of the Company are led by the Executive Committee and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board reviews the delegated functions and work tasks regularly. Prior to entering any significant transactions, the aforesaid officers have to obtain Board approval.

Board Composition

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



The biographical details of the directors and the relationships among the members of the Board are disclosed in the section headed "Directors and Senior Management Profile" in this annual report. None of the members of the Board is related to one another.

During the year ended 31 March 2014, the Board at all times met the requirements of the Listing Rules of having three independent non-executive directors (representing at least one-third of the Board) with one of them possessing appropriate professional qualifications and accounting and related financial management expertise.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the business requirements and objectives of the Group and for the exercise of independent judgement.

Corporate Governance Report

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Chairman and Chief Executive

Code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

Mr. Wong Howard is the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company. The Board shall review this structure from time to time to ensure appropriate and timely action to meet changing circumstances.

Appointment and Re-election of Directors

All directors of the Company are appointed for a specific term. Each of the executive directors is engaged on a service contract for a term of 2 years. The Company has also issued a letter of appointment to each of the independent non-executive directors of the Company for a term of 1 year.

According to the provisions of the Company's bye-laws, Mr. Kwok Chi Kwong, who has been appointed as an independent non-executive director of the Company with effect from 10 January 2014, will hold office until the 2014 AGM, whereas Mr. Wong Howard and Mr. Li Chi Ming shall retire by rotation at the 2014 AGM.

All the above three retiring directors, being eligible, will offer themselves for re-election at the 2014 AGM. The Board recommended the re-election of the above three retiring directors at 2014 AGM. The Company's circular, sent together with this annual report, contains detailed information of above three retiring directors as required by the Listing Rules.

Corporate Governance Report

The Company has adopted "Directors Nomination Procedures" as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

Training and Continuing Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

All directors of the Company receive a comprehensive induction on his appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

The existing directors are continually updated with legal and regulatory developments, business and market changes to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Continuing briefings and professional development for directors are arranged whenever necessary. In addition, reading materials on new or changes to salient laws and regulations applicable to the Group are provided to directors from time to time for their studying and reference. All directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2014, the Company (i) has organized briefings conducted by the Company Secretary for all its directors on corporate governance and updates on the Listing Rules amendments and (ii) has provided reading materials on regulatory updates to all the directors for their reference and studying. Besides, Mr. Wong Yat Fai, Mr. Tung Tat Chiu, Michael and Mr. Li Chi Ming attended other seminars and training sessions arranged by other professional firms/institutions.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code. Specific enquiry has been made of all the Company's directors and they have confirmed that they have complied with the required standards set out in the Model Code and the Own Code throughout the period from 1 April 2013 to the date of this report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees has been noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its directors and relevant employees in advance.

Directors' Attendance Records

The attendance records of each director at the Board and Board Committee meetings and the general meetings of the Company held during the year ended 31 March 2014 is set out below:

	Attendance/Number of Meetings					
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting	Special General Meeting
Mr. Wong Howard	6/6	–	–	1/1	1/1	1/1
Mr. Wong Yat Fai	6/6	–	–	1/1	1/1	1/1
Mr. Tung Tat Chiu, Michael	6/6	2/2	1/1	1/1	1/1	0/1
Mr. Li Chi Ming	6/6	2/2	1/1	1/1	1/1	1/1
Mr. Wan Ngar Yin, David (Note 1)	3/3	2/2	1/1	1/1	1/1	1/1
Mr. Kwok Chi Kwong (Note 2)	2/2	–	–	–	–	–

Notes:–

1. Mr. Wan Ngar Yin, David resigned as a director of the Company on 10 January 2014. Before his resignation, 3 Board meetings, 2 Audit Committee meetings, 1 Remuneration Committee meeting, 1 Nomination Committee meeting, 1 Annual General Meeting and 1 Special General Meeting were held during the year ended 31 March 2014.

2. Mr. Kwok Chi Kwong was appointed as a director of the Company on 10 January 2014. Subsequent to his appointment, 2 Board meetings were held during the year ended 31 March 2014. No Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting and general meeting were held subsequent to Mr. Kwok's appointment.

In addition, the Chairman held a meeting with the independent non-executive directors without the presence of executive directors during the year under review.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four Board committees, namely, the Executive Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are available on the Stock Exchange's website (www.hkexnews.hk) and on the Company's website (except for the written terms of reference of the Executive Committee which is available to shareholders upon request). All the Board committees should report to the Board on their decisions or recommendations made.

Executive Committee

The Executive Committee comprises all the executive directors of the Company, namely, Mr. Wong Howard and Mr. Wong Yat Fai. The Chairman of the Board, Mr. Wong Howard, also acts as the Chairman of this Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

Audit Committee

The Audit Committee comprises of three members, namely, Mr. Tung Tat Chiu, Michael (Chairman), Mr. Li Chi Ming and Mr. Kwok Chi Kwong, all of whom are independent non-executive directors. Mr. Kwok Chi Kwong possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to (i) review the financial statements and reports and consider any significant or unusual items raised by the financial officers of the Group or external auditors before submission to the Board; (ii) review and monitor the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and (iii) review the Company's financial controls, internal control and risk management systems.

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

– Review and discussion of the financial statements, results announcements and reports for the year ended 31 March 2013 and for the six months ended 30 September 2013, the financial reporting, the related accounting principles, practices and compliance procedures;

– Discussion and recommendation of the re-appointment of external auditors; and

– Review of internal control and risk management of the Group.

The external auditors were invited to attend the Audit Committee meetings without the presence of executive directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. The Company's annual results for the year ended 31 March 2014 have also been reviewed by the Audit Committee. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

Remuneration Committee

The Remuneration Committee comprises of three members, namely, Mr. Li Chi Ming (Chairman), Mr. Tung Tat Chiu, Michael and Mr. Kwok Chi Kwong. All of them are independent non-executive directors of the Company.

The main duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's remuneration policy and structure and the remuneration packages of directors and members of senior management (i.e. the model described in the code provision B.1.2(c)(ii) of the CG Code is adopted), (ii) review and approve performance-based remuneration by reference to corporate goals and objectives; and (ii) establish a formal and transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During the year ended 31 March 2014, the Remuneration Committee has (i) generally reviewed and discussed the remuneration policy and structure and the current remuneration packages of the directors and senior management of the Group; (ii) considered and discussed the grant of share options of the Company, and (iii) recommended to the Board of the remuneration package regarding the appointment of Mr. Kwok Chi Kwong as a director of the Company.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of senior management by band for the year ended 31 March 2014 is set out below:

	Number of individuals
Nil to HK$1,000,000	–
HK$1,000,001 to HK$1,500,000	3
	3

Details of the remuneration of each director of the Company for the year ended 31 March 2014 are set out in note 8 to the financial statements contained in this annual report.

Nomination Committee

The Nomination Committee comprises all the executive directors and independent non-executive directors of the Company, namely, Mr. Wong Howard (Chairman), Mr. Wong Yat Fai, Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Kwok Chi Kwong.

The main duties of the Nomination Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommend any changes to the Board; (ii) identify qualified and suitable individuals to become Board members and select and make recommendations to the Board on the selection of individuals nominated for directorships; (iii) assess the independence of independent non-executive directors of the Company, having regard to the requirements under the Listing Rules; and (iv) make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors in particular, the Chairman and the Chief Executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills, professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

To comply with the provision of A.5.6 of the CG Code, a Board diversity policy was adopted by the Company in September 2013, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to educational background or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

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

– Recommend to the Board relating to the appointment of Mr. Kwok Chi Kwong as a director of the Company;

– Review the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Make recommendations of the re-election of the retiring directors standing for re-election at the 2013 annual general meeting of the Company; and

– Assess the independence of independent non-executive directors of the Company.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year ended 31 March 2014, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employees Written Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2014.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard shareholders' investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Company.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 March 2014 is set out in the section headed "Independent Auditors' Report" in this annual report. During the year ended 31 March 2014, the remuneration paid/payable to the Company's external auditors, Ernst & Young, is set out below:

Nature of Services	**Remuneration (HK$)**
Audit services	1,390,000
Non-audit services	446,000
TOTAL:	1,836,000

The non-audit services provided mainly included tax compliance and advisory services.

COMPANY SECRETARY

During the year ended 31 March 2014, Mr. Szeto Pui Tong, Patrick, the Company Secretary, has taken no less than 15 hours of relevant professional trainings to update his skills and knowledge. Biographical details of Mr. Szeto are set out in the section headed "Directors and Senior Management Profile" in this annual report.

Corporate Governance Report

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company believes that effective communication with shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The Company maintains a website at "www.icubetech.com.hk" as a communication platform with shareholders and investors, where information and updates on the Group's business operations, developments and financial information are available for public access. Shareholders and investors may send written enquiries or requests to the Company. Contact details are as follows:

Address:	Room 1603-05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong (For the attention of the Department of Investor Relations)
Fax:	(852) 2865 4654
Email:	info@icubetech.com.hk

The general meetings of the Company provide an opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee, Remuneration Committee and Nomination Committee and, in their absence, other members of the respective committees and, where applicable, will normally attend the annual general meeting and other relevant shareholders' meetings to answer questions raised.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments.

SHAREHOLDER RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors. The Company's shareholders may convene a special general meeting or put forward proposals at shareholders' meetings as follows:

(1) Shareholder(s) holding not less than one-tenth of the paid-up capital of the Company at the date of deposit of the requisition may request the Board to convene a special general meeting pursuant to Clause 71 of the Company's bye-laws by sending a written requisition to the Board or the Company Secretary at the Company's head office in Hong Kong. The objects of the meeting must be stated in the written requisition.

(2) Shareholder(s) representing not less than one-twentieth of the total voting rights at the date of the requisition or not less than 100 shareholders may put forward a proposal at a shareholders' meeting, pursuant to the Companies Act 1981 of Bermuda by sending a written requisition to the Board or the Company Secretary at the Company's head office in Hong Kong. The proposal should be stated in the written requisition and such written requisition should be submitted as early as practicable to enable the Company to make necessary arrangement (in case of a requisition requiring notice of a resolution, not less than six weeks before the meeting; and in case of any other requisition, not less than one week before the meeting).

(3) If a shareholder wishes to propose a person other than a retiring director for election as a director of the Company at a general meeting, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office in Hong Kong, or the office of the Company's branch share registrar. The period for lodgement of such notices shall commence on the day after the dispatch of the notice of such general meeting and end 7 days prior to the date of such general meeting.

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

During the year under review, the Company has not made any changes to its bye-laws. An up-to-date version of the Company's bye-laws is also available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.icubetech.com.hk).

All resolutions put forward at shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each shareholder's meeting.

Independent Auditors' Report

EY 安永

To the shareholders of ICube Technology Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of ICube Technology Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 38 to 132, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, 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.

Independent Auditors' Report

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2014, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

19 June 2014

Consolidated Statement of Profit or Loss

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE			
Electronic products		**9,456**	15,906
Treasury investments		**26,663**	(876)
	5	**36,119**	15,030
Cost of electronic products sold		**(9,434)**	(16,044)
Brokerage and commission expenses		**(194)**	(151)
		(9,628)	(16,195)
		26,491	(1,165)
Other income and gains	5	**4,480**	1,795
Selling and distribution expenses		**(277)**	(366)
Administrative expenses		**(41,521)**	(38,188)
Research costs		**(20,419)**	(13,541)
Other operating expenses		**(1,337)**	(1,910)
Gain on disposal of an available-for-sale equity investment		**–**	1,631
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		**31,364**	(16,186)
Derivative component of convertible bonds	24	**10,271**	22,276
Gain arising from modification of convertible bonds	24	**–**	49,693
Finance costs	6	**(16,958)**	(21,762)
LOSS BEFORE TAX	7	**(7,906)**	(17,723)
Income tax expense	10	**–**	(79)
LOSS FOR THE YEAR		**(7,906)**	(17,802)

Consolidated Statement of Profit or Loss

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Attributable to:			
Owners of the parent	11	**5,404**	(6,199)
Non-controlling interests		**(13,310)**	(11,603)
		(7,906)	(17,802)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		(Restated)
Basic		**HK0.36 cent**	HK(0.71) cent
Diluted		**HK0.17 cent**	HK(0.71) cent

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
LOSS FOR THE YEAR	**(7,906)**	(17,802)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale equity investments:		
Changes in fair value	**1,862**	3,249
Release upon disposal of an available-for sale equity investment	**–**	(1,631)
Income tax effect	**(308)**	(267)
	1,554	1,351
Exchange differences on translation of foreign operations	**(118)**	149
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**1,436**	1,500
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(6,470)**	(16,302)
Attributable to:		
Owners of the parent	**6,891**	(4,783)
Non-controlling interests	**(13,361)**	(11,519)
	(6,470)	(16,302)

Consolidated Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,722**	1,604
Prepaid land lease payment	14	**–**	–
Available-for-sale equity investments	16	**14,461**	12,599
Total non-current assets		**16,183**	14,203
CURRENT ASSETS			
Equity investments at fair value through profit or loss	17	**176,617**	92,045
Inventories	18	**–**	478
Trade receivables	19	**1,108**	737
Prepayments, deposits and other receivables	20	**3,232**	1,823
Derivative component of convertible bonds	24	**14,804**	4,533
Restricted bank balances	21	**546**	1,953
Cash and bank balances	21	**83,223**	30,747
Total current assets		**279,530**	132,316
CURRENT LIABILITIES			
Trade payables	22	**16**	72
Tax payable		**12**	12
Other payables and accruals		**12,645**	13,205
Finance lease payables	23	**142**	85
Total current liabilities		**12,815**	13,374
NET CURRENT ASSETS		**266,715**	118,942
TOTAL ASSETS LESS CURRENT LIABILITIES		**282,898**	133,145

Consolidated Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT LIABILITIES			
Finance lease payables	23	**512**	–
Convertible bonds	24	**73,386**	65,379
Bonds	24	**79,421**	70,515
Deferred tax liabilities	25	**890**	582
Total non-current liabilities		**154,209**	136,476
Net assets/(liabilities)		**128,689**	(3,331)
EQUITY/(DEFICIENCY IN ASSETS)			
Equity attributable to owners of the parent			
Issued capital	26	**20,337**	6,779
Reserves	27(a)	**147,459**	16,641
		167,796	23,420
Non-controlling interests		**(39,107)**	(26,751)
Total equity/(deficiency in assets)		**128,689**	(3,331)

Wong Howard
Director

Wong Yat Fai
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

		Attributable to owners of the parent											
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012		33,896	745,229	551,174	556	30,911	47,257	1,597	(590)	(1,386,694)	23,336	(17,090)	6,246
Loss for the year		-	-	-	-	-	-	-	-	(6,199)	(6,199)	(11,603)	(17,802)
Other comprehensive income/(loss) for the year:													
Changes in fair value of available-for-sale equity investments, net of tax		-	-	-	-	-	-	2,713	-	-	2,713	-	2,713
Release upon disposal of available-for-sale equity investments, net of tax		-	-	-	-	-	-	(1,362)	-	-	(1,362)	-	(1,362)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	65	-	65	84	149
Total comprehensive income/(loss) for the year		-	-	-	-	-	-	1,351	65	(6,199)	(4,783)	(11,519)	(16,302)
Share consolidation	26	(27,117)	-	27,117	-	-	-	-	-	-	-	-	-
Equity-settled share option arrangements, net	29	-	-	-	-	4,867	-	-	-	-	4,867	-	4,867
Capital contribution from non-controlling interests of a subsidiary		-	-	-	-	-	-	-	-	-	-	1,858	1,858
At 31 March 2013		6,779	745,229*	578,291*	556*	35,778*	47,257*	2,948*	(525)*	(1,392,893)*	23,420	(26,751)	(3,331)
At 1 April 2013		**6,779**	**745,229**	**578,291**	**556**	**35,778**	**47,257**	**2,948**	**(525)**	**(1,392,893)**	**23,420**	**(26,751)**	**(3,331)**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,404**	**5,404**	**(13,310)**	**(7,906)**
Other comprehensive income/(loss) for the year:													
Changes in fair value of available-for-sale equity investments, net of tax		**-**	**-**	**-**	**-**	**-**	**-**	**1,554**	**-**	**-**	**1,554**	**-**	**1,554**
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(67)**	**-**	**(67)**	**(51)**	**(118)**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**-**	**1,554**	**(67)**	**5,404**	**6,891**	**(13,361)**	**(6,470)**
Rights issue	26	**13,558**	**122,024**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**135,582**	**-**	**135,582**
Share issue expenses	26	**-**	**(5,030)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,030)**	**-**	**(5,030)**
Equity-settled share option arrangements, net	29	**-**	**-**	**-**	**-**	**6,933**	**-**	**-**	**-**	**-**	**6,933**	**-**	**6,933**
Capital contribution from non-controlling interests of a subsidiary		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,005**	**1,005**
At 31 March 2014		**20,337**	**862,223***	**578,291***	**556***	**42,711***	**47,257***	**4,502***	**(592)***	**(1,387,489)***	**167,796**	**(39,107)**	**128,689**

* These reserve accounts comprise the consolidated reserves of HK$147,459,000 (2013: HK$16,641,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(7,906)**	(17,723)
Adjustments for:			
Bank interest income	5	**(18)**	(11)
Finance costs	6	**16,958**	21,762
Depreciation	7	**665**	634
Impairment of other receivables	7	**1,005**	1,858
Write-off of items of property, plant and equipment	7	**–**	2
Write-down/(reversal) of inventories to net realisable value	7	**(107)**	556
Gain on disposal of an available-for-sale equity investment	7	**–**	(1,631)
Losses on disposal of note receivables	5	**–**	5,383
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		**(31,364)**	16,186
Derivative component of convertible bonds	24	**(10,271)**	(22,276)
Gain arising from modification of convertible bonds	24	**–**	(49,693)
Equity-settled share option arrangements	29	**6,933**	4,867
		(24,105)	(40,086)
Decrease in note receivables		**–**	10,000
Increase in equity investments at fair value through profit or loss		**(53,208)**	(1,357)
Decrease in inventories		**585**	149
Decrease/(increase) in trade receivables		**(371)**	2,613
Increase in prepayments, deposits and other receivables		**(2,414)**	(197)
Decrease/(increase) in restricted bank balances		**1,409**	(1,953)
Decrease in trade payables		**(56)**	(298)
Increase/(decrease) in other payables and accruals		**(570)**	4,267
Exchange realignment		**(113)**	189
Cash used in operations		**(78,843)**	(26,673)
Interest paid		**(17)**	–
Interest element of finance lease rental payments		**(28)**	(10)
Overseas taxes paid		**–**	(79)
Net cash flows used in operating activities		**(78,888)**	(26,762)

Consolidated Statement of Cash Flows

Year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(27)**	(178)
Proceeds from disposal of items of property, plant and equipment		**–**	3
Proceeds from disposal of available-for-sale equity investments		**–**	5,954
Interest received		**18**	11
Net cash flows from/(used in) investing activities		**(9)**	5,790
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from rights issue, net	26(ii)	**130,552**	–
Capital element of finance lease rental payments		**(186)**	(140)
Capital contribution from the non-controlling interests		**1,005**	1,858
Net cash flows from financing activities		**131,371**	1,718
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**52,474**	(19,254)
Cash and bank balances at beginning of year		**30,747**	49,989
Effect of foreign exchange rate changes, net		**2**	12
CASH AND CASH EQUIVALENTS AT END OF YEAR		**83,223**	30,747
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**83,223**	30,747

Statement of Financial Position

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**–**	–
Investments in subsidiaries	15	**–**	1,387
Total non-current assets		**–**	1,387
CURRENT ASSETS			
Due from subsidiaries	15	**151,226**	131,738
Prepayments, deposits and other receivables		**57**	57
Derivative component of convertible bonds	24	**14,804**	4,533
Cash and bank balances	21	**72,836**	2,184
Total current assets		**238,923**	138,512
CURRENT LIABILITIES			
Accruals		**1,355**	1,892
Due to subsidiaries	15	**7,498**	7,498
Total current liabilities		**8,853**	9,390
NET CURRENT ASSETS		**230,070**	129,122
TOTAL ASSETS LESS CURRENT LIABILITIES		**230,070**	130,509
NON-CURRENT LIABILITIES			
Convertible bonds	24	**73,386**	65,379
Bonds	24	**79,421**	70,515
Total non-current liabilities		**152,807**	135,894
Net assets/(liabilities)		**77,263**	(5,385)
EQUITY/(DEFICIENCY IN ASSETS)			
Issued capital	26	**20,337**	6,779
Reserves	27(b)	**56,926**	(12,164)
Total equity/(deficiency in assets)		**77,263**	(5,385)

Wong Howard
Director

Wong Yat Fai
Director

1. CORPORATE INFORMATION

ICube Technology Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Rooms 1603-5, 16/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries during the year consisted of the trading and distribution of electronic products and other merchandise, securities investment and trading, and research and development of integrated circuit technology.

2.1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 12, HKFRS 13, amendments to HKAS 1 and certain amendments included in *Annual Improvements 2009-2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (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. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 April 2013.

(b) HKFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities. Details of the disclosures for subsidiaries are included in note 15 to the financial statements.

(c) HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of financial instruments are included in note 34 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(d) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been presented to reflect the changes. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(e) *Annual Improvements 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

  In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

Notes to Financial Statements

31 March 2014

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[3]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[3]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 11 Amendments	*Accounting for Acquisitions of Interests in Joint Operations*[5]
HKFRS 14	*Regulatory Deferral Accounts*[4]
HKAS 16 and HKAS 38 Amendments	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010-2012 Cycle	Amendments to HKFRSs issued in January 2014[2]
Annual Improvements 2011-2013 Cycle	Amendments to HKFRSs issued in January 2014[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

[1] Effective for annual periods beginning on or after 1 January 2014
[2] Effective for annual periods beginning on or after 1 July 2014
[3] No mandatory effective date yet determined but is available for adoption
[4] Effective for the first annual HKFRS financial statements for a period beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2016

The Group is in the process of making an assessment of the impact of those new and revised HKFRSs upon initial application. The Group is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent 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 parent, 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 parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment 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 items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the following estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	Over the remaining lease terms or 3 years, whichever is shorter
Plant and machinery	7 to 10 years
Motor vehicles, furniture, fixtures and equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale equity investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale equity investment revaluation reserve to the statement of profit or loss in other operating expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as “Revenue-Treasury investments” in accordance with the policies set out for “Revenue recognition” below.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

(a) the rights to receive cash flows from the asset have expired; or

(b) 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 (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance amount. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment is impaired on an individual basis.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and accruals, finance lease payables, convertible bonds and bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

If the conversion option of convertible bonds exhibits characteristics of an embedded derivative, it is separated from its liability component. On initial recognition, the derivative component of the convertible bonds is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs are apportioned between the liability and derivative components of the convertible bonds based on the allocation of proceeds to the liability and derivative components when the instruments are initially recognised. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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 statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and bank balances comprise cash on hand and cash at banks, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, on the straight-line basis over the contract period;

(c) the profit or loss on the trading of equity investments at fair value through profit or loss and note receivables on the transaction dates when the relevant contract notes are executed;

(d) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(e) dividend income, when the shareholders' right to receive payment has been established.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the binomial model, further details of which are set out in note 29 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Retirement benefit schemes (continued)

Pursuant to the relevant regulations of Mainland China, subsidiaries of the Company operating in Mainland China participate in a local municipal government retirement benefit scheme (the "Mainland Scheme") whereby the subsidiaries are required to contribute a percentage of the basic salaries of their employees to the Mainland Scheme to fund their retirement benefit obligations regarding all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are charged to the statement of profit or loss as incurred. There are no provisions under the Mainland Scheme whereby forfeited contributions may be used to reduce future contributions.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities as at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Income tax

Deferred tax is provided using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income tax (continued)

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the tax losses carried forward, and the asset balance will be reduced and charged to the statement of profit or loss.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. An impairment allowance is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or ‘’prolonged” requires judgement by management who also evaluates other relevant factors, such as the share price volatility of the underlying equity investments. At 31 March 2014 and 2013, no impairment was recognised as a charge to the statement of profit or loss for the Group’s available-for-sale equity investments. The carrying amount of the Group’s available-for-sale equity investments as at 31 March 2014 was HK$14,461,000 (2013: HK$12,599,000).

Estimation uncertainty

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Presentation of convertible bonds and fair values of the liability and derivative components of convertible bonds

As described in note 24 to the financial statements, the convertible bonds of the Group are presented as the derivative component and the liability component of the convertible bonds in accordance with HKAS 39.

The fair values of the liability and derivative components of convertible bonds are determined using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of estimation is required in establishing fair values. The estimation includes considerations of inputs such as adjustment factors to the risk-free rate, stock price, credit risk, dividend yield and volatility. Changes in assumptions about these factors could affect the reported fair values of convertible bonds.

As at 31 March 2014, the fair value of the derivative asset and the carrying amount of the liability component of convertible bonds were HK$14,804,000 (2013: HK$4,533,000) and HK$73,386,000 (2013: HK$65,379,000), respectively.

Valuation of share options

As described in note 29 to the financial statements, the Company engaged an independent firm of professionally qualified valuers to assist in the valuation of the share options granted during the years ended 31 March 2014 and 2013. The fair value of options granted under the share option schemes was determined using the binomial option pricing model. The significant inputs into the model were share price at the grant date, risk-free interest rate, exercise price and expected volatility of the underlying shares. When the actual results of the inputs differ from management's estimate, this will have an impact on share option expenses and the related share option reserve of the Company. The fair value of the share options granted by the Company during the year ended 31 March 2014 was HK$3,789,000 (2013: HK$8,847,000). The share option expense of HK$6,933,000 (2013: HK$4,867,000) was recognised during the year ended 31 March 2014.

4. OPERATING SEGMENT INFORMATION

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 business segments. Summary of details of the operating segments are as follows:

(a) the electronic products segment trades electronic products;

(b) the treasury investments segment comprises securities investment and trading; and

(c) the corporate and others segment comprises corporate income and expense items and research and development of integrated circuit technology.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is measured consistently with the Group's loss before tax except that interest income, finance costs, fair value gain on the derivative component of convertible bonds, head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, the derivative component of convertible bonds and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments.

4. OPERATING SEGMENT INFORMATION (continued)

The following tables present revenue, loss and certain asset, liability and capital expenditure information for the Group's operating segments for the years ended 31 March 2014 and 2013.

Group

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**9,456**	15,906	**–**	–	**–**	–	**9,456**	15,906
Gains/(losses) from treasury investments	**–**	–	**26,663**	(876)	**–**	–	**26,663**	(876)
Total	**9,456**	15,906	**26,663**	(876)	**–**	–	**36,119**	15,030
Segment results	**(3,996)**	(4,377)	**57,670**	(15,729)	**(54,812)**	(47,734)	**(1,138)**	(67,840)
Reconciliation:								
Interest income and unallocated gains							**18**	11
Fair value gain on derivative component of the convertible bonds							**10,271**	22,276
Gain arising from modification of convertible bonds							**–**	49,693
Unallocated expenses							**(99)**	(101)
Finance costs							**(16,958)**	(21,762)
Loss before tax							**(7,906)**	(17,723)
Income tax expense							**–**	(79)
Loss for the year							**(7,906)**	(17,802)
Assets and liabilities								
Segment assets	**1,920**	1,861	**191,611**	104,713	**2,641**	3,697	**196,172**	110,271
Reconciliation:								
Unallocated assets							**99,541**	36,248
Total assets							**295,713**	146,519
Segment liabilities	**6,430**	6,782	**124**	120	**6,712**	6,407	**13,266**	13,309
Reconciliation:								
Unallocated liabilities							**153,758**	136,541
Total liabilities							**167,024**	149,850

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

Group

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation	**84**	93	**-**	–	**581**	541	**665**	634
Impairment of other receivables	**-**	–	**-**	–	**1,005**	1,858	**1,005**	1,858
Write-down/(reversal) of inventories to net realisable value	**(107)**	556	**-**	–	**-**	–	**(107)**	556
Write-off of items of property, plant and equipment	**-**	–	**-**	–	**-**	2	**-**	2
Fair value losses/(gains) on equity investments at fair value through profit or loss	**-**	–	**(31,364)**	16,186	**-**	–	**(31,364)**	16,186
Equity-settled share option arrangements	**28**	11	**-**	–	**6,905**	4,856	**6,933**	4,867
Capital expenditure	**16**	90	**-**	–	**766**	88	**782**	178

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The following table represents revenue and non-current assets information for the Group's geographical information for the years ended 31 March 2014 and 2013.

	People's Republic of China (including Hong Kong)		Europe and South Africa		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Electronic products	**7,459**	13,981	**1,997**	1,925	**9,456**	15,906
Treasury investments	**26,663**	(876)	**–**	–	**26,663**	(876)
	34,122	13,105	**1,997**	1,925	**36,119**	15,030
Non-current assets	**1,722**	1,604	**–**	–	**1,722**	1,604

The revenue information above is based on the locations of customers and the stock markets.

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about a major customer

Revenue of approximately HK$5,470,000 (2013: HK$10,811,000) was derived from sales by the electronic products segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, gains on disposal of equity investments at fair value through profit or loss, losses on disposal of note receivables, and dividend income from listed equity investments during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Revenue		
Sale of goods	**9,456**	15,906
Gains on disposal of equity investments at fair value through profit or loss	**25,951**	4,015
Losses on disposal of note receivables (Note)	**–**	(5,383)
Dividend income from listed equity investments	**712**	492
	36,119	15,030
Other income and gains		
Bank interest income	**18**	11
Government grants	**3,223**	1,406
Service income	**1,185**	281
Others	**54**	97
	4,480	1,795

Note:

The balance represented losses on disposal of notes with a face value of HK$15,200,000 issued by ABC Communication (Holdings) Limited, a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and an independent party of the Group. The notes were disposed of during the year ended 31 March 2013 for proceeds of HK$9,975,000 (net of expenses), resulting in a loss of HK$5,383,000.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2014 HK$'000	2013 HK$'000
Interest on finance leases	**28**	10
Imputed interest on convertible bonds	**8,007**	21,637
Interest on bonds	**8,906**	115
Interest on overdrafts	**17**	–
	16,958	21,762

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2014 HK$'000	2013 HK$'000
Cost of inventories sold	**9,541**	15,488
Depreciation (note 13)	**665**	634
Research costs*	**20,419**	13,541
Employee benefit expense (including directors' remuneration (note 8)):		
Wages and salaries	**26,927**	25,604
Equity-settled share option expense	**6,933**	4,867
Retirement benefit scheme contributions**	**2,374**	1,783
	36,234	32,254
Minimum lease payments under operating leases:		
Land and buildings	**2,813**	3,021
Auditors' remuneration	**1,390**	1,350
Impairment of other receivables	**1,005**	1,858
Write-off of items of property, plant and equipment	**–**	2
Fair value gains of an available-for-sale equity investment (transfer from revaluation reserve upon disposal)	**–**	(1,631)
Write-down/(reversal) of inventories to net realisable value #	**(107)**	556
Foreign exchange differences, net	**–**	4

7. LOSS BEFORE TAX (continued)

* Research costs for the year ended 31 March 2014 included wages and salaries of HK$9,215,000 (2013: HK$7,592,000), which had been included in the employee benefit expense disclosed above.

** At 31 March 2014, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2013: Nil).

\# This item is included in "cost of electronic products sold" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Fees	**450**	400
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**3,510**	3,510
Equity-settled share option expense	**790**	1,075
Pension scheme contributions	**176**	176
	4,476	4,761
	4,926	5,161

During the years ended 31 March 2014 and 2013, certain directors were granted share options, in respect of their services to the Group, under the share option schemes of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount recognised in the statement of profit or loss for the years ended 31 March 2014 and 2013 was included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2014	2013
	HK$'000	HK$'000
Mr. Li Chi Ming	**150**	150
Mr. Tung Tat Chiu, Michael	**150**	150
Mr. Wan Ngar Yin, David (resigned on 10 January 2014)	**150**	100
Mr. Kwok Chi Kwong (appointed on 10 January 2014)	**–**	–
	450	400

There were no other emoluments payable to the independent non-executive directors during the year (2013: Nil).

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Equity-settled share option expense	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014					
Mr. Wong Howard (chief executive officer)	**–**	**1,950**	**555**	**98**	**2,603**
Mr. Wong Yat Fai	**–**	**1,560**	**235**	**78**	**1,873**
	–	**3,510**	**790**	**176**	**4,476**
2013					
Mr. Wong Howard (chief executive officer)	–	1,950	760	98	2,808
Mr. Wong Yat Fai	–	1,560	315	78	1,953
	–	3,510	1,075	176	4,761

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2013: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2013: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2013: three) highest paid employees who are not a director of the Company are as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,454**	3,369
Equity-settled share option expense	**551**	1,105
Pension scheme contributions	**117**	116
	4,122	4,590

During the years ended 31 March 2014 and 2013, share options were granted to three non-director highest paid employees in respect of their services to the Group under the share option schemes of the Company, further details of which are set out in note 29 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined at the date of grant and the amount recognised in the statement of profit or loss for the years ended 31 March 2014 and 2013 was included in the above non-director highest paid employees' remuneration disclosures.

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2014	2013
HK$1,000,001 to HK$1,500,000	**3**	2
HK$1,500,001 to HK$2,000,000	**–**	1

10. INCOME TAX EXPENSE

	Group	
	2014	2013
	HK$'000	HK$'000
Current – Hong Kong	**–**	–
Current – elsewhere		
Underprovision in prior year	**–**	79
Total tax charge for the year	**–**	79

No provision for Hong Kong profits tax has been made as certain subsidiaries of the Group has no assessable profits arising in Hong Kong during the year and there are available tax losses brought forward from prior years to offset assessable profits generated by certain other subsidiaries during the year (2013: Nil). Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax position at the effective tax rates, is as follows:

Group – 2014

	Hong Kong	**Mainland China**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Profit/(loss) before tax	**6,000**	**(13,906)**	**(7,906)**
Tax at the applicable tax rates	**990**	**(3,477)**	**(2,487)**
Income not subject to tax	**(1,813)**	**–**	**(1,813)**
Expenses not deductible for tax	**6,427**	**–**	**6,427**
Adjustment in respect of current tax of previous year	**–**	**–**	**–**
Tax losses utilised from previous periods	**(7,687)**	**–**	**(7,687)**
Tax losses for the year not recognised	**2,083**	**3,477**	**5,560**
Tax	**–**	**–**	**–**

10. INCOME TAX EXPENSE (continued)

Group – 2013

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax	(4,459)	(13,264)	(17,723)
Tax at the applicable tax rates	(736)	(3,316)	(4,052)
Income not subject to tax	(12,226)	–	(12,226)
Expenses not deductible for tax	6,562	–	6,562
Adjustment in respect of current tax of previous year	–	79	79
Tax losses for the year not recognised	6,400	3,316	9,716
Tax	–	79	79

11. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit/(loss) attributable to owners of the parent for the year ended 31 March 2014 includes a loss of HK$16,578,000 (2013: profit of HK$41,937,000) which has been dealt with in the financial statements of the Company (note 27(b)).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of HK$5,404,000 (2013: loss of HK$6,199,000), and the weighted average number of 1,489,285,117 (2013: 871,601,926 (restated)). The weighted average number of ordinary shares in issue used in the basic earnings/(loss) per share calculation for the years ended 31 March 2014 and 2013 have been adjusted for the rights issue in the current year and the share consolidation in the prior year (note 26), respectively.

The calculation of the diluted earnings per share amount for the year ended 31 March 2014 is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest and the fair value gain of derivative components on the convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2013 as no dilutive events existed for the exercise of the share options, and the convertible bonds outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

The calculations of basic and diluted earnings per share for the year ended 31 March 2014 are based on:

	2014 HK$'000
Earnings	
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	5,404
Interest on convertible bonds	8,007
Less: Fair value gains on the derivative component of convertible bonds	(10,271)
Profit attributable to ordinary equity holders of the parent used in the diluted earnings per share calculation	3,140

	Number of shares 2014
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	1,489,285,117
Effect of dilution – weighted average number of ordinary shares:	
Convertible bonds *	351,370,344
Weighted average number of ordinary shares used in the diluted earnings per share calculation	1,840,655,461

* Share options are not considered in the effect of dilution as no diluting events existed during the year ended 31 March 2014.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Motor vehicles, furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:					
At 1 April 2012	13,238	981	13,881	7,899	35,999
Additions	–	32	20	126	178
Disposals	–	–	–	(7)	(7)
Write-off	–	–	–	(2)	(2)
Exchange realignment	–	5	231	18	254
At 31 March 2013 and 1 April 2013	13,238	1,018	14,132	8,034	36,422
Additions	–	–	10	772	782
Exchange realignment	–	–	19	2	21
At 31 March 2014	13,238	1,018	14,161	8,808	37,225
Accumulated depreciation and impairment:					
At 1 April 2012	13,238	641	13,838	6,229	33,946
Provided during the year	–	125	12	497	634
Disposals	–	–	–	(4)	(4)
Exchange realignment	–	–	230	12	242
At 31 March 2013 and 1 April 2013	13,238	766	14,080	6,734	34,818
Provided during the year	–	126	15	524	665
Exchange realignment	–	–	19	1	20
At 31 March 2014	13,238	892	14,114	7,259	35,503
Net carrying amount:					
At 31 March 2014	–	126	47	1,549	1,722
At 31 March 2013	–	252	52	1,300	1,604

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

All the Group's buildings included above are stated at cost and are held under medium term leases outside Hong Kong.

The net carrying amounts of the Group's plant and equipment held under finance leases included in the total amounts of motor vehicles, furniture, fixtures and equipment at 31 March 2014 amounted to HK$854,000 (2013: HK$231,000).

Company

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	299	415	714
Accumulated depreciation:			
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	299	415	714
Net carrying amount:			
At 31 March 2014	–	–	–
At 31 March 2013	–	–	–

14. PREPAID LAND LEASE PAYMENT

	Group
	HK$'000
Cost:	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	821
Accumulated amortisation:	
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	821
Net carrying amount:	
At 31 March 2014	–
At 31 March 2013	–

With respect to the use of certain land in Mainland China by the Group for its electronic products business, the Group paid an annual fee of HK$49,000 (2013: HK$51,000) for the year which has been charged to the statement of profit or loss.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Capital contribution in respect of employee share-based compensation	**22,717**	17,851
Less: Impairment #	**(22,718)**	(16,465)
	–	1,387
Due from subsidiaries	**1,222,873**	1,171,379
Less: Impairment *	**(1,071,647)**	(1,039,641)
	151,226	131,738
Due to subsidiaries	**7,498**	7,498

15. INVESTMENTS IN SUBSIDIARIES (continued)

Balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the balances with subsidiaries approximate their fair values.

As at 31 March 2014, an aggregate impairment of HK$22,718,000 (2013: HK$16,465,000) was recognised for investments in subsidiaries because the relevant subsidiaries have suffered losses for years. The provision was determined on the basis of nil recoverable amount from the subsidiaries as at 31 March 2014 (2013: HK$1,387,000) which was with reference to the estimated fair value of the underlying assets held by the subsidiaries.

* As at 31 March 2014, impairment loses of HK$1,071,647,000 (2013: HK$1,039,641,000) were recognised for amounts due from subsidiaries with an aggregate carrying amounts of HK$1,222,873,000 (2013: HK$1,171,379,000) due to the sustained loss making conditions of these subsidiaries.

Movements in the impairment allowance of investment costs and amounts due from subsidiaries are as follows:

	Company	
	2014	2013
	HK$'000	HK$'000
At 1 April	**1,056,106**	999,103
Impairment loss recognised	**38,259**	57,003
At 31 March	**1,094,365**	1,056,106

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity/beneficial interests attributable to the Company Direct	Indirect	Principal activities
Hoshing Limited*	British Virgin Islands	US$1	100	–	Investment holding
Sino Electronics Limited*	British Virgin Islands/ Hong Kong	US$2	–	100	Investment holding
Chongqing Electronics Limited	Hong Kong	HK$2	–	100	Trading of electronic products
139 Enterprises Limited	Hong Kong	US$2	–	100	Provision of administrative services

15. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity/beneficial interests attributable to the Company Direct	Indirect	Principal activities
Chaifa Finance Limited	Hong Kong	HK$2	–	100	Provision of finance services
Main Purpose Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and trading of securities
ICube Corporation Limited	Hong Kong	HK$100	–	60	Research and development of integrated circuit technology
深圳中微電科技有限公司*	PRC/Mainland China	RMB30,000,000	–	51	Research and development of integrated circuit technology
Dongguan Chongqing Electrical Limited*	PRC/Mainland China	US$4,710,000	–	100	Manufacture of electronic products

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

ICube Corporation Limited and its subsidiary, 深圳中微電科技有限公司 (collectively, the "ICube Corporation Group")

	2014	2013
Percentage of equity interest held by non-controlling interests:	**40%**	40%

	2014 **HK$'000**	2013 HK$'000
Loss for the year allocated to non-controlling interests:	**13,310**	11,603
Accumulated balances of non-controlling interests at the reporting dates:	**(39,107)**	(26,751)

The following tables illustrate the summarised financial information of the above subsidiaries, the ICube Corporation Group. The amounts disclosed are before any inter-company eliminations:

	2014 **HK$'000**	2013 HK$'000
Other income	**4,456**	1,725
Total expenses	**(35,177)**	(28,313)
Loss for the year	**(30,721)**	(26,588)
Total comprehensive loss for the year	**(30,825)**	(26,417)
Current assets	**4,725**	7,780
Non-current assets	**627**	1,047
Current liabilities	**(83,382)**	(61,389)
Net cash flows from/(used in) operating activities	**(3,364)**	2,222
Net cash flows from/(used in) investing activities	**8**	(75)
Net cash flows from financing activities	**1,005**	1,858
Net increase/(decrease) in cash and cash equivalents	**(2,351)**	4,005

16. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments, at fair value:		
Hong Kong	**650**	620
Elsewhere	**13,811**	11,979
	14,461	12,599

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair values of listed equity investments are based on quoted market prices.

The market value of the Group's available-for-sale equity investments at the date of approval of these financial statements was approximately HK$16,412,000.

During the year, the gross gain in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to HK$1,862,000 (2013: HK$3,249,000). Among the 2013 balance, HK$1,631,000 was reclassified from other comprehensive income to the statement of profit or loss for the year ended 31 March 2013 upon disposal of the available-for sale equity investment.

At 31 March 2014 and 2013, the Group did not hold any available-for-sale equity investments with carrying amounts exceeding 10% of the value of the total assets of the Group.

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at fair value	**176,617**	92,045

The above equity investments at 31 March 2014 and 2013 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$180,925,000.

At 31 March 2014 and 2013, the Group did not hold any equity investments at fair value through profit or loss with carrying amounts exceeding 10% of the total assets of the Group.

18. INVENTORIES

	Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**–**	227
Work in progress	**–**	1
Finished goods	**–**	250
	–	478

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending to up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. There is a significant concentration of credit risk as 100% (2013: 81%) of the balances represented receivables from two major customers within the electronic products segment. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. The carrying amounts of trade receivables approximate their fair values.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**1,108**	731
Over 3 months	**–**	6
	1,108	737

An aged analysis of the Group's trade receivables that are not considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**1,108**	731
Over 3 months past due	**–**	6
	1,108	737

19. TRADE RECEIVABLES (continued)

Receivables that were neither past due nor impaired relate to customers for which there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on the past experience, the directors of the Company are of 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 balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments and deposits is either past due or impaired.

Included in the provision for impairment of other receivables is a provision for an impaired other receivable of HK$3,769,000 (2013: HK$2,764,000) with a carrying amount of HK$3,769,000 (2013: HK$2,764,000). The Group does not hold any collateral or other credit enhancements over this balance.

The remaining balance of other receivables was neither past due nor impaired and relates to a large number of independent parties for whom there was no recent history of default.

The carrying amounts of deposits and other receivables approximate their fair values.

21. RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES

	Group		**Company**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Restricted bank balances	**546**	1,953	**–**	–
Cash and bank balances	**83,223**	30,747	**72,836**	2,184
	83,769	32,700	**72,836**	2,184

21. RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES (continued)

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$3,302,000 (2013: HK$3,803,000). The RMB are not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

At 31 March 2014 and 31 March 2013, restricted bank balances represented government grants received by the Group for which the use of the bank balances is restricted to specific purposes and is subject to approval of the relevant authority in the PRC.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the restricted bank balances and cash and bank balances approximate their fair values.

22. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 to 2 months	**–**	48
Over 3 months	**16**	24
	16	72

Trade payables are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate their fair values.

23. FINANCE LEASE PAYABLES

The Group leases certain of its property, plant and equipment for its operations. These leases are classified as finance leases and have remaining lease terms of five years (2013: one year). At 31 March 2014, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2014 HK$'000	Minimum lease payments 2013 HK$'000	**Present value of minimum lease payments 2014 HK$'000**	Present value of minimum lease payments 2013 HK$'000
Amounts payable:				
Within one year	**170**	87	**142**	85
In the second year	**170**	–	**149**	–
In the third to fifth years, inclusive	**382**	–	**363**	–
Total minimum finance lease payments	**722**	87	**654**	85
Future finance charges	**(68)**	(2)		
Total net finance lease payables	**654**	85		
Portion classified as current liabilities	**(142)**	(85)		
Non-current portion	**512**	–		

24. CONVERTIBLE BONDS, BONDS AND DERIVATIVES

	Group and Company	
	2014	2013
	HK$'000	HK$'000
2013 Convertible Bonds (as defined below)	**73,386**	65,379
2013 Bonds (as defined below)	**79,421**	70,515
	152,807	135,894
Derivative component of convertible bonds	**(14,804)**	(4,533)

On 1 December 2010, the Company issued three-year zero-coupon convertible bonds with the face value of HK$200,000,000 to unrelated third parties (the "2010 Convertible Bonds"). The 2010 Convertible Bonds were convertible at the option of the bondholders (the "Bondholders") into ordinary shares of the Company at anytime following the date of issue of the 2010 Convertible Bonds up to the maturity date on 30 November 2013, at a price of HK$0.125 per share, subject to adjustments.

The Company could redeem, in whole or in part, the outstanding 2010 Convertible Bonds at a 100% of the principal amount by giving the Bondholders not less than seven business days' prior notice during the outstanding period. If redeemed in part, the redemption shall be made in amounts of not less than multiples of HK$500,000. On the maturity date, any 2010 Convertible Bonds not converted or redeemed during the tenure will be redeemed by the Company at 100% of the principal amount. The conversion option of the Bondholders is a derivative component. There was no conversion or redemption of the 2010 Convertible Bonds during the year ended 31 March 2013.

24. CONVERTIBLE BONDS, BONDS AND DERIVATIVES (continued)

2013 Amendments

Upon the approval of an ordinary resolution of the Company at the special general meeting held on 25 March 2013, the Company and the Bondholders concluded the Deed of Variations on 26 March 2013 (the "Amendment Date") pursuant to which both parties agreed to vary certain terms and conditions of the 2010 Convertible Bonds (the "2013 Amendments"). The modifications included but were not limited to:

(i) the maturity date of 30 November 2013 was extended to 30 November 2016;

(ii) the principal amount of the 2010 Convertible Bonds was divided into two portions:

- an interest-bearing portion with a principal value of HK$100 million which is interest-bearing at 2.5% p.a. payable on maturity (the "2013 Bonds"); and

- a non-interest-bearing portion with a principal amount of HK$100 million redeemable on maturity with conversion rights attached (the "2013 Convertible Bonds"). The convertible portion was convertible in multiples of HK$250,000 at any time during the conversion period;

(iii) the conversion price for the 2013 Convertible Bonds was adjusted from HK$0.125 per share to HK$0.33 per share, subject to adjustments; and

(iv) a conversion option was granted to the Company to which the Company has the rights to request conversion of all the outstanding 2013 Convertible Bonds into ordinary shares of the Company on the maturity date.

Further details of the 2013 Amendments are set out in the Company's circular dated 1 March 2013.

24. CONVERTIBLE BONDS, BONDS AND DERIVATIVES (continued)

2013 Amendments (continued)

The 2013 Amendments constituted a significant modification and were accounted for as an extinguishment of the 2010 Convertible Bonds and an issue of the 2013 Bonds and 2013 Convertible Bonds. In light of the terms of the 2013 Amendments set out above, the Company reassessed at the Amendment Date the fair values of the 2013 Bonds and the 2013 Convertible Bonds. The net effect of the 2013 Amendments is the recognition of a gain of HK$49,693,000 credited to the statement of profit or loss. The conversion option of the Bondholders and conversion option of the Company on the maturity date are derivative components which are interdependent as only one of these options can be exercised at any one point of time. Therefore, they are not able to be accounted for separately and a single compound derivative financial instrument is recognised.

The conversion price of the 2013 Convertible Bonds was adjusted from HK$0.33 per share to HK$0.2846 per share upon completion of the rights issue on 19 September 2013. Further details are set out in the Company's announcement dated 18 September 2013.

The derivative assets of the 2013 Convertible Bonds of HK$14,804,000 as at 31 March 2014 (2013: HK$4,533,000) represented the fair values of the conversion options of the Company and the Bondholders at the end of the reporting period.

The fair value of the liability component of the 2013 Convertible Bonds as at 31 March 2014 was HK$67,510,000 (2013: HK$65,139,000). The fair value of the liability component of the 2013 Bonds as at 31 March 2014 was HK$72,618,000 (2013: HK$70,270,000). The fair values of the 2013 Convertible Bonds and the 2013 Bonds were estimated by valuations performed by Ascent Partners Valuation Services Limited.

There was no conversion or redemption of the 2013 Convertible Bonds during the year ended 31 March 2014 (2013: Nil).

24. CONVERTIBLE BONDS, BONDS AND DERIVATIVES (continued)

An analysis of the movements of the liability component and the derivative component of convertible bonds and bonds during the years ended 31 March 2014 and 2013 is as follows:

	Convertible Bonds – Liability component HK$'000	Convertible Bonds – Derivative component HK$"000	Bonds – Liability component HK$'000	Total HK$'000
At 1 April 2012	161,848	19,730	–	181,578
Interest expenses	21,637	–	115	21,752
Extinguishment of the 2010 Convertible Bonds	(183,382)	(45)	–	(183,427)
Issue of the 2013 Convertible Bonds	65,276	(1,942)	–	63,334
Issue of the 2013 Bonds	–	–	70,400	70,400
Fair value change	–	(22,276)	–	(22,276)
At 31 March 2013 and 1 April 2013	65,379	(4,533)	70,515	131,361
Interest expenses	8,007	–	8,906	16,913
Fair value change	–	(10,271)	–	(10,271)
As 31 March 2014	73,386	(14,804)	79,421	138,003

25. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 31 March 2014 of HK$890,000 (2013: HK$582,000) were attributable to the fair value gains on available-for-sale equity investments.

The Group has tax losses arising in Hong Kong of HK$868,850,000 (2013: HK$902,814,000) and in Mainland China of HK$14,623,000 (2013: HK$12,174,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

Shares

	2014	2013
	HK$'000	HK$'000
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
2,033,737,827 (2013: 677,912,609) ordinary shares of HK$0.01 each	**20,337**	6,779

Movements of the Company's issued share capital were as follows:

	Notes	**Number of shares in issue**	**Issued share capital**	**Share premium account**	**Total**
			HK$'000	HK$'000	HK$'000
At 1 April 2012		3,389,563,047	33,896	745,229	779,125
Capital reorganisation	(i)	(2,711,650,438)	(27,117)	–	(27,117)
At 31 March 2013 and 1 April 2013		677,912,609	6,779	745,229	752,008
Rights issue	(ii)	1,355,825,218	13,558	122,024	135,582
Share issue expenses	(ii)	–	–	(5,030)	(5,030)
At 31 March 2014		2,033,737,827	20,337	862,223	882,560

26. SHARE CAPITAL (continued)

Notes:

(i) Pursuant to a special resolution passed on 25 March 2013, a capital reorganisation scheme became effective on 26 March 2013 which involved the following:

(a) every 5 shares in the issued ordinary share capital of the Company were consolidated into 1 consolidated share;

(b) the nominal value of every issued consolidated share was reduced by cancelling HK$0.04 of the capital paid up for each issued consolidated share so as to form (after the share consolidation) one reorganised share of HK$0.01 each; and

(c) the credit arising from the capital reorganisation was transferred to the contributed surplus of the Company.

The authorised share capital of the Company before and after the capital reorganisation remains unchanged at HK$600,000,000.

(ii) On 19 September 2013, the Company issued and allotted 1,355,825,218 ordinary shares of HK$0.01 each to the qualifying shareholders pursuant to the rights issue on the basis of two rights shares for every share held by members on the register as at 27 August 2013 at a subscription price of HK$0.10 per share for a total gross cash consideration of HK$135,582,000 and the related issue expense was HK$5,030,000.

Share options

Details of the Company's share option schemes and the share options issued under the schemes are included in note 29 to the financial statements.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

The contributed surplus of the Group arose as a result of the Group reorganisation upon listing of the Company's shares in 1994, and represented the difference between the nominal value of the shares of the former holding company of the Group prior to the Group reorganisation and the nominal value of the Company's shares issued in exchange therefor.

In addition, pursuant to special and ordinary resolutions passed at the special general meeting held on 22 September 2000, the issued and fully paid share capital of the Company was reduced by HK$448,992,000 through a reduction in the nominal value of the share capital of the Company. The credit so arising was transferred to the contributed surplus.

On 28 July 2005, a capital reorganisation scheme was approved by the shareholders under a special resolution, pursuant to which, every 10 shares of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK$0.10 and every issued consolidated share was reduced in nominal amount by cancelling HK$0.09 of the capital paid up for each issued consolidated share so as to form (after the share consolidation) one reorganised share of HK$0.01. The credit so arising was transferred to the contributed surplus.

As detailed in note 26 (i), during the year ended 31 March 2013, a credit of HK$27,117,000 arising from the capital reorganisation was transferred to the contributed surplus.

27. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2012	745,229	594,673	556	30,911	47,257	(1,447,708)	(29,082)
Loss and total comprehensive loss for the year	–	–	–	–	–	(15,066)	(15,066)
Share consolidation (note 26 (i))	–	27,117	–	–	–	–	27,117
Equity-settled share option arrangements (note 29)	–	–	–	4,867	–	–	4,867
At 31 March 2013 and 1 April 2013	745,229	621,790	556	35,778	47,257	(1,462,774)	(12,164)
Loss and total comprehensive loss for the year	–	–	–	–	–	(54,837)	(54,837)
Rights issue (note 26 (ii))	122,024	–	–	–	–	–	122,024
Share issue expenses (note 26(ii))	(5,030)	–	–	–	–	–	(5,030)
Equity-settled share option arrangements (note 29)	–	–	–	6,933	–	–	6,933
At 31 March 2014	862,223	621,790	556	42,711	47,257	(1,517,611)	56,926

The loss of HK$54,837,000 for the year ended 31 March 2014 (2013: HK$15,066,000) included impairment of amounts due from subsidiaries of the Company of HK$32,006,000 (2013: HK$50,360,000) and impairment of investments in subsidiaries of the Company of HK$6,253,000 (2013: HK$6,643,000).

27. RESERVES (continued)

(b) Company (continued)

Note:

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in (a) above and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

In addition, the capital reorganisation described in (a) above also resulted in an aggregate credit balance of approximately HK$578,101,000 (2013: HK$578,101,000) being transferred to the Company's contributed surplus.

28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the year ended 31 March 2014, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$755,000 (2013: Nil).

29. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the share option schemes include the Company's directors, including independent non-executive directors, other employees of the Group or any invested entity, suppliers of goods or services to the Group or any invested entity, customers of the Group or any invested entity, shareholders of the Group or any invested entity, holders of securities of the Group or any invested entity and persons or entities that provide research, development or other technological support to the Group or any invested entity. A share option scheme became effective on 27 August 2003 and expired on 27 August 2013 (the "2003 Scheme"). A new share option scheme was adopted and became effective on 27 September 2013 (the "2013 Scheme"). Unless otherwise cancelled or amended, the 2013 Scheme will remain in force for 10 years from the effective date.

29. SHARE OPTION SCHEMES (continued)

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the 2003 Scheme and the 2013 Scheme (collectively, the "Share Option Schemes") is an amount equivalent to 10% of the shares of the Company in issue as at the dates of approval of the Share Option Schemes unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Share Option Schemes (including exercised, cancelled and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares of the Company available for issue under the 2013 Share Option Scheme is 162,173,782 as at the date of the annual report.

Under the Share Option Schemes, share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates are subject to approval in advance by the independent non-executive directors. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000 is subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options under the Share Option Schemes may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the dates of adoption of the Share Option Schemes subject to the provisions for early termination set out in the Share Option Schemes. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options granted under the Share Option Schemes is determined by the directors, but shall not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

29. SHARE OPTION SCHEMES (continued)

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Under the 2003 Scheme, options were granted to eligible participants and there were outstanding (but not yet exercised) options to subscribe for a total of approximately 104,269,000 shares as at 31 March 2014. The outstanding options granted under the 2003 Scheme shall continue to be valid and are subject to the provisions of the 2003 Scheme and Chapter 17 of the Listing Rules.

The following share options were outstanding during the years ended 31 March 2014 and 2013:

For the year ended 31 March 2014

	2013 Scheme		2003 Scheme	
	Weighted average exercise price per share HK$	Number of options '000	Weighted average exercise price per share HK$	Number of options '000
At 1 April	–	–	0.440	86,604
Lapsed during the year#	–	–	0.482	(175)
Forfeited during the year*	–	–	0.258	(6,904)
Granted during the year	0.195	41,200	–	–
Adjustment arising from				
– Rights issue	–	–	–	24,744
At 31 March	0.195	41,200	0.344	104,269

During the year ended 31 March 2014, 175,000 share options lapsed upon cessation of employment of the participants and the expiry of the share options in accordance with the terms of the 2003 Scheme.

* During the year ended 31 March 2014, 6,904,000 share options were forfeited upon cessation of employment of the participants in accordance with the terms of the 2003 Scheme.

29. SHARE OPTION SCHEMES (continued)

For the year ended 31 March 2013

	2003 Scheme	
	Weighted average exercise price per share HK$	Number of options '000
At 1 April	0.130	323,650
Lapsed during the year#	0.136	(155,800)
Forfeited during the year*	0.093	(11,290)
Granted during the year	0.065	276,460
Adjustment arising from		
– Share consolidation	–	(346,416)
At 31 March	0.440	86,604

During the year ended 31 March 2013, 155,800,000 share options lapsed upon cessation of employment of the participants and the expiry of the share options in accordance with the terms of the 2003 Scheme.

* During the year ended 31 March 2013, 11,290,000 share options were forfeited upon cessation of employment of the participants in accordance with the terms of the 2003 Scheme.

29. SHARE OPTION SCHEMES (continued)

The exercise prices and exercise periods of the share options that were outstanding as at the end of the reporting period are as follows:

2014

Number of options '000	Exercise price per share*# HK$	Exercise period
10,375	**0.4822**	**01/01/2012-31/12/2016**
10,375	**0.4822**	**01/01/2013-31/12/2016**
10,355	**0.4822**	**01/01/2014-31/12/2016**
10,353	**0.4822**	**01/01/2015-31/12/2016**
15,704	**0.2528**	**01/07/2013-31/12/2017**
15,704	**0.2528**	**01/07/2014-31/12/2017**
15,704	**0.2528**	**01/07/2015-31/12/2017**
15,699	**0.2528**	**01/07/2016-31/12/2017**
18,220	**0.1950**	**18/02/2014-31/12/2017**
18,220	**0.1950**	**18/02/2015-31/12/2017**
2,370	**0.1950**	**18/02/2016-31/12/2017**
2,390	**0.1950**	**18/02/2017-31/12/2017**
145,469		

2013

Number of options '000	Exercise price per share* HK$	Exercise period
8,138	0.62	01/01/2012-31/12/2016
8,138	0.62	01/01/2013-31/12/2016
8,120	0.62	01/01/2014-31/12/2016
8,116	0.62	01/01/2015-31/12/2016
13,524	0.325	01/07/2013-31/12/2017
13,524	0.325	01/07/2014-31/12/2017
13,524	0.325	01/07/2015-31/12/2017
13,520	0.325	01/07/2016-31/12/2017
86,604		

29. SHARE OPTION SCHEMES (continued)

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

\# The exercise price per share as at 31 March 2014 has been adjusted with the effect of the rights issue on 19 September 2013 in accordance with the 2003 Scheme. Further details are set out in the Company's announcement dated 18 September 2013.

The fair value of the equity-settled share options granted during the years ended 31 March 2014 and 2013 was estimated by Ascent Partners Transaction Services Limited, an independent firm of professionally qualified valuers, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the equity-settled share options granted during the year ended 31 March 2014 was HK$3,789,000 (2013: HK$8,847,000). The Group recognised a share option expense of HK$6,933,000 during the year ended 31 March 2014 (2013: HK$4,867,000). The following table lists the inputs to the model used:

Share options granted	18 February 2014	8 January 2013
Dividend yield (%)	N/A	N/A
Expected volatility (%)	67.457	85.165
Risk-free interest rate (%)	0.929	0.423
Share price at grant date (HK$ per share)	0.217	0.062

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 145,469,000 (2013: 86,604,000) share options outstanding under the Share Option Schemes, which represented approximately 7% of the Company's shares in issue as at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 145,469,000 additional ordinary shares of the Company and additional share capital of HK$1,455,000 and share premium of HK$42,449,000 (before issue expenses).

30. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 31 March 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Within one year	**2,233**	3,404
In the second to fifth years, inclusive	**–**	2,141
	2,233	5,545

At the end of the reporting period, the Company had no significant operating lease commitments (2013: Nil).

31. COMMITMENTS

At the end of the reporting period, neither the Group nor the Company had any significant commitment (2013: Nil).

32. RELATED PARTY TRANSACTIONS

The Group considers the directors of the Company to be the key management personnel, whose compensation has been disclosed in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2014

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale equity investments	–	–	14,461	14,461
Equity investments at fair value through profit or loss	176,617	–	–	176,617
Trade receivables	–	1,108	–	1,108
Financial assets included in prepayments, deposits and other receivables	–	908	–	908
Derivatives component of convertible bonds	14,804	–	–	14,804
Restricted bank balances	–	546	–	546
Cash and bank balances	–	83,223	–	83,223
	191,421	85,785	14,461	291,667

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group – 2014 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	16
Financial liabilities included in other payables and accruals	9,299
Finance lease payables	654
Convertible bonds	73,386
Bonds	79,421
	162,776

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group – 2013

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale equity investments	–	–	12,599	12,599
Equity investments at fair value through profit or loss	92,045	–	–	92,045
Trade receivables	–	737	–	737
Financial assets included in prepayments, deposits and other receivables	–	538	–	538
Derivatives component of convertible bonds	4,533	–	–	4,533
Restricted bank balances	–	1,953	–	1,953
Cash and bank balances	–	30,747	–	30,747
	96,578	33,975	12,599	143,152

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group – 2013 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	72
Financial liabilities included in other payables and accruals	10,333
Finance lease payables	85
Convertible bonds	65,379
Bonds	70,515
	146,384

Company

All the Company's financial assets as at 31 March 2014 and 2013, including amounts due from subsidiaries, deposits and other receivables, and cash and bank balances, are categorised as loans and receivables, except for the derivative component of convertible bonds which has been categorised as a financial asset at fair value through profit or loss.

All the Company's financial liabilities as at 31 March 2014 and 2013, including amounts due to subsidiaries, convertible bonds and bonds, are categorised as financial liabilities at amortised cost.

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's and the Company's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Group

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale equity investments	**14,461**	12,599	**14,461**	12,599
Equity investments at fair value through profit or loss	**176,617**	92,045	**176,617**	92,045
Derivative component of convertible bonds	**14,804**	4,533	**14,804**	4,533
	205,882	109,177	**205,882**	109,177
Financial liabilities				
Financial lease payables	**654**	85	**722**	87
Convertible bonds	**73,386**	65,379	**67,510**	65,139
Bonds	**79,421**	70,515	**72,618**	70,270
	153,461	135,979	**140,850**	135,496

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Company

	Carrying amounts		Fair values	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Derivative component of convertible bonds	**14,804**	4,533	**14,804**	4,533
Financial liabilities				
Convertible bonds	**73,386**	65,379	**67,510**	65,139
Bonds	**79,421**	70,515	**72,618**	70,270
	152,807	135,894	**140,128**	135,409

Management has assessed that the fair values of cash and bank balances, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the chief financial officer and the audit committee. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of the non-current portion of finance lease payables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease payables as at 31 March 2014 was assessed to be insignificant. The fair values of the liability portion of the convertible bonds and bonds were estimated by Hull-White model using an equivalent market interest rate for a similar bond with consideration of the Group's own non-performance risk.

The fair values of listed available-for-sale equity investments and equity investments at fair value through profit or loss are based on quoted market prices.

The fair value of the derivative component of convertible bonds is the residual of the fair value of convertible bonds and the fair value of liability component of convertible bonds. The fair value of convertible bonds and the fair value of liability component of convertible bonds have been estimated using valuation techniques for which inputs which have a significant effect on the recorded fair value are not based on observable market data. The Group's derivative component of convertible bonds are categorised in level 3 of the fair value measurement as at 31 March 2014.

Below is a summary of significant unobservable inputs to the valuation of derivative component of convertible bonds:

	Valuation technique	**Significant unobservable input**	**%**	**Sensitivity of the input to fair value**
Convertible bonds	Partial differential equation method	Risky discount rate	15.16	1% increase/(decrease) in discount rate would result in decrease in fair value by HK$1,000
Liability component of convertible bonds	Hull-White model	Risky discount rate	15.16	1% increase/(decrease) in discount rate would result in decrease/(increase) in fair value by HK$1,530,000/(HK$1,578,000)

The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in the statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group
As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable input (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Available-for-sale equity investments	**14,461**	**–**	**–**	**14,461**
Equity investments at fair value through profit or loss	**176,617**	**–**	**–**	**176,617**
Derivative component of convertible bonds	**–**	**–**	**14,804**	**14,804**
	191,078	**–**	**14,804**	**205,882**

As at 31 March 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable input (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale equity investments	12,599	–	–	12,599
Equity investments at fair value through profit or loss	92,045	–	–	92,045
Derivative component of convertible bonds	–	4,533	–	4,533
	104,644	4,533	–	109,177

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

Company
As at 31 March 2014

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable input (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Derivative component of convertible bonds	**–**	**–**	**14,804**	**14,804**

As at 31 March 2013

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable input (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Derivative component of convertible bonds	–	4,533	–	4,533

The movements in fair value measurements in Level 3 during the year are as follows:

	Group and Company	
	2014 HK$'000	2013 HK$'000
Derivative components of convertible bonds:		
At 1 April	**–**	–
Transfer*	**4,533**	–
Fair value gains recognised in the statement of profit or loss	**10,271**	–
At 31 March	**14,804**	–

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Assets measured at fair value: (continued)

* In the opinion of the Company's directors, the unobservable inputs are significant to the valuation of derivative component as at 31 March 2014. The fair value measurement of derivative component of convertible bonds has been reclassified to level 3 fair value measurement. The Group policy is to recognise transfers into and transfers out of level 3 as of the date of event or change in circumstances that caused the transfer.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 (2013: Nil).

The Group and the Company did not have any financial liabilities measured at fair value as at 31 March 2014 and 2013.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise equity investments, convertible bonds and bonds, cash and bank balances and restricted bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, restricted bank balances, available-for-sale equity investments and equity investments at fair value through profit or loss, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's available cash and its available banking facilities.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group – 2014

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	–	16	–	16
Other payables	–	652	–	–	652
Finance lease payables	–	43	127	552	722
Convertible bonds	–	–	–	100,000	100,000
Bonds	–	–	–	109,219	109,219
	–	695	143	209,771	210,609

Group – 2013

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	48	24	–	72
Other payables	–	421	–	–	421
Finance lease payables	–	37	50	–	87
Convertible bonds	–	–	–	100,000	100,000
Bonds	–	–	–	109,219	109,219
	–	506	74	209,219	209,799

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company – 2014

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	–	–	–	100,000	100,000
Bonds	–	–	–	109,219	109,219
Due to subsidiaries	7,498	–	–	–	7,498
	7,498	–	–	209,219	216,717

Company – 2013

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	–	–	–	100,000	100,000
Bonds	–	–	–	109,219	109,219
Due to subsidiaries	7,498	–	–	–	7,498
	7,498	–	–	209,219	216,717

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 17) and available-for-sale investments (note 16) as at 31 March 2014. The Group's listed investments are listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale equity investment revaluation reserve and no account is given for factors such as impairment which might impact on the statement of profit or loss.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

	Carrying amount of equity investments HK$'000	Change in the Group's loss before tax HK$'000	Change in the Group's equity* HK$'000
2014			
Investments listed in:			
Hong Kong – Available-for-sale	**650**	**–**	**33**
– Held-for-trading	**176,617**	**8,831**	**–**
Singapore – Available-for-sale	**13,811**	**–**	**691**

* Excluding accumulated losses

	Carrying amount of equity investments HK$'000	Change in the Group's loss before tax HK$'000	Change in the Group's equity* HK$'000
2013			
Investments listed in:			
Hong Kong – Available-for-sale	620	–	31
– Held-for-trading	92,045	4,602	–
Singapore – Available-for-sale	11,979	–	599

* Excluding accumulated losses

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014 and 2013.

The Group monitors capital on the basis of the debt-to-equity ratio calculated as total debt divided by total equity. The debt-to-equity ratios as at the end of the reporting periods were as follows:

Group

	2014	2013
	HK$'000	HK$'000
Trade payables	**16**	72
Finance lease payables	**654**	85
Other payables and accruals	**12,645**	13,205
Liability component of the convertible bonds	**73,386**	65,379
Liability component of the bonds	**79,421**	70,515
Total debt	**166,122**	149,256
Total equity/(deficiency in assets)	**128,689**	(3,331)
Debt-to-equity ratio	**129%**	(4,481%)

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 June 2014.