

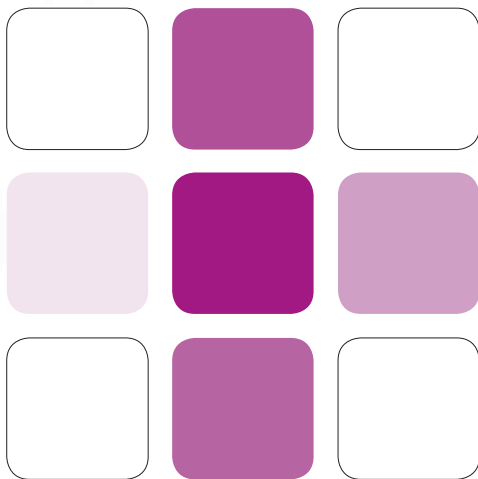


Annual Report
2013



中國衛生控股有限公司
CHINA HEALTHCARE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 673)



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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Jia Hong Sheng (*Chairman*)
Dr. Li Zhong Yuan
Mr. Zhou Bao Yi
Mr. Chung Ho

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yan Shi Yun
Mr. Mu Xiang Ming
Mr. Jiang Bo
Mr. Zhao Hua

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 801, 8/F
China Insurance Group Building
141 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation
Harcourt Road Branch
Ground Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

AUDITORS

Elite Partners CPA Limited
Suites 921-921A,
9/F, Star House
3 Salisbury Road
Tsim Sha Tsui, Hong Kong

LEGAL ADVISER

KING & WOOD Mallesons
13/F Gloucester Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY WEBSITE

<http://chc673.com>

STOCK CODE

673

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of China HealthCare Holdings Limited (hereinafter referred to as the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present the annual report for 2013 to our shareholders.

OPERATIONS AND RESULTS

During the reporting year, the Group continued to consolidate its B-to-C consumer services operation in mainland China, and at the same time actively explored new business areas with a view to seeking new development opportunities for the Company.

During the reporting year, the Group recorded a profit of approximately HK\$140.6 million. The Board of Directors did not recommend the payment of any final dividend for the year.

TERMINATION OF THE ACQUISITION OF "FU SHOU YUAN" AND CONCLUSION OF THE LEGAL PROCEEDINGS

During the reporting year, the Group made every effort to resolve the legal proceedings in relation to the acquisition of "Fu Shou Yuan". On 6 May 2013, the parties to the legal proceedings reached a settlement. As at the date of this report, the Group had terminated the acquisition of "Fu Shou Yuan", and thus the relevant legal proceedings had been discontinued.

DEBT SETTLEMENT

During the reporting year, the Group remained insolvent due to its obligations of the convertible bond (the "Convertible Bond 1") of outstanding principal of approximately US\$5.39 million and the redeemable convertible preference shares (the "Preference Shares") of outstanding principal of US\$15 million. The Group actively negotiated with the creditors and reached a supplementary agreement with the shareholders of the Preference Shares in March 2013, extending the full settlement of the outstanding principal for redemption of the Preference Shares to 30 November 2013.

Chairman's Statement

PROSPECTS

Resolving the Group's solvency problem requires the injection of substantial external resources, and the development of the Group and maximising the value for our shareholders also require the introduction of viable assets or projects. Due to our efforts in the last year, legacy issues have already been resolved or are being addressed. The Group is able to concentrate its resources for the future, establishing a foundation for its forthcoming development.

In the next financial year, the Board of Directors will actively seek opportunities to bring in new resources for the Group to rebuild its core operations and financial foundation. In the next one to two decades, China will witness comprehensive economic and social development and improvement. Digitisation, urbanisation and population aging open up broad prospects for the modern service industry. It is the unanimous view of the Board of Directors that the Group should target its operations at and explore investment and development opportunities in the extensive market of Chinese primary care services, so as to become a veritable "China HealthCare" enterprise.

Last, but not the least, on behalf of the Board of Directors, I would like to express my heartfelt appreciation to all shareholders and investors for their understanding and support, and the management and staff for their staunch commitment and dedicated contribution in such a difficult environment, in the past year.

Yours sincerely,

Jia Hong Sheng

Chairman

28 June 2013

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2013, the Group reported a turnover of approximately HK\$23.1 million, representing a decrease of 53% as compared to HK\$49.1 million for the previous financial year. The Group's net profit from ordinary activities attributable to shareholders for the year was approximately HK\$140.6 million as compared to loss of approximately HK\$24.6 million for the previous financial year. Basic earnings/(loss) per share for the year was HK26.4 cents (2012: HK5 cents).

BUSINESS OPERATION

During the past financial year, the Group's business operation continued to be principally engaged in provision of consumer oriented services that enable the procurement of better access, better communication and better connectivity in China.

China is undergoing mega growth of underlying consumption demands arising from China's on-going grand-scale urbanization, rising per capita income, and increasing mobility. The Group is making its best effort as a consumer oriented service provider to embrace the mega trend in China.

Review of the Group's business operations

The Group's revenue primarily comes from its B-to-C consumer services operation, the operation's business model is oriented around scale; growth; cash flow and outlets of distribution and settlement. During the past financial year, the Group continued to have B-to-C consumer services operation in China as value added service provider to telecom operator in China. It has also developed a distribution network of scaled POS-enabled retail outlets for end customers as of the date of this report.

While the Group is engaged in the provision of B-to-C consumer services, the Group has also diversified its business into distribution of cooling systems for high-speed vehicles in the PRC, via an acquisition with details as announced in November 2012 (the "Acquisition").

Review of the Group's financial distress

As of the date of this report, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, continued to be insolvent due to its obligations of the convertible bond (the "CB") of outstanding principal of about US\$5.39 million and the redeemable convertible preference shares of outstanding principal of US\$15 million (the "RCPS").

Management Discussion and Analysis

Having experimented with various ways and means to find a solution to the HoldCo's solvency problem over the previous financial years, the directors continue to consider that a solution would necessarily require injection of substantial external resources, and in practice the Group has to bring in viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations. On or around 19 August 2010, Wingames Investments Limited ("Wingames"), an indirectly wholly-owned subsidiary of the Company, entered into the agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors") (collectively known as "Guarantors"), being the independent third parties, to acquire equity interests of in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities, for a total consideration of HK\$3,360 million by way of a very substantial acquisition (the "VSA"), details of which have been set out in the Company's circular dated 23 February 2011. The VSA transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants in Hong Kong since 31 May 2011 (the "Proceeding"). On 6 May 2013, the parties to the Proceeding have reached an agreement to settle the Proceeding, which brings an end to the VSA. Relevant details and developments of the Proceeding are disposed in a series of announcements since 3 June 2011.

Despite the Company's unsuccessful exercise of the VSA above, the directors have continued to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Group to solve its solvency problem.

Facing the financial distress above and as the Group's operations are principally service oriented and human capital heavy, directors have continued to make every best effort in alleviating the ongoing negative impacts of the financial distress.

FUTURE PROSPECT

While the Group's HoldCo is facing financial distress and ongoing negative impacts on asset injection efforts, the Group is still trying its very best, and at the same time looking forward to the support and cooperation of our shareholders; stakeholders and business partners, to work out a satisfactory solution to HoldCo's solvency problem as the viable avenue to generate shareholder's value.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2013, the Group's cash and cash equivalents amounted to approximately HK\$14.2 million, where about HK\$9.9 million is in its subsidiary Harvest Network Ltd. ("Harvest") and its use is restricted for Harvest's working capital and other purpose only.

The Group's total borrowings as at 31 March 2013 amounted to about HK\$181.6 million, all of which were represented by convertible bonds, redeemable convertible cumulative preference shares and promissory note.

On this basis, the gearing ratio is calculated at (2.16) (2012: (1.52)), based on an amount of shareholders' equity of HK\$(84,236,000) (2012: HK\$(256,879,000)).

CONTINGENT LIABILITIES

As at 31 March 2013, there were no contingent liabilities of the Group.

CHARGE ON GROUP'S ASSETS

As at 31 March 2013, there was no charge on the Group's assets.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2013, the Group employed 48 (2012: 52) staff members. Total staff cost including Directors' emoluments was HK\$9.1 million as compared to HK\$13.3 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Jia Hong Sheng, aged 69 and Chairman of the Board, graduated from Missile Engineering Department of Harbin Institute of Military Engineering, and he is trained as a senior engineer. Mr. Jia has over 40 years of leadership record and development experience in strategic direction, resource origination, business and corporate management. From 1977 to 1986, he worked as the chief executive of the Computer Research Institute in Tianjin and the Party Secretary and the Director of the Tianjin Computer Industry Company. From 1986 to 1987, he served as the Deputy Secretary General and the Director of the domestic department of China Foundation for Disabled Persons. From 1987 to 1993, he was the Executive Vice President and Deputy Party Secretary and the Deputy Director of the Liquidation Committee of China Kang Hua Development Corporation. From 1993 to 2003, he served successively as the Vice President, the President and the Party Secretary of China Hua Tong Distribution & Industry Group Company. From 1986 until now, he serves as a council member of China Foundation for Disabled Persons.

Dr. Li Zhong Yuan, aged 51 and Executive Director, has many years of experience in entrepreneurship; principal investment; finance; and academia. Dr. Li held senior positions in cross border structured products/asset swap/repackaging with major international investment banks, including Bankers Trust, Salomon Brothers, and IBJ Asia and was a Director of Rabobank International before pursuing his own principal investment and entrepreneurial operation in early 2000. Dr. Li received his Ph.D. in Mathematics with best dissertation for the year honor from the University of Michigan and subsequently worked as a C.L.E. Moore Instructor in Mathematics at the MIT. Dr. Li is a member of the International Advisory Board of the UCSD Graduate School of International Relations and Pacific Studies, and also served on boards of a number of public and private companies.

Mr. Zhou Bao Yi, aged 51 and Executive Director, is in charge of the Group's finance; accounting and administration for the Group. Mr. Zhou has many years of administrative experience in organizational management and was the Chief Financial Officer; President and Chairman in Northeastern Electric Transmission and Transformation Equipment Group Ltd. – a large state-owned enterprise and a production base of transmission and transformation equipment of the PRC. Mr. Zhou received his Master degree in economics from People's University, PRC; Doctoral degree in Management from Liaoning University and is a certified Senior Accountant in the PRC.

Mr. Chung Ho, aged 50 and Executive Director, graduated from Shanghai Railway University with a Bachelor degree in Science and Technology and from the Central University of Finance and Economics with a Master degree in Economics. He has over 20 years of experience in investment, financing, corporate management and other areas and has worked in several investment institutions and companies in Mainland China and Hong Kong as senior manager and director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 57 and independent non-executive director, is an experienced international lawyer. Mr. Mu is currently the managing partner of Shanghai Ming & Yuan Law Firm, a law firm with its principal office in Shanghai and affiliated offices in the U.S. and Japan and was a member of the Shanghai Municipal Government Foreign Economic Trade Committee and a practicing lawyer in a U.S. solicitors firm for four years. He received his L.L.B. degree from Fudan University Law School in Shanghai, China and L.L.M. degree from University of Oregon Law School in the United States.

Biographical Details of Directors and Senior Management

Dr. Yan Shi Yun, aged 73 and independent non-executive director, is a highly distinguished TCM doctor. Currently, Dr. Yan is the Deputy Chairman of Academic Evaluation Department of State Council Academic Committee, Deputy Chairman of China Medical High Education Committee and Deputy Chairman of Chinese Traditional Medicine High Education Committee. He is also the Chairman of Shanghai TCM Development Expert Panel, and Deputy Chairman of Shanghai Chinese Traditional Medicine Association. He serves as a member of the State Pharmacopoeia Committee, Shanghai Academic Committee, and China Academy of Sciences for Chinese Traditional Medicine. Dr. Yan is an Honorary Professor of TCM Department of The University of Hong Kong and Honorary Visiting Professor of The Chinese University of Hong Kong. Previously he was the President of Shanghai University of TCM and Director of the TCM Institute of Shanghai University of TCM from 1985 to 2005.

Mr. Jiang Bo, aged 55 and independent non-executive director, is an experienced auditor and a CPA with more than 10 years of IPO project experiences with state-owned enterprises in China and overseas. He is a well respected member of the Chinese Institute of Certified Public Accountant (CICPA), Chinese Institute of Certified Public Valuer (CICPV) and the Liaoning Assets Appraisal Specialists Committee. Currently, Mr. Jiang is the General Manager of Liaoning Reanda Certified Public Accountant Firm. Previously, he was the Director of The Economy and Culture Promoting Association of Liaoning Province in China. He serves on the board of Brilliance China Automotive Holding Limited as an independent non-executive director.

Mr. Zhao Hua, aged 58 and independent non-executive director, graduated from Graduate School of Chinese Academy of Social Sciences with a Master degree in Money and Banking in 1998. He has over 20 years of experience in investment consulting, business development and corporate management and has worked in several investment institutions and companies in China as senior management. Mr. Zhao has been an independent non-executive director of New China Life Insurance Company Limited since 28 December 2009, which is a listed company both in Shanghai (Stock Code: 601336) and Hong Kong (Stock Code: 1336). He is currently a vice general manager of China National Investment and Consulting Co., Ltd., a subsidiary of State Development & Investment Corporation, and is responsible for the development and implementation of the company's investment consulting business. Prior to that, Mr. Zhao served as director of the consulting department of China Investment Association, chairman of Beijing Zhongzi North Investment Advisory Consultants Ltd. of China International Engineering Consulting Corporation, assistant general manager of China International Engineering Consulting Corporation, general manager of Hainan Economic Construction Consulting Corporation of China International Engineering Consulting Corporation, etc. Mr. Zhao is a senior engineer granted by the State Planning Commission and a registered consulting engineer granted by the National Development and Reform Commission.

COMPANY SECRETARY

Mr. Tsui Siu Hung Raymond, aged 37, is the secretary of the Company. Mr. Tsui received his Bachelor of Business Administration in Accounting from the Chinese University of Hong Kong. He has over 14 years of experience in finance, consulting, accounting and auditing. He is fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of the Certified Public Accountants.

Report of the Directors

The directors present their annual report and the audited consolidated financial statements of the Company for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of B-to-C consumer services in E-distribution of mobile pre-charge etc., and distribution of cooling system. Other than the new operation of distribution of cooling system, there were no significant changes in the operation of the Company and its subsidiaries (collectively, the "Group").

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2013 and the state of affairs at the date are set out in the consolidated financial statements on pages 25 to 107.

The directors do not recommend the payment of any dividend for the year ended 31 March 2013 (2012: Nil).

PROPERTY, PLANT AND EQUIPMENT

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

CONVERTIBLE BONDS

Details of the Company's convertible bonds are set out in the note 32 to the consolidated financial statements.

REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Details of the Company's redeemable convertible cumulative preference shares are set out in the note 31 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 36 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in consolidated statement of changes in equity on page 29.

DISTRIBUTABLE RESERVES

As at 31 March 2013, the Company had no reserves available for distribution and/or distribution in specie, as calculated in accordance with the Companies Act 1981 of Bermuda.

Report of the Directors

DIRECTORS AND THEIR SERVICE CONTRACTS

The directors of the Company ("Directors") during the year and up to the date of this report:

EXECUTIVE DIRECTORS

Mr. Jia Hong Sheng (appointed on 26 March 2013)

Dr. Li Zhong Yuan

Mr. Zhou Bao Yi

Mr. Chung Ho (appointed on 28 December 2012)

NON-EXECUTIVE DIRECTOR

Mr. Martin Treffer (resigned on 3 April 2013)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Yan Shi Yun

Mr. Mu Xiang Ming

Mr. Jiang Bo

Mr. Zhao Hua (appointed on 28 May 2013)

The biographical details of the directors of the Company and senior management of the Group are set out on pages 8 and 9 of this annual report.

In accordance with the Company's Bye-laws 86(2) and 87, Mr. Jia Hong Sheng, Dr. Li Zhang Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Zhao Hua will retire from the board by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

All Non-Executive Directors and Independent Non-Executive Directors are not appointed for a specific term.

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

The remuneration of the Directors and the details of the 5 highest-paid employees of the Company and the Group are set out in note 15 to the consolidated financial statements.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in notes 29 and 30 to the financial statements, no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES AND SHARE OPTIONS

As at 31 March 2013, the interests and short positions of the Directors/Chief Executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions in which the directors were deemed or taken to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

| Name of director/chief executive | Company/associated corporation | Capacity | Interests in shares (other than pursuant to equity derivatives) | Interests in underlying shares pursuant to equity derivatives | Total interests in shares/underlying shares | Percentage of shares and underlying shares to issued shares at 31 March 2013 |
|----------------------------------|--------------------------------|-----------|---|---|---|--|
| Dr. Li Zhong Yuan | The Company | Corporate | 11,147,000 (Note 1) | – | 11,147,000 | 1.85% |
| | | Personal | 13,296,000 | 2,619,000 | 15,915,000 | 2.64% |
| Mr. Martin Treffer | The Company | Corporate | 1,295,000 (Note 2) | – | 1,295,000 | 0.21% |
| | | Personal | 250,000 | 1,002,000 | 1,252,000 | 0.21% |
| Mr. Zhou Bao Yi | The Company | Personal | 1,002,000 | – | 1,002,000 | 0.17% |
| Mr. Mu Xiang Ming | The Company | Personal | 261,000 | – | 261,000 | 0.04% |
| Dr. Yan Shi Yun | The Company | Personal | – | 261,000 | 261,000 | 0.04% |
| Mr. Jiang Bo | The Company | Personal | 261,000 | – | 261,000 | 0.04% |

Report of the Directors

Notes:

1. These shares are held through Pacific Annex Capital Limited which is wholly owned by Dr. Li Zhong Yuan.
2. These shares are held by 2Trade Group Limited which is beneficially owned by Mr. Martin Treffer as to 35%.
3. The underlying shares of equity derivatives represent the shares issuable upon the exercise of share options granted to the directors/chief executives by the Company.

Save as disclosed above, none of directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or pursuant to section 352 of the SFO, to be recorded in the register referred therein; or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors nor chief executive, nor any of their spouse or children under the age 18, had any right to subscribe for securities of the Company, or exercised any such right.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2013, so far as is known to Directors, those persons other than Directors and chief executive of the Company, who had the interest or short positions in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

| Name of substantial shareholders | Capacity | Interests in shares | Interests in underlying shares pursuant to equity derivatives | Total interests in shares and underlying shares | Approximate percentage of shares and underlying shares held to existing total issued shares |
|--|--|---------------------|---|---|---|
| Firstsail Investments Limited (<i>note 1</i>) | Beneficial owner | 100,000,000 | – | 100,000,000 | 16.58% |
| Dragonrise Capital Advisors Inc. (<i>note 2</i>) | Beneficial owner | 62,480,474 | – | 62,480,474 | 10.36% |
| Capital Foresight Limited (<i>note 3</i>) | Beneficial owner | – | 364,687,500 | 364,687,500 | 60.45% |
| ZhongXing Limited (<i>note 4</i>) | Beneficial owner | 76,160,474 | – | 76,160,474 | 12.62% |
| Ho Kin (<i>note 4</i>) | Interests of controlled corporation and beneficial owner | 79,736,474 | – | 79,736,474 | 13.22% |

Notes:

- (1) Firstsail Investments Limited was beneficially owned as to 50% by Chan Lee On and 50% by Shen Yuluo.
- (2) Dragonrise Capital Advisors Inc. was beneficially wholly-owned by Yeung Ning.
- (3) The equity derivatives represent preference shares which entitle the holder thereof to convert for 364,687,500 fully paid shares at an adjusted conversion price of HK\$0.32 per share (subject to adjustments). Capital Foresight Limited was beneficially owned as to 36% by Chen Li Bo and 36% by Yu Feng.
- (4) ZhongXing Limited was wholly-owned by Ho Kin.

Report of the Directors

SHARE OPTION SCHEMES

There was no change in any terms of the share option schemes of the Company during the year ended 31 March 2013.

The following table discloses details of options outstanding under the Company's share option schemes and movements during the year:

| | Option type | At 1 April 2012 | Granted during the year | Exercised during the year | Lapsed during the year | At 31 March 2013 |
|---------------------------------|-------------|-------------------|-------------------------|---------------------------|------------------------|------------------|
| Directors | | | | | | |
| Li Zhong Yuan | B | 1,500,000 | - | - | (1,500,000) | - |
| | C | 2,100,000 | - | - | (2,100,000) | - |
| | E | 2,619,000 | - | - | - | 2,619,000 |
| Martin Treffer | C | 900,000 | - | - | (900,000) | - |
| | E | 1,002,000 | - | - | - | 1,002,000 |
| Mu Xiang Ming | C | 210,000 | - | - | (210,000) | - |
| Yan Shi Yun | E | 261,000 | - | - | - | 261,000 |
| Total Directors | | <u>8,592,000</u> | <u>-</u> | <u>-</u> | <u>(4,710,000)</u> | <u>3,882,000</u> |
| Employees | | | | | | |
| | B | 60,000 | - | - | (60,000) | - |
| | C | 270,000 | - | - | (270,000) | - |
| | E | 2,349,000 | - | - | - | 2,349,000 |
| Total employees | | <u>2,679,000</u> | <u>-</u> | <u>-</u> | <u>(330,000)</u> | <u>2,349,000</u> |
| Advisors and consultants | | | | | | |
| | B | 4,144,000 | - | - | (4,144,000) | - |
| | C | 4,422,000 | - | - | (4,422,000) | - |
| | D | 99,000 | - | - | (99,000) | - |
| Total advisors and consultants | | <u>8,665,000</u> | <u>-</u> | <u>-</u> | <u>(8,665,000)</u> | <u>-</u> |
| Total | | <u>19,936,000</u> | <u>-</u> | <u>-</u> | <u>(13,705,000)</u> | <u>6,231,000</u> |

Report of the Directors

| Option type | Date of grant | Exercisable Period | Exercise price HK\$ | Closing price immediately before the date of grant HK\$ |
|-------------|---------------|---------------------|------------------------|--|
| A | 31 Aug 2001 | 31/8/2001-15/5/2011 | 8.60* | 12.000* |
| B | 2 Feb 2004 | 2/2/2004-7/4/2012 | 3.40 | 3.800 |
| C | 3 Mar 2005 | 3/3/2005-7/4/2012 | 2.325 | 2.325 |
| D | 20 Jun 2005 | 20/6/2005-7/4/2012 | 2.330 | 2.300 |
| E | 13 Apr 2010 | 13/4/2010-12/4/2020 | 0.500 | 0.490 |

* The price has been adjusted for consolidation of the Company's shares.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 108 of this annual report.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 86.7% and 86.7%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 100% and 100%, respectively, of the Group's total sales for the year.

None of the Directors of the Company or any of their 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 suppliers or customers.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2013.

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2013, the Group had a loan of US\$2.7 million (equivalent to HK\$21,675,000) made to Multiline Digital Co. Ltd, an independent third party. Full impairment loss for the loan was made in prior years. Details of the movement are disclosed in note 24 to the consolidated financial statements.

AUDITORS

Except for the change of the Company's auditor from SHINEWING (HK) CPA Limited to Zenith CPA Limited during the year ended 31 March 2011 and from Zenith CPA Limited to Elite Partners CPA Limited during the year ended 31 March 2013, there was no other change in auditors of the Company in any of the preceding three years. Elite Partners CPA Limited retire and a resolution for their re-appointment as and for of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhou Bao Yi

Executive Director

28 June 2013

Corporate Governance Report

In the opinion of the board of directors of the Company (the "Board"), the Company has complied with the Code of Corporate Governance Practices (the "Code") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2013 except for certain deviations disclosed herein.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. Having made specific enquiry, all directors have confirmed that they have fully complied with the required standard set out in the Model Code during the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the executive directors and senior management who perform their duties under the leadership of the Board.

The Board currently consists of four executive directors and four Independent non-executive directors. One of our Independent non-executive directors has relevant financial management expertise required by the Listing Rules. The directors have no financial, business, family or other material/relevant relationship among themselves.

The Company has received annual confirmations of independence from independent non-executive directors and the Company considers that all of independent non-executive directors are independent.

Given the nature and business objective of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of directors and their respective biographies are set out on pages 8 and 9 of this annual report.

DIRECTORS' ATTENDANCE RECORD AT MEETINGS

The attendance of each director at the Board meetings, certain committee meetings and general meetings during the year is as follows:

| | Attended/Eligible to attend | | | | |
|--|-----------------------------|-------------------------|--------------------------------|------------------------------|-----------------|
| | Board meeting | Audit Committee meeting | Remuneration Committee meeting | Nomination Committee meeting | General meeting |
| Executive Directors | | | | | |
| Mr. Jia Hong Sheng (appointed on 26 March 2013) | 0/0 | N/A | N/A | N/A | 0/0 |
| Dr. Li Zhong Yuan | 7/7 | N/A | N/A | N/A | 0/1 |
| Mr. Zhou Bao Yi | 7/7 | 2/2 | N/A | N/A | 1/1 |
| Mr. Chung Ho (appointed on 28 December 2012) | 1/1 | N/A | N/A | N/A | 0/0 |
| Non-executive Director | | | | | |
| Mr. Martin Treffer (resigned on 3 April 2013) | 7/7 | N/A | N/A | N/A | 0/1 |
| Independent non-executive Directors | | | | | |
| Dr. Yan Shi Yun | 7/7 | 2/2 | 1/1 | 1/1 | 0/1 |
| Mr. Mu Xiang Ming | 7/7 | 2/2 | 1/1 | 1/1 | 0/1 |
| Mr. Jiang Bo | 7/7 | 2/2 | 1/1 | 1/1 | 0/1 |
| Mr. Zhao Hua (appointed on 28 May 2013) | 0/0 | N/A | N/A | N/A | 0/0 |

Corporate Governance Report

CHAIRMAN AND EXECUTIVE DIRECTORS

Mr. Jia Hong Sheng is the Chairman of the Board and an Executive Director of the Company, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi and Mr. Chung Ho are Executive Directors of the Company. The Chairman is responsible for providing leadership for the Board of Directors and ensuring that the Board of Directors works effectively. Dr Li Zhong Yuan, Mr. Zhou Bao Yi and Mr. Chung Ho are responsible for the Group's overall business development, implementation and management.

NON-EXECUTIVE DIRECTORS

Under A.4.1 of the Code, the non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the Non-executive Directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

REMUNERATION COMMITTEE

The Company established its Remuneration Committee on 31 March 2007 with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company. The Remuneration Committee comprises three independent non-executive directors, namely Mr. Mu Xiang Ming, Dr. Yan Shi Yun and Mr. Jiang Bo. One meeting was held during the year and all committee members attended that meeting.

NOMINATION COMMITTEE

The Company established its Nomination Committee on 30 March 2012 with specific written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, making recommendations to the Board on appointment of the directors and assessing the independence of independent non-executive directors. The Nomination committee comprises Mr. Mu Xiang Ming as the chairman and Mr. Jiang Bo and Dr. Yan Shi Yun as members. One meeting was held during the year and all committee members attended that meeting.

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2013, the external auditor's remuneration for audit services was HK\$900,000.

Corporate Governance Report

AUDIT COMMITTEE

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2013.

During the year, the Audit Committee has performed the following duties:

- reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 March 2013 and the unaudited interim financial statements for the six months ended 30 September 2012, with recommendations to the Board for approval;
- reviewed reports on internal control system covering financial, operational, procedural compliance and risk management functions; and
- reviewed the compliance issues with the regulatory and statutory requirements.

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for the year ended 31 March 2013.

The Chairman of the Audit Committee, Mr. Jiang Bo, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

ACCOUNTABILITY

The directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the financial statements for the six months ended 30 September 2012 and for the year ended 31 March 2013, the directors have adopted suitable accounting policies and applied them consistently. The financial statements for the reporting year have been prepared on a going concern basis, details of which are set out in note 2 to the consolidated financial statements.

INTERNAL CONTROL

The Board has, through the Audit Committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

Corporate Governance Report

DIRECTORS' TRAINING

Each newly appointed Director has received comprehensive, formal and tailored induction on the first occasion of his appointment, so as to ensure that he has appropriate understanding of the business and operations of the Group and that he is fully aware of his responsibilities and obligations under the Listing Rules and relevant regulatory requirements. There are also arrangements in place for providing continuing briefing and professional development to Directors at the Company's expenses whenever necessary.

During the year, all Directors were provided with regular updates on the Group's business and operations. An in house briefing was organised for Directors during the year to update the Directors on the directors duties and the Listing Rules.

SHAREHOLDERS' RIGHTS

The Directors believes that effective communication with the shareholders in a timely basis is essential. Shareholders can, by written requisition to the Board or the Secretary of the Company, to convene an extraordinary general meeting, subject to the provision of the Company's Bye-laws 58.

Shareholders are provided with contact details of the Company, such as telephone number, fax number, email address and postal address in the Company's website (<http://chc673.com>), in order to enable them to make any query that they may have with respect to the Company. They can also put forward their proposals at shareholders' meetings through these means subject to the provision as set out in the Company's Bye-Laws.

INVESTOR RELATIONS

The Company believes in regular and timely communication with shareholders as part of its efforts to help shareholders understand its business better and the way the Company operates. To promote effective communication with the public, the Company maintains a website (<http://chc673.com>) on which comprehensive information about the Company's major businesses, press releases, notices, financial information, announcements, annual and interim reports and shareholders circulars are being made available.

There was no change in the Company's constitutional documents during the year ended 31 March 2013.

Independent Auditor's Report



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

TO THE SHAREHOLDERS OF CHINA HEALTHCARE HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Healthcare Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 107, which comprise the consolidated statement of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 Auditor's Report

AUDITOR'S RESPONSIBILITY *(continued)*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers 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.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation – Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains the circumstances given rise to the fundamental uncertainties on the adoption of going concern basis in relating to (i) the liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK\$48,064,000 as at 31 March 2013, which was originally past due but extended to 17 May 2013; and (ii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK\$115,503,000 as at 31 March 2013, which was originally past due but extended to 30 June 2014. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the holders of CB verbally agree to extend the redemption date of the CB. In addition, holder of PS has entered the agreement to extend the final settlement date to 30 June 2014. However, the evidence available to us was limited. Although the Group has entered the agreement with the holder of PS to conditionally extend the settlement date to 30 June 2014, we were unable to obtain sufficient evidence to satisfy ourselves as to the Group has sufficient future cashflow to redeem the PS by 30 June 2014. Should the support from the holder of PS is not forthcoming and the Group is unable to obtain sufficient financing from other sources, the going concern basis would then be inappropriate.

Independent Auditor's Report

BASIS FOR DISCLAIMER OF OPINION *(continued)*

Scope limitation – Going concern *(continued)*

Should the Group unable to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2013 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Elite Partners CPA Limited

Certified Public Accountants

Hong Kong, 28 June 2013

Yip Kai Yin

Practising Certificate Number P05131

Suites 921-921A, 9/F., Star House
3 Salisbury Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Comprehensive Income

Year ended 31 March 2013

| | Notes | For the year ended 31 March | |
|---|-------|--------------------------------|--------------------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
| CONTINUING OPERATIONS | | | |
| Revenue | 10 | 23,128 | 49,106 |
| Cost of sales | | <u>(11,068)</u> | <u>(16,789)</u> |
| Gross profit | | 12,060 | 32,317 |
| Other income | 10 | 1,201 | 3,082 |
| Selling and distribution expenses | | (11,947) | (11,091) |
| Administrative expenses | | (31,920) | (58,018) |
| Finance costs | 11 | (140,420) | (115,608) |
| Extinguishment of liability component of redeemable convertible cumulative preference shares | 31 | 293,643 | – |
| Fair value gain on derivative component of redeemable convertible cumulative preference shares | 31 | <u>6,875</u> | <u>114,702</u> |
| PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS | 12 | 129,492 | (34,616) |
| Income tax expense | 13 | <u>(270)</u> | <u>(1,957)</u> |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | | <u>129,222</u> | <u>(36,573)</u> |
| DISCONTINUED OPERATIONS | | | |
| Loss for the year from discontinued operations | 14 | <u>–</u> | <u>(489)</u> |
| PROFIT/(LOSS) FOR THE YEAR | | <u><u>129,222</u></u> | <u><u>(37,062)</u></u> |

Consolidated Statement of Comprehensive Income (continued)

Year ended 31 March 2013

| | Note | For the year ended 31 March | |
|--|------|--------------------------------|--------------------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
| PROFIT/(LOSS) FOR THE YEAR | | <u>129,222</u> | <u>(37,062)</u> |
| OTHER COMPREHENSIVE INCOME/(LOSS) | | | |
| Exchange differences on translation of foreign operations | | (3,475) | 14,632 |
| Release of exchange differences upon disposal of subsidiaries | | <u>—</u> | <u>(11,307)</u> |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX | | <u>(3,475)</u> | <u>3,325</u> |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR | | <u><u>125,747</u></u> | <u><u>(33,737)</u></u> |
| Profit/(loss) attributable to: | | | |
| Owners of the Company | | 140,609 | (24,596) |
| Non-controlling interests | | <u>(11,387)</u> | <u>(12,466)</u> |
| | | <u><u>129,222</u></u> | <u><u>(37,062)</u></u> |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the Company | | 137,143 | (23,389) |
| Non-controlling interests | | <u>(11,396)</u> | <u>(10,348)</u> |
| | | <u><u>125,747</u></u> | <u><u>(33,737)</u></u> |
| Basic earnings/(loss) per ordinary share | 16 | | |
| Profit/(loss) from continuing operations (HK cents) | | 26.4 | (4.9) |
| Loss from discontinued operations (HK cents) | | <u>N/A</u> | <u>(0.1)</u> |
| | | <u>26.4</u> | <u>(5.0)</u> |
| Diluted earnings/(loss) per ordinary share | 16 | | |
| Profit/(loss) from continuing operations (HK cents) | | 25.9 | N/A |
| Loss from discontinued operations (HK cents) | | <u>N/A</u> | <u>N/A</u> |
| | | <u>25.9</u> | <u>N/A</u> |

Consolidated Statement of Financial Position

31 March 2013

| | Notes | As at 31 March | | As at 1 April |
|--|-------|------------------|--------------------------------|--------------------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 (Restated) | 2011 HK\$'000 (Restated) |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | 17 | 1,606 | 1,618 | 5,034 |
| Goodwill | 18 | – | – | – |
| Intangible assets | 19 | 50,531 | – | – |
| Other intangible assets | 20 | – | – | 1,329 |
| Prepayment for acquisition of non-current assets | 21 | – | – | – |
| Financial assets | 31 | 2,150 | – | – |
| Other receivable | 23 | 3,218 | 4,169 | – |
| Total non-current assets | | 57,505 | 5,787 | 6,363 |
| CURRENT ASSETS | | | | |
| Inventories | | – | – | 2,970 |
| Trade receivables | 22 | 28,257 | 27,101 | 20,447 |
| Prepayments, deposits and other receivables | 23 | 192,301 | 192,229 | 87,201 |
| Loan receivables | 24 | – | – | – |
| Restricted bank balances | 25 | 9,927 | 24,741 | 100,173 |
| Cash and bank balances | 26 | 4,302 | 7,719 | 71,998 |
| Total current assets | | 234,787 | 251,790 | 282,789 |
| CURRENT LIABILITIES | | | | |
| Trade payables | 27 | 6,188 | 83 | 92 |
| Other payables and accrued expenses | 28 | 33,370 | 27,340 | 34,978 |
| Amounts due to directors | 29 | 3,096 | 2,599 | 545 |
| Interest-bearing loans from a director and a shareholder | 30 | 8,453 | 8,052 | – |
| Derivative component of redeemable convertible cumulative preference shares | 31 | – | 6,875 | 121,577 |
| Liability component of convertible bonds | 32 | 48,064 | 46,643 | – |
| Liability component of redeemable convertible cumulative preference shares | 31 | 115,503 | 281,801 | – |
| Income tax payables | | 3,245 | 2,259 | 3,496 |
| Preference shares dividend payable of a subsidiary | 34 | 59,470 | 46,269 | 32,791 |
| Promissory note | 33 | 18,000 | – | – |
| Total current liabilities | | 295,389 | 421,921 | 193,479 |
| NET CURRENT (LIABILITIES)/ASSETS | | (60,602) | (170,131) | 89,310 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (3,097) | (164,344) | 95,673 |

Consolidated Statement of Financial Position (continued)

31 March 2013

| | Notes | As at 31 March | | As at 1 April |
|--|-------|------------------|--------------------------------|--------------------------------|
| | | 2013 HK\$'000 | 2012 HK\$'000 (Restated) | 2011 HK\$'000 (Restated) |
| NON-CURRENT LIABILITIES | | | | |
| Liability component of convertible bonds | 32 | – | – | 45,188 |
| Liability component of redeemable convertible cumulative preference shares | 31 | – | – | 180,755 |
| Deferred tax liabilities | 35 | – | – | 336 |
| Total non-current liabilities | | – | – | 226,279 |
| Net liabilities | | (3,097) | (164,344) | (130,606) |
| EQUITY | | | | |
| Equity attributable to owners of the Company | | | | |
| Issued capital | 36 | 60,326 | 50,326 | 50,326 |
| Reserves | | (144,562) | (307,205) | (283,816) |
| | | (84,236) | (256,879) | (233,490) |
| Non-controlling interests | | 81,139 | 92,535 | 102,884 |
| Total equity | | (3,097) | (164,344) | (130,606) |

Li Zhong Yuan

Director

Zhou Bao Yi

Director

Consolidated Statement of Changes In Equity

Year ended 31 March 2013

| | Attributable to owners of the Company | | | | | | | | | | |
|--|---------------------------------------|-----------------|---------------------|--------------------|---------------------------|--------------------------------------|-----------------------|--------------------|------------------|---------------------------|------------------|
| | Share capital | Share premium | Contributed surplus | Statutory reserves | Convertible bonds reserve | Foreign currency translation reserve | Share options reserve | Accumulated losses | Total | Non-controlling interests | Total equity |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (note a) | (note b) | (note c) | (note d) | (note e) | (note f) | (Restated) | (Restated) | (Restated) | (Restated) |
| At 31 March 2011 and 1 April 2011 | 50,326 | 293,834* | 57,124* | 1,047* | 3,592* | 17,638* | 1,656* | (658,707)* | (233,490) | 102,884 | (130,606) |
| Loss for the year | - | - | - | - | - | - | - | (24,596) | (24,596) | (12,467) | (37,063) |
| Other comprehensive income for the year | - | - | - | - | - | 1,207 | - | - | 1,207 | 2,118 | 3,325 |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | 1,207 | - | (24,596) | (23,389) | (10,349) | (33,738) |
| At 31 March 2012 | <u>50,326</u> | <u>293,834*</u> | <u>57,124*</u> | <u>1,047*</u> | <u>3,592*</u> | <u>18,845*</u> | <u>1,656*</u> | <u>(683,303)*</u> | <u>(256,879)</u> | <u>92,535</u> | <u>(164,344)</u> |
| Loss for the year | - | - | - | - | - | - | - | 140,609 | 140,609 | (11,387) | 129,222 |
| Other comprehensive income for the year | - | - | - | - | - | (3,466) | - | - | (3,466) | (9) | (3,475) |
| Total comprehensive income/(loss) for the year | - | - | - | - | - | (3,466) | - | 140,609 | 137,143 | (11,396) | 125,747 |
| Issue of consideration shares | 10,000 | 25,500 | - | - | - | - | - | - | 35,500 | - | 35,500 |
| At 31 March 2013 | <u>60,326</u> | <u>319,334*</u> | <u>57,124*</u> | <u>1,047*</u> | <u>3,592*</u> | <u>15,379*</u> | <u>1,656*</u> | <u>(542,694)*</u> | <u>(84,236)</u> | <u>81,139</u> | <u>(3,097)</u> |

* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK\$144,562,000 (2012: HK\$307,205,000) in the consolidated statement of financial position.

Consolidated Statement of Changes In Equity (continued)

Year ended 31 March 2013

Notes:

(a) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(b) Contributed surplus

The contributed surplus arose in the previous years represented the net effect of the capital reduction, the share premium cancellation and the elimination of accumulated losses of the Company. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, as at 31 March 2013, the Company did not have any reserve available for distribution to shareholders.

(c) Statutory reserves

Statutory reserves, which are non-distributable, are appropriated from the profit after tax of subsidiaries of the Company in the People's Republic of China (the "PRC") under the applicable laws and regulations in the PRC.

(d) Convertible bonds reserve

The convertible bonds reserve represents the value of the unexercised/repurchased equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds set out in note 5 to the consolidated financial statements.

(e) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 5 to the consolidated financial statements.

(f) Share options reserve

Share options reserve represents the fair value of unexercised share options granted by the Company recognised in accordance with the accounting policy of share-based payments set out in note 5 to the consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended 31 March 2013

| | <i>Notes</i> | 2013 HK\$'000 | 2012 <i>HK\$'000</i> (Restated) |
|--|--------------|--------------------------------|---------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit/(Loss) before tax: | | | |
| From continuing operation | | 129,492 | (34,616) |
| From discontinued operation | | <u>–</u> | <u>(428)</u> |
| | | 129,492 | (35,044) |
| Adjustments for: | | | |
| Finance costs | | 140,420 | 115,608 |
| Interest income | | (133) | (1,043) |
| Amortisation of intangible assets | | 2,972 | – |
| Amortisation of other intangible assets | | – | 253 |
| Depreciation | | 1,377 | 1,866 |
| Impairment of trade and other receivables | | – | 9,597 |
| Fair value gain on derivative component of redeemable convertible cumulative preference shares | 31 | (6,875) | (114,702) |
| Gain on recalculation of liability component of redeemable convertible cumulative preference shares | 31 | (293,643) | – |
| Gain on disposal of subsidiaries | | – | (14,804) |
| Loss on disposal of items of property, plant and equipment | | <u>122</u> | <u>6</u> |
| | | (26,268) | (38,263) |
| Decrease in inventories | | – | 1,082 |
| Increase in trade receivables | | (1,064) | (11,750) |
| Decrease/(Increase) in prepayments, deposits and other receivables | | 879 | (177,171) |
| Increase in trade payables | | 6,068 | – |
| Increase in other payables and accrued expenses | | <u>6,030</u> | <u>105,524</u> |
| | | (14,355) | (120,578) |
| Cash used in operations | | (14,355) | (120,578) |
| Income tax paid | | <u>(354)</u> | <u>(2,136)</u> |
| | | (14,709) | (122,714) |
| Net cash flows used in operating activities | | <u>(14,709)</u> | <u>(122,714)</u> |

Consolidated Statement of Cash Flows (continued)

Year ended 31 March 2013

| | <i>Note</i> | 2013 HK\$'000 | 2012 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | | (1,485) | (2,711) |
| Net cash outflow on disposal of subsidiaries | 39 | – | (40,101) |
| Interest received | | 133 | 1,043 |
| | | <u>133</u> | <u>1,043</u> |
| Net cash flows used in investing activities | | <u>(1,352)</u> | <u>(41,769)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from bank loans | | – | 84,770 |
| Repayment of bank loans | | – | (84,770) |
| Interest paid | | – | (887) |
| Increase in amounts due to directors | | 497 | 2,054 |
| Increase in interest-bearing loans from a director and a shareholder | | – | 8,000 |
| | | <u>–</u> | <u>8,000</u> |
| Net cash flows from financing activities | | <u>497</u> | <u>9,167</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | (15,564) | (155,316) |
| Effect of foreign exchange rate changes, net | | (2,667) | 15,605 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR | | <u>32,460</u> | <u>172,171</u> |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | | <u><u>14,229</u></u> | <u><u>32,460</u></u> |
| Analysis of cash and cash equivalents: | | | |
| Restricted bank balances | | 9,927 | 24,741 |
| Cash and bank balances | | <u>4,302</u> | <u>7,719</u> |
| | | <u><u>14,229</u></u> | <u><u>32,460</u></u> |

Notes to the Consolidated Financial Statements

31 March 2013

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda; and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 48 to the consolidated financial statements. There was no significant changes in the operation of the Company and its subsidiaries (collectively referred to as the "Group") during the year.

2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the following:

- (i) The Group had net current liabilities of approximately HK\$60,602,000 and net liabilities of approximately HK\$3,097,000 as at 31 March 2013;
- (ii) The liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK\$48,064,000 as at 31 March 2013; and
- (iii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK\$115,503,000 as at 31 March 2013 which was originally past due but extended to 30 June 2014.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether the holders of the CB and PS agree to further extend the redemption date for the CB and PS. As at the date of this report, the Company obtained verbal confirmation from the majority of CB holder that they will defer the redemption date of the CB. The Company is currently discussing the details of the extension, including but not limited to the terms and conditions of the CB, and will enter into formal extension agreement in due course. In addition, the Company has entered into an amendment agreement with PS holder to extend the final settlement date to 30 June 2014. Furthermore, the Group is implementing stringent cost control measure to further improve the liquidity position of the Group. Under these circumstances, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2013 on a going concern basis.

Notes to the Consolidated Financial Statements

31 March 2013

2. BASIS OF PRESENTATION *(continued)*

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION

The consolidated 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. In addition, the consolidated financial statement also include applicable disclosures required by the Rules Governing the Listing of securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except for when otherwise indicated. The presentation currency is different from the functional currency of the Company, Renminbi ("RMB") as the Company is listed in Hong Kong, and the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK\$. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Notes to the Consolidated Financial Statements

31 March 2013

3. BASIS OF PREPARATION *(continued)*

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/accumulated losses, as appropriate.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2012.

| | |
|----------------------|--|
| HKFRS 7 (Amendments) | Disclosures – Transfers of Financial Assets |
| HKAS 12 (Amendments) | Income Taxes – Deferred Tax: Recovery of Underlying Assets |

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial assets is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The new and revised HKFRSs have no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

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

| | |
|--|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans ² |
| HKFRS 7 Amendments | Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities ² |
| HKFRS 9 | Financial Instruments ⁴ |
| HKFRS 10 | Consolidated Financial Statements ² |
| HKFRS 11 | Joint Arrangements ² |
| HKFRS 12 | Disclosure of Interests in Other Entities ² |
| HKFRS 10, HKFRS 11 and HKFRS 12 Amendments | Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance ² |

Notes to the Consolidated Financial Statements

31 March 2013

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

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

| | |
|--|---|
| HKFRS 10, HKFRS 12 and HKAS 27 (2012) Amendments HKFRS 13 HKAS 1 Amendments | Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2012) – Investment Entities ³ Fair Value Measurement ² Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income ¹ |
| HKAS 19 (2011) HKAS 27 (2011) HKAS 28 (2011) HKAS 32 Amendments | Employee Benefits ² Separate Financial Statements ² Investments in Associates and Joint Ventures ² Amendments to HKAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities ³ |
| HKAS 36 Amendments | Amendments to HKAS 36 Impairment of Assets – Recoverable amount disclosures for non-financial assets ³ |
| HK(IFRIC)-Int 20 HK(IFRIC)-Int 21 Annual Improvements | Stripping Costs in the Production Phase of a Surface Mine ² Levies ³ Amendments to a number of HKFRSs issued in June 2012 2009-2012 Cycle ² |

¹ effective for annual periods beginning on or after 1 July 2012

² effective for annual periods beginning on or after 1 January 2013

³ effective for annual periods beginning on or after 1 January 2014

⁴ effective for annual periods beginning on or after 1 January 2015

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

The directors of the Company are in the process of making an assessment of what the impact of these new and revised HKFRSs upon initial application. So far the directors of the Company anticipate that the application of other new and revised standards, amendments and interpretations in issue but not yet effective will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any accumulated impairment losses.

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 it measures 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 either 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 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 acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a charge to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Notes to the Consolidated Financial Statements

31 March 2013

5. 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 of the subsidiary 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 forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisition of assets

For the acquisition of distribution right effected through a non-operating corporate structure that does not represent a business, it is considered that the transactions does not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of an asset. The net assets acquired are recognised at cost allocated based on the fair value of the respective assets acquired.

Notes to the Consolidated Financial Statements

31 March 2013

5. 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, financial assets and goodwill), 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 to sell, 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 charge to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any 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 other than goodwill 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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Consolidated Financial Statements

31 March 2013

5. 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 venture 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).

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, 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 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 cash item of property, plant and equipment to residual values over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|-----------------------------------|-----|
| Leasehold improvements | 20% |
| Plant and machinery | 20% |
| Furniture, fixtures and equipment | 20% |
| Motor vehicles | 30% |

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.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Leases

The Group as lessee

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

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables and financial asset at FVTPL. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, restricted bank balances, cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 31.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has 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 individually whether objective evidence of impairment exists 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.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not 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). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in 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.

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 account. If a future write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities. The Group's financial liabilities are generally classified into other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to a director, interest-bearing loans from a director and a shareholder are subsequently measured at amortised cost, using the effective interest method.

Convertible bonds containing liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Convertible bonds containing liability and equity components (continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Convertible bonds containing liability component and conversion option derivative

Convertible bonds issued by the Group that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and conversion option components in proportion to their relative fair values. Transaction costs relating to the conversion option derivative is charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Redeemable convertible cumulative preference shares

Redeemable convertible cumulative preference shares which entitle the holder to convert into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains or losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the redeemable convertible cumulative preference shares based on the allocation of proceeds to the liability and derivative components when the instruments on initial recognition. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the redeemable convertible cumulative preference shares using effective interest method. Transaction costs relating to derivative component are charged to profit or loss immediately.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

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

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition *(continued)*

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or it expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only 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 calculated using the weighted average method. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

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 consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 profit or loss.

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 taxation 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.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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:

- 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 taxation authority.

Notes to the Consolidated Financial Statements

31 March 2013

5. 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) commission income represents amounts earned from distribution of mobile pre-charge and is recognised according to agreement terms; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period/recognised as an expenses in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to advisors/consultants

Share options issued in exchange for services are measured at the fair values of the services received, unless that fair value cannot be reliably measured, in which case the services received are measured by reference to the fair value of the share options granted. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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 profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year.

Notes to the Consolidated Financial Statements

31 March 2013

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency (i.e. HK\$) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the foreign currency translation reserve).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over subsidiaries that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

6. 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 the disclosure of contingent liabilities, 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, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern basis

As explained in note 2 to the consolidated financial statements, the financial position of the Group indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The basis for adoption of going concern are set out in note 2 to the consolidated financial statements. Should the Group be unable to raise new financing or other measures fail to improve the liquidity of the Group and the Group is unable to continue in business as a going concern, adjustments would be needed to reduce the carrying amounts of the assets of the Group to their recoverable amounts and, to provide for further liabilities which might arise.

Notes to the Consolidated Financial Statements

31 March 2013

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

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.

Fair value of embedded derivatives

As disclosed in notes 31 and 32 to the consolidated financial statements, the fair values of the derivative components of PS and CB at the date of issue, date of conversion and the end of the reporting periods were determined using discounted cash flow model and Binomial Model respectively, with reference to the valuations performed by an independent valuer. Application of the valuation model requires the Group to estimate the prominent factors affecting the fair value, including but not limited to, the expected life of the derivative components, the expected volatility of the share price of the Company and the potential dilution in the share price of the Company. Where the estimation on these factors is different from those previously estimated, such differences will impact the fair value gain or loss of the derivative components of PS and CB in the period in which such determination is made.

Impairment of trade and other receivables

The Group makes impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of the customers and other debtors and the current market condition. The directors of the Company reassess the impairment at the end of each reporting period.

Property, plant and equipment and depreciation

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Notes to the Consolidated Financial Statements

31 March 2013

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

(continued)

Estimation uncertainty *(continued)*

Impairment of intangible asset

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

7. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt and equity attributable to owners of the Company. Debt includes convertible bonds, redeemable convertible cumulative preference shares, promissory note and cash and cash equivalents. Equity attributable to owners of the Company comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through adjusting the new share issues, share buy-back and the issue of new debt or the redemption of existing debt or sell assets to reduce debt.

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

| | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
|--|-----------------------|--------------------------------|
| Financial assets | | |
| Loans and receivables: | | |
| Trade receivables | 28,257 | 27,101 |
| Deposits and other receivables | 195,052 | 195,979 |
| Restricted bank balances | 9,927 | 24,741 |
| Cash and bank balances | <u>4,302</u> | <u>7,719</u> |
| | 237,538 | 255,540 |
| Financial asset at FVTPL: | | |
| Financial assets | <u>2,150</u> | — |
| Total financial assets | <u>239,688</u> | <u>255,540</u> |
| Financial liabilities | | |
| Financial liabilities at amortised cost: | | |
| Trade payables | 6,188 | 83 |
| Other payables | 33,370 | 27,340 |
| Amounts due to directors | 3,096 | 2,599 |
| Interest-bearing loans from a director and a shareholder | 8,453 | 8,052 |
| Liability component of convertible bonds | 48,064 | 46,643 |
| Liability component of redeemable convertible cumulative preference shares | 115,503 | 281,801 |
| Preference shares dividend payable of a subsidiary | 59,470 | 46,269 |
| Promissory note | <u>18,000</u> | — |
| | 292,144 | 412,787 |
| Financial liabilities at fair value through profit or loss: | | |
| Derivative component of redeemable convertible cumulative preference shares | <u>—</u> | <u>6,875</u> |
| Total financial liabilities | <u>292,144</u> | <u>419,662</u> |

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, restricted bank balances, cash and bank balances, trade and other payables, amounts due to directors, promissory note, interest-bearing loans from a director and a shareholder, PS and CB. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase or decrease in the Hong Kong dollar and US dollar against the RMB. Under the linked exchange rate system, the financial impact on exchange difference between Hong Kong dollar and US dollar will be immaterial and therefore no sensitivity analysis has been prepared. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate.

| | Effect on (increase)/decrease in loss for the year | |
|-----|---|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| RMB | <u>3,518</u> | <u>3,117</u> |

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Credit risk

As at 31 March 2013, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group only trades with recognised and creditworthy third parties. As at 31 March 2013, the Group has concentration of credit risk of 100% (2012: 99.8%) as the total trade receivables was due from the Group's single customer. However, receivable balances are monitored on an ongoing basis, the directors of the Company review the recoverable amount of each individual trade debt and loan regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

In the management of the liquidity risk, the Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term.

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

| | 2013 | | | 2012 | | |
|--|---|-------------------------|-------------------|---|---------------------------------------|---------------------------------|
| | Less than 1 year or on demand HK\$'000 | 1 – 5 years HK\$'000 | Total HK\$'000 | Less than 1 year or on demand HK\$'000 (Restated) | 1 – 5 years HK\$'000 (Restated) | Total HK\$'000 (Restated) |
| <i>Non-derivative financial liabilities</i> | | | | | | |
| Trade payables | 6,188 | – | 6,188 | 83 | – | 83 |
| Other payables | 33,370 | – | 33,370 | 27,340 | – | 27,340 |
| Amounts due to directors | 3,096 | – | 3,096 | 2,599 | – | 2,599 |
| Interest-bearing loans from a director and a shareholder | 8,453 | – | 8,453 | 8,052 | – | 8,052 |
| Liability component of convertible bonds* | 48,064 | – | 48,064 | 46,643 | – | 46,643 |
| Liability component of redeemable convertible cumulative preference shares* | 115,503 | – | 115,503 | 281,801 | – | 281,801 |
| Preference shares dividend payable of a subsidiary | 59,470 | – | 59,470 | 46,269 | – | 46,269 |
| Promissory note | 18,000 | – | 18,000 | – | – | – |
| | <u>292,144</u> | <u>–</u> | <u>292,144</u> | <u>412,787</u> | <u>–</u> | <u>412,787</u> |
| <i>Derivative – gross settlement</i> | | | | | | |
| Derivative component of redeemable convertible cumulative preference shares* | <u>–</u> | <u>–</u> | <u>–</u> | <u>6,875</u> | <u>–</u> | <u>6,875</u> |

* The maturity profile of redeemable convertible cumulative preference shares and convertible bonds disclosed above will be matured in May 2013, however, the noteholders would have the right to request the Company to early redeem the redeemable convertible cumulative preference shares and convertible bonds before their maturity and therefore reclassified to current liabilities during the year. Further details are set in notes 31 and 32 to the consolidated financial statements.

As explained in note 2 to the consolidated financial statements, the directors of the Company have adopted or plan to adopt certain measures in order to improve the Group's financial and cash flow positions and to maintain the Group as a going concern.

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value and fair value hierarchy

The fair value of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities (including derivative instruments) with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position of the Group approximate their fair values due to their immediate or short term maturities.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

Notes to the Consolidated Financial Statements

31 March 2013

8. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value and fair value hierarchy *(continued)*

Fair value measurements recognised in the consolidated statement of financial position *(continued)*

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---------------------------------------|---------------------|---------------------|---------------------|-------------------|
| 31 March 2013 | | | | |
| <i>Financial assets at FVTPL</i> | | | | |
| Derivative financial assets | <u>–</u> | <u>2,150</u> | <u>–</u> | <u>–</u> |
| | | | | |
| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
| 31 March 2012 | | | | |
| <i>Financial liabilities at FVTPL</i> | | | | |
| Derivative financial liabilities | <u>–</u> | <u>6,875</u> | <u>–</u> | <u>6,875</u> |

There were no transfers between Level 1 and 2 during the year ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

31 March 2013

9. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the directors being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Segment assets excluded cash and bank balances except for restricted bank balances and corporate assets as these assets are managed on a group basis.

Segment liabilities excluded interest-bearing loans from a director and a shareholder, amounts due to directors, derivative component of redeemable convertible cumulative preference shares, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, promissory note, preference shares dividend payable of a subsidiary, deferred tax liabilities and other corporate liabilities as these liabilities are managed on a group basis.

The Group commenced a new operating segment of distribution cooling systems which did not contribute any operating result to the Group during the year, therefore no operating segment is presented as the Group basically operated in one single operating segment (i.e. B-to-C consumer services) during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

31 March 2013

9. OPERATING SEGMENT INFORMATION *(continued)*

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2013 and 2012:

| | Distribution of cooling system | | B-to-C consumer services | | Total | |
|--|-----------------------------------|------------------|-----------------------------|------------------|------------------|--------------------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
| SEGMENT ASSETS | <u>51,227</u> | <u>—</u> | <u>166,220</u> | <u>40,852</u> | <u>217,447</u> | 40,852 |
| Corporate and other unallocated assets | | | | | <u>74,845</u> | <u>216,725</u> |
| Total assets | | | | | <u>292,292</u> | <u>257,577</u> |
| SEGMENT LIABILITIES | <u>700</u> | <u>—</u> | <u>10,498</u> | <u>4,031</u> | <u>11,198</u> | 4,031 |
| Corporate and other unallocated liabilities | | | | | <u>284,191</u> | <u>417,890</u> |
| Total liabilities | | | | | <u>295,389</u> | <u>421,921</u> |
| Other segment information | | | | | | |
| Interest income | | | | | 133 | 1,043 |
| Depreciation | | | | | 1,377 | 1,866 |
| Amortisation of intangible assets | | | | | 2,972 | 253 |
| Capital expenditure | | | | | <u>1,485</u> | <u>2,711</u> |

Notes to the Consolidated Financial Statements

31 March 2013

9. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

For the years ended 31 March 2013 and 2012, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2013, the Group had transactions with 1 (2012: 2) customer who contributed over 10% of the Group's total net revenue from continuing operation, which is summarised below:

| | Year ended 31 March | |
|------------|---------------------|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| Customer 1 | 23,128 | 24,459 |
| Customer 2 | – | 20,998 |
| | <u>23,128</u> | <u>45,457</u> |

10. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represented the commission income earned from distribution of mobile pre-charge and is recognised according to agreement terms.

An analysis of other income from continuing operation are as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Interest income | 133 | 1,043 |
| Government grants <i>(note (i))</i> | – | 1,032 |
| Consultancy income | – | 934 |
| Others <i>(note (ii))</i> | <u>1,068</u> | <u>73</u> |
| | <u>1,201</u> | <u>3,082</u> |

Note (i): Government grants represent subsidies to foreign owned enterprises as awards for investing in the PRC. They were determined at the sole discretion of the relevant PRC government.

Note (ii): During the year ended 31 March 2013, others mainly represent waiver of current account due to a former subsidiary.

Notes to the Consolidated Financial Statements

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11. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> (Restated) |
|--|--------------------------------|---------------------------------------|
| Dividend payable to convertible preference share issued by a subsidiary | 13,402 | 13,478 |
| Interests on loans from a director and a shareholder | 401 | 52 |
| Interests on bank loans wholly repayable within five years | – | 887 |
| Effective interest expenses on convertible bonds wholly repayable within five years | 1,422 | 1,455 |
| Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years | <u>125,195</u> | <u>99,736</u> |
| | <u>140,420</u> | <u>115,608</u> |

Notes to the Consolidated Financial Statements

31 March 2013

12. PROFIT/(LOSS) BEFORE TAX

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

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| Amortisation of other intangible assets* | – | 253 |
| Amortisation of intangible assets | 2,972 | – |
| Auditor's remuneration | 900 | 750 |
| Cost of inventories sold | – | 4 |
| Depreciation | 1,377 | 1,866 |
| Fair value (gain)/loss on derivative component of redeemable convertible cumulative preference shares | (6,875) | (114,702) |
| Extinguishment of liability component of redeemable convertible cumulative preference shares | (293,643) | – |
| Foreign exchange differences, net | – | (1,641) |
| Impairment loss of trade and other receivables* | – | 7,410 |
| Write-down of inventories to net realisable value* | – | 78 |
| Loss on disposal of items of property, plant and equipment* | 122 | 6 |
| Minimum leases payments under operating leases for land and buildings | 512 | 1,570 |
| Gain on disposal of subsidiaries* | – | (14,804) |
| Staff costs (including directors' remuneration (note 15)) | | |
| – Salaries and allowances | 6,270 | 12,118 |
| – Retirement benefit scheme contributions | 2,839 | 1,796 |
| | <u>2,839</u> | <u>1,796</u> |

* These items are included in "administrative expenses" in the consolidated statements of comprehensive income.

Notes to the Consolidated Financial Statements

31 March 2013

13. INCOME TAX

No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Subsidiaries established in Mainland China are subject to the PRC enterprise income tax at the standard rate of 25% (2012: 25%).

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---------------------------------|------------------|------------------|
| Current tax – PRC | | |
| Provision for the year | 189 | 1,992 |
| Under provision in prior years | 81 | – |
| Deferred tax (<i>note 35</i>) | – | (35) |
| | <u>–</u> | <u>(35)</u> |
| Total tax charge for the year | <u>270</u> | <u>1,957</u> |

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates of the PRC, where the majority of the Company's subsidiaries are domiciled to the tax expense at the effective tax rates, is as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
|---|------------------|--------------------------------|
| Profit/(loss) before tax from continuing operations | <u>129,492</u> | <u>(34,616)</u> |
| Tax at the statutory rate in the PRC of 25% | 32,373 | (8,654) |
| Lower tax rates for specific provinces or enacted by local authority | – | 1,134 |
| Expenses not deductible for tax | 40,408 | 5,212 |
| Income not subject to tax | (75,398) | (155) |
| Tax losses not recognised | 2,806 | 3,443 |
| Under provision in prior years | 81 | – |
| Others | – | 977 |
| | <u>–</u> | <u>977</u> |
| Tax charge for the year | <u>270</u> | <u>1,957</u> |

Notes to the Consolidated Financial Statements

31 March 2013

14. DISCONTINUED OPERATIONS

There was no discontinued operations during the year ended 31 March 2013. During the year ended 31 March 2012, sales of medical devices and consumables is presented as discontinued operations in accordance with HKFRS 5.

The loss for the year from discontinued operations is analysed as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 (note) |
|--|------------------|----------------------------|
| (Loss)/profit of discontinued operations | – | (4,080) |
| Gain on disposal (note 39) | – | <u>3,591</u> |
| | | |
| (Loss)/profit for the year from discontinued operations | <u>–</u> | <u>(489)</u> |

Notes:

In July 2011, the Company entered into a sale agreement to dispose of West Regent Property Limited, which engaged in sales of medical devices and consumables operations. The Group has decided to cease its entire sales of medical devices and consumables operation (collectively referred to as the “Sales of Medical Devices and Consumables Group”) because it plans to focus the resources on the Group’s B-to-C consumer services. The disposal was completed on 31 July 2011, on which date control of the Sales of the Medical Devices and Consumables Group passed to the acquirer.

Notes to the Consolidated Financial Statements

31 March 2013

14. DISCONTINUED OPERATIONS *(continued)*

Loss for the year from discontinued operations is arrived at after charging/(crediting):

| | 2013 HK\$'000 | 2012 HK\$'000 |
|--|--------------------------------|-------------------------|
| Interest income | – | (1) |
| Cost of inventories sold | – | 6,894 |
| Depreciation | – | 6 |
| Foreign exchange differences, net | – | – |
| Impairment of trade and other receivables | – | 2,187 |
| Write-down of inventories to net realisable value | – | 2,134 |
| Loss on disposal of items of property, plant and equipment | – | – |
| Minimum leases payments under operating leases for land and buildings | – | 113 |
| Staff costs | | |
| – Salaries and allowances | – | 591 |
| – Retirement benefit scheme contributions | – | 50 |
| | <u>–</u> | <u>50</u> |

The cash flows from discontinued operations were as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|--------------------------------|-------------------------|
| Net cash inflows from operating activities | – | 390 |
| Net cash outflows from investing activities | – | – |
| Net cash outflows from financing activities | – | – |
| | <u>–</u> | <u>–</u> |
| Net cash inflows | <u>–</u> | <u>390</u> |

Notes to the Consolidated Financial Statements

31 March 2013

14. DISCONTINUED OPERATIONS *(continued)*

The carrying amounts of the assets and liabilities of the Sales of the Medical Devices and Consumables Group and B-to-B Group at the date of disposal are disclosed in note 39 to the consolidated financial statements.

An analysis of the results of discontinued operations included in the consolidated statement of comprehensive income was as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Revenue | – | 8,686 |
| Expenses | – | (12,705) |
| (Loss)/profit before tax | – | (4,019) |
| Income tax | – | (61) |
| (Loss)/profit for the year from discontinued operations and attributable to the owners of the Company | – | (4,080) |

The calculations of basic and diluted loss per share from the discontinued operations are based on:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (Loss)/profit attributable to owners of the Company from the discontinued operations <i>(HK\$'000)</i> | – | (489) |
| Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earnings per share calculation (<i>'000</i>) | – | 503,260 |
| (Loss)/earnings per share: Basic and diluted from discontinued operations <i>(HK cents)</i> | – | (0.1) |

Notes to the Consolidated Financial Statements

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15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the eight (2012: six) directors of the Company were as follows:

Year ended 31 March 2013

| | Directors' fees HK\$'000 | Salaries and other benefits HK\$'000 | Contributions to retirement benefit schemes HK\$'000 | Total HK\$'000 |
|--|-----------------------------|---|--|-------------------|
| Executive directors | | | | |
| Mr. Jia Hong Sheng (Note a) | - | - | - | - |
| Dr. Li Zhong Yuan | - | 2,229 | 12 | 2,241 |
| Mr. Zhou Bao Yi | - | 541 | - | 541 |
| Mr. Chung Ho (Note b) | - | - | - | - |
| Non-executive directors | | | | |
| Mr. Martin Treffer (Note c) | - | - | - | - |
| Independent non-executive directors | | | | |
| Mr. Mu Xiang Ming | 100 | - | - | 100 |
| Mr. Jiang Bo | 100 | - | - | 100 |
| Dr. Yan Shi Yun | 100 | - | - | 100 |
| | <u>300</u> | <u>2,770</u> | <u>12</u> | <u>3,082</u> |

Year ended 31 March 2012

| Name | Directors' fees HK\$'000 | Salaries and other benefits HK\$'000 | Contributions to retirement benefit schemes HK\$'000 | Total HK\$'000 |
|--|-----------------------------|---|--|-------------------|
| Executive directors | | | | |
| Dr. Li Zhong Yuan | - | 2,224 | 12 | 2,236 |
| Mr. Zhou Bao Yi | - | 535 | - | 535 |
| Non-executive director | | | | |
| Mr. Martin Treffer | - | - | - | - |
| Independent non-executive directors | | | | |
| Mr. Mu Xiang Ming | 100 | - | - | 100 |
| Dr. Yan Shi Yun | 100 | - | - | 100 |
| Mr. Jiang Bo | 100 | - | - | 100 |
| Total | <u>300</u> | <u>2,759</u> | <u>12</u> | <u>3,071</u> |

No director had waived any emoluments during the years ended 31 March 2013 and 2012.

Note:

- Mr. Jia Hong Sheng has been appointed as an executive Director and the Chairman of the Board with effect from 26 March 2013.
- Mr. Chung Ho ("Mr. Chung") has been appointed as an executive director of the Company with effect from 28 December 2012.
- Mr. Martin Treffer has been resigned as non-executive director of the Company on 3 April 2013.

Notes to the Consolidated Financial Statements

31 March 2013

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

(continued)

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments are presented above. The emoluments of the remaining three (2012: three) individuals were as follows:

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|-------------------|---------------------|
| Salaries, allowances and benefits in kind | 448 | 1,703 |
| Contributions to retirement benefit schemes | <u>21</u> | <u>80</u> |
| | <u><u>469</u></u> | <u><u>1,783</u></u> |

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

| | Number of employees | |
|----------------------|---------------------|-----------------|
| | 2013 | 2012 |
| Nil to HK\$1,000,000 | <u><u>3</u></u> | <u><u>3</u></u> |

No emoluments have been paid or payable by the Group to any of the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2013 and 2012.

Notes to the Consolidated Financial Statements

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16. EARNINGS/(LOSS) PER SHARE

| | 2013 HK\$'000 | 2012 HK\$'000 (Restated) |
|---|-----------------------|--------------------------------|
| Profit/(loss) attributable to owners of the Company, used in the basis earnings/(loss) per share calculation: | | |
| – From continuing operations | 140,609 | (24,107) |
| – From discontinued operations | <u>–</u> | <u>(489)</u> |
| | <u><u>140,609</u></u> | <u><u>(24,596)</u></u> |
| Number of shares | 2013 '000 | 2012 '000 |
| Weighted average number of ordinary shares in issue during the year | <u><u>531,479</u></u> | <u><u>503,260</u></u> |

(a) Basic earnings/loss per share

For the year ended 31 March 2013, the calculation of basic earnings per share amount is based on the net profit for the year of HK\$140,609,000 (2012: loss of HK\$24,596,000) attributable to the equity holders of the Company, and weighted average of approximately 531,479,000 (2012: approximately 503,260,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

For the year ended 31 March 2013, the calculation of diluted earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest expenses on convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of approximately 531,479,000 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares approximately 16,619,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the beginning of the year.

For the year ended 31 March 2012, the convertible financial instruments had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share. Accordingly, no diluted loss per share has been presented.

Notes to the Consolidated Financial Statements

31 March 2013

17. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 |
|------------------------------------|---------------------------------------|------------------------------------|---|-------------------------------|---|-------------------|
| COST | | | | | | |
| At 1 April 2011 | 268 | 1,369 | 6,964 | 1,176 | 556 | 10,333 |
| Additions | 363 | - | 1,497 | 851 | - | 2,711 |
| Disposals | - | (300) | (59) | - | - | (359) |
| Disposal of subsidiaries (note 39) | (349) | (1,200) | (7,931) | (354) | (565) | (10,399) |
| Exchange realignment | 8 | 131 | 318 | 52 | 9 | 518 |
| At 31 March 2012 and 1 April 2012 | 290 | - | 789 | 1,725 | - | 2,804 |
| Additions | - | - | 480 | 1,005 | - | 1,485 |
| Disposals | (290) | - | (114) | - | - | (404) |
| Exchange realignment | - | - | 4 | 11 | - | 15 |
| At 31 March 2013 | - | - | 1,159 | 2,741 | - | 3,900 |
| ACCUMULATED DEPRECIATION | | | | | | |
| At 1 April 2011 | 127 | 833 | 3,800 | 539 | - | 5,299 |
| Provided for the year | 266 | 217 | 1,108 | 275 | - | 1,866 |
| Disposals | - | (295) | (58) | - | - | (353) |
| Disposal of subsidiaries (note 39) | (211) | (802) | (4,622) | (216) | - | (5,851) |
| Exchange realignment | 13 | 47 | 156 | 9 | - | 225 |
| At 31 March 2012 and 1 April 2012 | 195 | - | 384 | 607 | - | 1,186 |
| Provided for the year | 49 | - | 445 | 883 | - | 1,377 |
| Disposals | (244) | - | (38) | - | - | (282) |
| Exchange realignment | - | - | 4 | 9 | - | 13 |
| At 31 March 2013 | - | - | 795 | 1,499 | - | 2,294 |
| NET CARRYING VALUES | | | | | | |
| At 31 March 2013 | - | - | 364 | 1,242 | - | 1,606 |
| At 31 March 2012 | 95 | - | 405 | 1,118 | - | 1,618 |

Notes to the Consolidated Financial Statements

31 March 2013

18. GOODWILL

| | <i>HK\$'000</i> |
|---|-----------------|
| COST | |
| At 1 April 2011 | 26,613 |
| Disposal of subsidiaries | (27,554) |
| Exchange realignment | <u>941</u> |
| At 31 March 2012, 1 April 2012 and 31 March 2013 | <u>–</u> |
| ACCUMULATED IMPAIRMENT | |
| At 1 April 2011 | 26,613 |
| Eliminated on disposal of subsidiaries | (27,554) |
| Exchange realignment | <u>941</u> |
| At 31 March 2012, 1 April 2012 and 31 March 2013 | <u>–</u> |
| NET CARRYING VALUES | |
| At 31 March 2013 | <u><u>–</u></u> |
| At 31 March 2012 | <u><u>–</u></u> |

All of the CGUs containing goodwill was eliminated on disposal of subsidiaries during the year ended 31 March 2012.

Notes to the Consolidated Financial Statements

31 March 2013

19. INTANGIBLE ASSETS

| | Distribution right for selling cooling systems <i>HK\$'000</i> |
|---|--|
| COST | |
| At 1 April 2011, 31 March 2012 and 1 April 2012 | – |
| Acquisition of subsidiaries | <u>53,503</u> |
| At 31 March 2013 | <u>53,503</u> |
| AMORTISATION | |
| At 1 April 2011, 31 March 2012 and 1 April 2012 | – |
| Charge for the year | <u>2,972</u> |
| At 31 March 2013 | <u>2,972</u> |
| CARRYING VALUES | |
| At 31 March 2013 | <u><u>50,531</u></u> |
| At 31 March 2012 | <u><u>–</u></u> |

- (i) Distribution right for selling cooling systems represents the cost of acquisition of a subsidiary during the year ended 31 March 2013 as disclosed in note 46. Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of six years.
- (ii) At 31 March 2013, the Company performed impairment test for distribution right for selling cooling systems. The test used cash flow projections based on financial estimates covering a five-year period, expected sales to be derived from the intangible assets and discount rates of 17.74%. The cash flows beyond the five-year period are extrapolated using a decending average growth rate 13.4%. The valuations were carried out by an independent qualified professional valuation firm not connected with the Group.

The recoverable amount of the asset is determined based on value-in-use calculations.

The recoverable amount of distribution right for selling cooling systems exceeds their carrying amount and accordingly no impairment loss is recognised for the year.

- (iii) Amortisation charges for the year approximately HK\$2,972,000 was included in administrative expenses in the consolidated income statement.

Notes to the Consolidated Financial Statements

31 March 2013

20. OTHER INTANGIBLE ASSETS

| | Computer software HK\$'000 |
|---|-------------------------------|
| COST | |
| At 1 April 2011 | 1,772 |
| Disposal of subsidiaries (<i>note 39</i>) | (1,835) |
| Exchange realignment | <u>63</u> |
| At 31 March 2012, 1 April 2012 and 31 March 2013 | <u>–</u> |
| AMORTISATION | |
| At 1 April 2011 | 443 |
| Charge for the year | 253 |
| Disposal of subsidiaries (<i>note 39</i>) | (715) |
| Exchange realignment | <u>19</u> |
| At 31 March 2012, 1 April 2012 and 31 March 2013 | <u>–</u> |
| CARRYING VALUES | |
| At 31 March 2013 | <u><u>–</u></u> |
| At 31 March 2012 | <u><u>–</u></u> |

Computer software are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives of five years.

21. PREPAYMENT FOR ACQUISITION OF NON-CURRENT ASSETS

The amount represented the prepayment for the acquisition of equity interests in 北京維深信業科技發展有限公司, a company established in the PRC which engaged in development of e-healthcare service network in women and children. The prepayment of approximately HK\$7,361,000 were fully impaired in prior years.

Notes to the Consolidated Financial Statements

31 March 2013

22. TRADE RECEIVABLES

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|-------------------|-------------------------|-------------------------|
| Trade receivables | <u>28,257</u> | <u>27,101</u> |

The normal credit period granted to customers of the distribution of mobile pre-charge is 180 days.

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

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---------------|-------------------------|-------------------------|
| 0-90 days | 5,235 | 2,022 |
| 91-180 days | 5,730 | 3,917 |
| over 180 days | <u>17,292</u> | <u>21,162</u> |
| | <u>28,257</u> | <u>27,101</u> |

Notes to the Consolidated Financial Statements

31 March 2013

22. TRADE RECEIVABLES (continued)

Aging of trade receivables which are past due but not impaired:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 90 days | 6,033 | 6,316 |
| 91 to 180 days | 6,283 | 2,091 |
| Over 180 days | <u>4,976</u> | <u>6,503</u> |
| | <u><u>17,292</u></u> | <u><u>14,910</u></u> |

Trade receivables that were past due but not impaired were related to the single customer for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Movements in the impairment of trade receivables:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| At 1 April | – | 280 |
| Impairment loss recognised | – | 2,187 |
| Disposal of subsidiaries | <u>–</u> | <u>(2,467)</u> |
| At 31 March | <u><u>–</u></u> | <u><u>–</u></u> |

Notes to the Consolidated Financial Statements

31 March 2013

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Other receivables (<i>note (i)(ii)</i>) | 155,502 | 122,934 |
| Less: Non-current portion of other receivables (<i>note (iii)</i>) | <u>(3,218)</u> | <u>(4,169)</u> |
| | 152,284 | 118,765 |
| Deposits (<i>note (iv)(v)</i>) | 39,550 | 73,045 |
| Prepayments | <u>467</u> | <u>419</u> |
| Current portion of prepayment, deposits and other receivables | <u>192,301</u> | <u>192,229</u> |

Notes:

- (i) Approximately RMB35,141,000 (equivalent to approximately HK\$43,069,000) held under an escrow account of the Company;
- (ii) Approximately RMB79,333,000 (equivalent to approximately HK\$98,226,000) were amounts of sales proceeds of and due from the disposed subsidiaries;
- (iii) Under non-current portion and current portion are amounts of approximately HK\$3,218,000 and HK\$2,857,000, respectively, with respect to a secured loan of RMB8,000,000 (equivalent to approximately HK\$9,674,000) granted by the Group to an independent third party pursuant to a loan agreement dated 26 July 2011, the loan is interest-free and repayable within 5 years;
- (iv) Approximately HK\$8,000,000 paid to the High Court of Hong Kong Special Administrative Region to provide security for court costs in relation to the litigation as disclosed in note 43; and
- (v) Approximately RMB25,000,000 (equivalent to approximately HK\$30,938,000) were deposit for customer services.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which no recent history of default.

Notes to the Consolidated Financial Statements

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24. LOAN RECEIVABLES

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loans advanced to independent third parties | 21,675 | 21,675 |
| Impairment | <u>(21,675)</u> | <u>(21,675)</u> |
| | <u><u>-</u></u> | <u><u>-</u></u> |

25. RESTRICTED BANK BALANCES

The restricted bank balances amount of approximately HK\$9,927,000 (2012: HK\$24,741,000) represented the balances which are subject to restrictions pursuant to the subscription agreement signed by Harvest Network and subscribers of the non-redeemable convertible preference shares of Harvest Network. The bank balances are restricted to solely used in the operation of B-C services. The restricted bank balances were placed in banks in the PRC and carry interest at market rates ranged from 0.4% to 0.5% (2012: 0.4% to 0.5%) per annum.

The carrying amounts of the Group's restricted bank balances are denominated in the following currencies:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|------|-------------------------|-------------------------|
| RMB | 8,971 | 19,501 |
| HK\$ | 96 | 91 |
| US\$ | <u>860</u> | <u>5,149</u> |
| | <u><u>9,927</u></u> | <u><u>24,741</u></u> |

Notes to the Consolidated Financial Statements

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26. CASH AND BANK BALANCES

The carrying amounts of the Group's cash and bank balances are denominated in the following currencies:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|------|-------------------------|-------------------------|
| RMB | 1,150 | 783 |
| HK\$ | 917 | 6,407 |
| US\$ | 1,300 | 529 |
| Euro | <u>935</u> | <u>–</u> |
| | <u><u>4,302</u></u> | <u><u>7,719</u></u> |

The RMB is 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.

27. TRADE PAYABLES

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

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------|-------------------------|-------------------------|
| Within 1 month | 6,188 | – |
| Over 3 months | <u>–</u> | <u>83</u> |
| Total | <u><u>6,188</u></u> | <u><u>83</u></u> |

The trade payables are expected to be settled within one year.

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28. OTHER PAYABLES AND ACCRUED EXPENSES

All of the Group's and the Company's other payables and accruals are expected to be settled or recognised as income within one year or are repayable on demand.

The directors consider that the carrying amounts of other payables and accruals approximate to their fair values at the end of reporting period.

29. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and repayable on demand.

30. INTEREST-BEARING LOANS FROM A DIRECTOR AND A SHAREHOLDER

The loans from a director and a shareholder with total outstanding principal and interest of approximately HK\$4,222,000 (2012: HK\$4,030,000) and HK\$4,231,000 (2012: HK\$4,022,000), respectively. The loans are unsecured, bear interest at the Hong Kong Best Leading Rate and repayable within one year.

31. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company entered into a preference share agreement ("Original Agreement") and issued 15,000 Preference Shares ("PS") of US\$0.01 each for a total cash consideration of US\$15,000,000 (approximately HK\$117,000,000). The PS holder is entitled to 2% dividend per annum or 5% compounded semi-annually subject to occurrence of special events as defined in the Original Agreement. Such maturity date is falling on the 5th anniversary of 28 July 2006 (i.e. 27 July 2011) or such later date ("conversion period"), but not later than the 7th anniversary of which the specific terms will be subjected to future agreement. An option embedded therein was granted to the PS holder that the preference shares could be converted at any time during the conversion period at the lower of HK\$0.3201; and 0.9 times of the volume-weighted average price of the Company's ordinary shares for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice; such redemption amount shall include a markup of 20% p.a. on the sum of principal and accumulated dividend payable at any early redemption date.

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31. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(continued)*

On 24 November 2012, the Company entered into a supplementary agreement (“Modification Agreement”) with the PS holder pursuant to which, the Company agreed to use its best endeavors to procure the fund raising to raise not less than US\$15 million (or its HK\$ equivalent) in net proceeds for the Company, of which US\$15 million (or its HK\$ equivalent) shall be applied to redeem the Preference Shares, on or before the 31 March 2013. Meanwhile, PS Holder agreed that it would not require the Company to redeem the Preference Shares nor would it exercise its conversion rights attached to all or any part of the Preference Shares at any time before 31 March 2013.

Subject to completion of the Fund Raising, the Company will redeem, and PS holder will accept the redemption of, all of the Preference Shares and in full and final settlement of all rights that PS Holder may have in respect of the Preference Shares whether under the Bye-laws of the Company or otherwise at an aggregate price of not more than US\$19 million, which shall be satisfied as to US\$15 million by payment of cash and as to not more than US\$4 million by the issue of a promissory note by the Company.

On 31 March 2013, the Company has further revised the Modification Agreement by entering into a supplementary agreement (“Supplementary Agreement”) with the PS holder. Pursuant to which, the Company shall redeem, and PS holder shall accept to extend the date of full and final settlement on or before 30 November 2013. In addition, the Supplementary Agreement specifically granted a conversion right to the Company that the sum of accumulated dividend payable from 1 December 2012 to 30 November 2013 is eligible to be settled by procuring ordinary shares of the Company at a pre-determined price of HK\$0.3201 or by cash at the date of maturity.

Since the terms of the Modification Agreement and Supplementary Agreement were different from the Original Agreement, hence, the financial liability are extinguished. The valuations were carried out by an independent qualified professional valuation firm not connected to the Group.

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31. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(continued)*

(i) Liability component

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| At 1 April | 281,801 | 180,755 |
| Interest charged for the year | 125,195 | 99,736 |
| Extinguishment of financial liability charged to profit or loss | (291,493) | – |
| Exchange realignment | – | 1,310 |
| | <u>115,503</u> | <u>281,801</u> |

The fair value of the liability component of preference shares is determined using the discounted cash flow model (“DCF”) with reference to the parameters as follows:

| | Modification Agreement | Supplementary Agreement |
|--------------------------|---------------------------|----------------------------|
| Effective interest rates | 53.34% | 48.81% |
| Year | 0.35 | 0.67 |
| Dividend | semi-annual | semi-annual |
| Dividend per annum | 5% | 5% |

(ii) Embedded derivative

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| At 1 April, (asset)/liability | 6,875 | 121,577 |
| Fair value change charged/(credited) to profit or loss | (6,875) | (114,702) |
| Initial recognition as a result of Supplementary Agreement credited to profit or loss | (2,150) | – |
| At 31 March, (asset)/liability | <u>(2,150)</u> | <u>6,875</u> |

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31. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES *(continued)*

(ii) Embedded derivative *(continued)*

The fair value of the embedded derivative of preference shares is determined using the Black Scholes Option Pricing Model with reference to the parameters as follows:

| | Supplementary Agreement |
|------------------|------------------------------------|
| Time to maturity | 0.668 |
| Risk free rate | 0.1% |
| Volatility | 110.5% |
| Strike price | HK\$0.32 |
| Spot price | HK\$0.30 |

32. LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 19 May 2005, the Company issued CB with nominal value of US\$6,600,000 due on 18 May 2009. CB carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. CB entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK\$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB remain outstanding on the maturity date, the Company will redeem the principal of CB at 100% of their face value.

The effective interest rate of the liability component of CB is 3% per annum.

As at and up to 31 March 2011, CB with aggregate principal amount of US\$1,210,000 (equivalent to approximately HK\$9,372,000) had been repurchased by the Group at an aggregate consideration of approximately HK\$4,818,800. There is no repurchase of CB by the Group during the year ended 31 March 2012 and 2013.

On 18 May 2009, CB had matured, however, due to liquidity problem, the Group was unable to redeem CB at maturity. The Group's default in the redemption on CB had triggered the Company's early redemption obligation of CB and PS. Subsequent to the maturity date of CB, the Company reached an understanding with the major holder of CB to conditionally postpone the payment by the Company of the outstanding debts of CB for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB, which is a successful injection of substantial external resources into the Group, in short, and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB upon and after successful injection of substantial external resources.

The 3% interest payables have not been paid since 18 May 2009. According to the terms and conditions of the CB, to the extent that interest is not paid on CB on the interest payment date, interest shall charge thereon from the interest payments date at a default rate of 5% per annum until date of payment.

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32. LIABILITY COMPONENT OF CONVERTIBLE BONDS *(continued)*

The net proceeds received for the issue of CB have been split between the liability component and an equity component. The movement of the liability component is as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|-------------------------------|-------------------------|-------------------------|
| Carrying amount at 1 April | 46,643 | 45,188 |
| Interest charged for the year | <u>1,421</u> | <u>1,455</u> |
| Carrying amount at 31 March | <u><u>48,064</u></u> | <u><u>46,643</u></u> |

Liability component of convertible bonds comprise of the following:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|----------------------------|-------------------------|-------------------------|
| Principal amount | 42,042 | 42,042 |
| Interest payable | 5,464 | 4,287 |
| Charge of overdue interest | <u>558</u> | <u>314</u> |
| | <u><u>48,064</u></u> | <u><u>46,643</u></u> |

33. PROMISSORY NOTE

On 24 November 2012, the Company issued a promissory note for an aggregate principal amounts of HK\$18,000,000, upon the completion of the acquisition of Anew Capital Group. The promissory note are due on six months from the date of issue and are carrying no interest.

Due to the short maturity date, the fair value of promissory note is approximate to its cost.

34. PREFERENCE SHARES DIVIDEND PAYABLE OF A SUBSIDIARY

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|------------------|-------------------------|-------------------------|
| Dividend payable | <u><u>59,470</u></u> | <u><u>46,269</u></u> |

Dividend payable to convertible preference shares holders of a subsidiary represented the cumulative dividend calculated at 8% per annum on the issue price of the convertible preference shares issued by Harvest Network, a wholly-owned subsidiary of the Company, to its convertible preference share holders. Details of which refer to note 45.

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35. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities of the Group during the year are as follows:

| | Fair value adjustment on intangible assets from business combinations | |
|------------------------------------|---|------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 |
| At 1 April | - | 336 |
| Credit to profit or loss (note 13) | - | (35) |
| Disposal of subsidiaries (note 39) | - | (301) |
| | <u>-</u> | <u>(301)</u> |
| At 31 March | <u>-</u> | <u>-</u> |

At the end of the reporting period, the Group has unused tax losses of approximately HK\$20,272,000 (2012: HK\$13,807,000) that are available for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams.

36. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|--|------------------------|---------------------------|
| Authorised: | | |
| Ordinary shares of HK0.1 each | | |
| At 1 April 2010, 31 March 2011 and 31 March 2012 | <u>100,000,000,000</u> | <u>10,000,000</u> |
| Issued and fully paid: | | |
| Ordinary shares of HK\$0.1 each | | |
| At 1 April 2011, 31 March 2012 and 1 April 2012 | 503,259,665 | 50,326 |
| Issue of consideration shares (note) | <u>100,000,000</u> | <u>10,000</u> |
| At 31 March 2013 | <u>603,259,665</u> | <u>60,326</u> |

Notes:

During the year ended 31 March 2013, the Company issued 100,000,000 ordinary shares as part of the consideration for the acquisition of the entire interests of Anew Capital Limited and its subsidiaries.

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37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2013 HK\$'000 | 2012 HK\$'000 |
|---|------------------|------------------|
| NON-CURRENT ASSET | | |
| Investments in subsidiaries | – | – |
| Financial assets | <u>2,150</u> | <u>–</u> |
| | <u>2,150</u> | <u>–</u> |
| CURRENT ASSETS | | |
| Prepayments, deposits and other receivables | 56,042 | 72,887 |
| Amounts due from subsidiaries (<i>note a</i>) | 53,500 | 17,880 |
| Cash and bank balances | <u>362</u> | <u>6,275</u> |
| Total current assets | <u>109,904</u> | <u>97,042</u> |
| CURRENT LIABILITIES | | |
| Other payables and accrued expenses | 26,899 | 19,641 |
| Amounts due to subsidiaries (<i>note a</i>) | 347 | 4,150 |
| Amounts due to directors | 814 | – |
| Interest-bearing loans from a director and a shareholder | 8,453 | 8,052 |
| Derivative component of redeemable convertible cumulative preference shares | – | 6,875 |
| Liability component of convertible bonds | 58,491 | 57,069 |
| Liability component of redeemable convertible cumulative preference shares | <u>115,503</u> | <u>281,801</u> |
| Total current liabilities | <u>210,507</u> | <u>377,588</u> |
| NET CURRENT LIABILITIES | <u>(100,603)</u> | <u>(280,546)</u> |
| Net liabilities | <u>(98,453)</u> | <u>(280,546)</u> |
| EQUITY | | |
| Share capital | 60,326 | 50,326 |
| Reserves | | |
| Share premium | 319,334 | 293,834 |
| Contributed surplus | 57,124 | 57,124 |
| Convertible bonds reserve | 3,592 | 3,592 |
| Share options reserve | 1,656 | 1,656 |
| Accumulated losses | <u>(540,485)</u> | <u>(687,078)</u> |
| Total equity | <u>(98,453)</u> | <u>(280,546)</u> |

Note:

(a) These balances are unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements

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38. SHARE OPTIONS SCHEMES

Pursuant to the share option scheme adopted by the Company in 2001 (the "Old Scheme"), the Company may grant options to any directors of the Company or full time employees of the Company or its subsidiaries to subscribe for shares in the Company at a subscription price which is the higher of 80% of the average closed price of the Company's shares for the five trading days immediately preceding the date of grant or the nominal value of the Company's shares. The Old Scheme was replaced by the Company's existing share option scheme (the "New Scheme") which was adopted pursuant to a resolution passed on 8 April 2002, and expired on 7 April 2012. The existing scheme was adopted pursuant to a resolution passed on 28 August 2012 (the "2012 Scheme").

Pursuant to the New Scheme, the exercise period of options shall not beyond the ten year period after the date of adoption of the New Scheme while the exercise period of Options granted under the 2012 Scheme shall not expire later than 10 years from the date on which the Board resolves to make an offer. Save for the abovementioned difference in exercise period, certain conditions in respect of the lapse of options and other necessary modifications and/or amendments made pursuant to the Listing Rules, there are no material differences between the terms of the New Scheme and the 2012 Scheme.

Under the 2012 Scheme, the Board of Directors of the Company may grant options to eligible officers and employees, including the directors of the Company and its subsidiaries ("Eligible Persons"), to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties who (i) have previously been and continue to be retained by the Group to provide business, legal or tax consultancy services or other professional services, whose expertise is valuable to the business development of the Group; or (ii) introduce investment opportunities to the Group; or (iii) contribute by way of introduction of new business to the Group.

The maximum number of shares in respect of which options may be granted under the 2012 Scheme and any other schemes of the Company is not permitted to exceed 10% of the shares of the Company in issue at the adoption date. The Company may seek approval by the Company's shareholders in general meeting for granting options beyond the 10% limit, provided that the options in excess of the limit are granted only to Eligible Persons specifically identified by the Company before such approval is sought. The maximum number of options that can be granted by the Company to the Eligible Persons has been refreshed to 10% of number of shares in issue. The total number of the shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2012 Scheme of the Company must not exceed 30% of the shares of the Company in issue from time to time.

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38. SHARE OPTIONS SCHEMES *(continued)*

The number of share in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital in issue or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant. Upon acceptance of the options, the Eligible Person shall pay HK\$1 to the Company by way of consideration for the grant. Options may be exercised at any time from the date of grant to the expiry date of the 2012 Scheme. The exercise price is determined by the directors of the Company, and shall be the highest of the closing price of the Company's shares on the date of grant, the average closing price of the shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

Particulars of share options granted by the Company as at 31 March 2013 and 2012 are as follows:

| Option type | Date of grant | Exercisable period | | Exercise price HK\$ |
|-------------|-----------------|--------------------|---------------|------------------------|
| | | From | To | |
| A | 31 August 2001 | 31 August 2001 | 15 May 2011 | 8.6 |
| B | 2 February 2004 | 2 February 2004 | 7 April 2012 | 3.4 |
| C | 3 March 2005 | 3 March 2005 | 7 April 2012 | 2.325 |
| D | 20 June 2005 | 20 June 2005 | 7 April 2012 | 2.33 |
| E | 13 April 2010 | 13 April 2010 | 12 April 2020 | 0.5 |

The following tables summarise the movements in the Company's share options during the year ended 31 March 2013:

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38. SHARE OPTIONS SCHEMES (continued)

New Scheme

| | Option type | Number of share options | | |
|-----------------------------------|-------------|--------------------------------|----------------------------|---------------------------------|
| | | Outstanding at 1 April 2012 | Lapsed | Outstanding at 31 March 2013 |
| Directors | B | 1,500,000 | (1,500,000) | – |
| | C | 3,210,000 | (3,210,000) | – |
| | E | <u>3,882,000</u> | – | <u>3,882,000</u> |
| Total of directors | | <u>8,592,000</u> | <u>(4,710,000)</u> | <u>3,882,000</u> |
| Employees | B | 60,000 | (60,000) | – |
| | C | 270,000 | (270,000) | – |
| | E | <u>2,349,000</u> | – | <u>2,349,000</u> |
| Total of employees | | <u>2,679,000</u> | <u>(330,000)</u> | <u>2,349,000</u> |
| Advisors and consultants | B | 4,144,000 | (4,144,000) | – |
| | C | 4,422,000 | (4,422,000) | – |
| | D | <u>99,000</u> | <u>(99,000)</u> | – |
| Total of advisors and consultants | | <u>8,665,000</u> | <u>(8,665,000)</u> | – |
| Total | | <u><u>19,936,000</u></u> | <u><u>(13,705,000)</u></u> | <u><u>6,231,000</u></u> |

The following tables summarise the movements in the Company's share options during the year ended 31 March 2012:

Old Scheme

| | Option type | Number of share options | | |
|-----------|-------------|--------------------------------|----------------------|---------------------------------|
| | | Outstanding at 1 April 2011 | Lapsed/ Exercised | Outstanding at 31 March 2012 |
| Directors | A | <u>25,000</u> | <u>(25,000)</u> | – |

Notes to the Consolidated Financial Statements

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38. SHARE OPTIONS SCHEMES *(continued)*

New Scheme

| | Option type | Number of share options | | |
|-----------------------------------|-------------|-----------------------------|-------------------|------------------------------|
| | | Outstanding at 1 April 2011 | Lapsed/ Exercised | Outstanding at 31 March 2012 |
| Directors | B | 1,500,000 | – | 1,500,000 |
| | C | 3,210,000 | – | 3,210,000 |
| | E | <u>3,882,000</u> | – | <u>3,882,000</u> |
| Total of directors | | <u>8,592,000</u> | – | <u>8,592,000</u> |
| Employees | B | 60,000 | – | 60,000 |
| | C | 270,000 | – | 270,000 |
| | E | <u>2,349,000</u> | – | <u>2,349,000</u> |
| Total of employees | | <u>2,679,000</u> | – | <u>2,679,000</u> |
| Advisors and consultants | B | 4,144,000 | – | 4,144,000 |
| | C | 4,422,000 | – | 4,422,000 |
| | D | <u>99,000</u> | – | <u>99,000</u> |
| Total of advisors and consultants | | <u>8,665,000</u> | – | <u>8,665,000</u> |
| Total | | <u>19,936,000</u> | – | <u>19,936,000</u> |

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38. SHARE OPTIONS SCHEMES (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

| | 2013 | | 2012 | |
|-------------|---|-------------------------|---|--------------------------|
| | Weighted average exercise price in HK\$ per share | Number of share options | Weighted average exercise price in HK\$ per share | Number of share options |
| At 1 April | 2.062 | 19,936,000 | 2.070 | 19,961,000 |
| Lapsed | 2.772 | <u>(13,705,000)</u> | 8.6 | <u>(25,000)</u> |
| At 31 March | 0.5 | <u><u>6,231,000</u></u> | 2.062 | <u><u>19,936,000</u></u> |

The options outstanding at the end of the year have a weighted average remaining contractual life of 17 years (2012:2.52 years).

The estimated fair value of the share options granted on 13 April 2010 is approximately HK\$2,898,000 were calculated using Binomial Option Pricing Model. The inputs to the model were as follows:

| | 13 April 2010 |
|---------------------------------|-------------------|
| Share price of underlying share | HK\$0.49 |
| Exercise price | HK\$0.5 |
| Expected volatility | 101% |
| Expected life | 10 years |
| Risk-free rate | 2.82% |
| Expected dividend yield | <u><u>Nil</u></u> |

Notes to the Consolidated Financial Statements

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38. SHARE OPTIONS SCHEMES *(continued)*

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

For the years ended 31 March 2013 and 31 March 2012, no expense in relation to share options granted by the Company was recognised as no option granted.

39. DISPOSAL OF SUBSIDIARIES

There was no disposal of subsidiaries during the year ended 31 March 2013.

During the year ended 31 March 2012, the Group disposed the following subsidiaries.

| | 2012 | | Total HK\$'000 |
|--|--|---|-------------------|
| | West Regent Group HK\$'000 (note a) | Shanghai Harvest Group HK\$'000 (note b) | |
| Net assets/(liabilities) disposal of: | | | |
| Other intangible asset <i>(note 20)</i> | – | 1,120 | 1,120 |
| Property, plant and equipment <i>(note 17)</i> | 58 | 4,490 | 4,548 |
| Goodwill | – | – | – |
| Inventories | – | 1,888 | 1,888 |
| Trade and other receivables | 6,654 | 101,080 | 107,734 |
| Cash and bank balances | 544 | 39,557 | 40,101 |
| Trade and other payables | (10,612) | (102,560) | (113,172) |
| Tax payables | – | (1,270) | (1,270) |
| Deferred tax liabilities <i>(note 35)</i> | – | (301) | (301) |
| | (3,356) | 44,004 | 40,648 |
| Non-controlling interests | – | – | – |
| Foreign currency translation reserve released upon disposed | (235) | (11,072) | (11,307) |
| Gain on disposal | <u>3,591</u> | <u>11,213</u> | <u>14,804</u> |
| Satisfied by: | | | |
| Cash consideration received or receivables | <u>–</u> | <u>44,145</u> | <u>44,145</u> |

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31 March 2013

39. DISPOSAL OF SUBSIDIARIES *(continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries are as follows:

| | 2012 | | |
|--|----------------------------------|---------------------------------------|------------------------|
| | West Regent Group HK\$'000 | Shanghai Harvest Group HK\$'000 | Total HK\$'000 |
| Cash consideration | – | – | – |
| Less: cash and cash equivalent balances disposed of | <u>(544)</u> | <u>(39,557)</u> | <u>(40,101)</u> |
| Net cash outflow in respect of the disposal of subsidiaries | <u><u>(544)</u></u> | <u><u>(39,557)</u></u> | <u><u>(40,101)</u></u> |

Notes:

- (a) In July 2011, the Group disposed of West Regent Property Limited and its subsidiary (collectively referred to as the "West Regent Group"), which carried out the sales of medical devices and consumables of the Group, to an independent third party for a consideration of HK\$1 and the gain on disposal was approximately HK\$3,591,000.
- (b) In December 2011, the Group disposed of Shanghai Harvest Network Technology Company Limited ("Shanghai Harvest") and its subsidiaries (collectively referred to as the "Shanghai Harvest Group"), which carried out B-to-C consumer services of the Group, to a connected person in Shanghai Harvest for a consideration of approximately RMB35,911,000 (equivalent to approximately HK\$44,145,000) and the gain on disposal was approximately HK\$11,213,000.

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2013, the Group entered into a sale and purchase agreement with an independent third party whereby the Group conditionally agreed to acquire the entire issued share capital of Anew Capital Group for a total contracted consideration of HK\$50,000,000 of which, HK\$18,000,000 was satisfied by the issue of Promissory note and HK\$32,000,000 was satisfied by issuance of 100,000,000 consideration shares.

There were no major non-cash transaction during the year ended 31 March 2012.

Notes to the Consolidated Financial Statements

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41. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payables as follows:

| | 2013 <i>HK\$'000</i> | 2012 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Within one year | 142 | 513 |
| In the second to fifth years inclusive | <u>—</u> | <u>142</u> |
| | <u><u>142</u></u> | <u><u>655</u></u> |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for average terms of three years and rentals are fixed throughout the terms of respective leases.

42. RELATED PARTY TRANSACTIONS

In addition to the transactions details elsewhere in the consolidated financial statements, the Group entered into the following related party transactions with related parties during the year:

- (a) During the year ended 31 March 2012, the Group disposed the Shanghai Harvest Group to a connected person. Details of which are set out in note 39 to the consolidated financial statements and the Company's shareholders' circular dated 25 November 2011.
- (b) Compensation of key management personnel of the Group are set out in note 15 to the consolidated financial statements.
- (c) As disclosed in note 30 to the consolidated financial statements, the interest expenses were charged based on the Hong Kong Best Lending Rate with outstanding principal amounts of each HK\$4,000,000 granted by a director and a shareholder. The interest payables to a director and a shareholder as at 31 March 2013 were HK\$223,000 (2012: HK\$30,000) and HK\$230,000 (2012: HK\$22,000), respectively.

Notes to the Consolidated Financial Statements

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43. LITIGATIONS

On or around 19 August 2010, Wingames Investments Limited ("Wingames"), an indirectly wholly-owned subsidiary of the Company, entered into the agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors") (collectively known as "Guarantors"), being the independent third parties, to acquire equity interests of in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities, for a total consideration of HK\$3,360 million (the "VSA"), details of which have been set out in the Company's circular dated 23 February 2011. The VSA transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants in Hong Kong since 31 May 2011 (the "Proceeding"). On 6 May 2013, the parties to the Proceeding have reached an agreement to settle the Proceeding, as a result, the Proceeding will be discontinued and this brings to an end the VSA. Relevant details and developments of the Proceeding are disclosed in a series of announcements since 3 June 2011.

44. POST BALANCE SHEET EVENTS

- a) On 6 May 2013, the parties to the legal proceedings relating to the litigation as disclosed in note ("Proceeding") reached an agreement to settle the Proceeding. The terms of the settlement are confidential, but as a result the Proceeding will be discontinued and this brings to an end the VSA.
- b) On 28 June 2013, the Company and the preference share holder entered into an amendment agreement to the Supplementary Agreement of the Preference Shares Agreement dated 31 March 2013 (the "Amendment Agreement").

Pursuant to the Amendment Agreement, the final settlement date to redeem the Preference Shares is extended from 30 November 2013 to 30 June 2014 provided that a non-refundable deposit of HK\$10 million (the "Deposit") will be made to the preference share holder before or by 29 June 2013 and the preference share holder shall have the right to forfeit the Deposit if the redemption of the Preference Shares does not take place on or before 30 November 2013.

The calculation and settlement of the dividends of the Preference Shares from 1 December 2013 to 30 June 2014 shall be 6% per annum and the Company shall have the right to settle by way of share issuance of shares to the preference share holder at a pre-determined price of HK\$0.3201 per share.

- c) On 26 June 2013, an indirect subsidiary of the Company completed an acquisition of the 51% equity interest of 上海醫瑞葆健康信息諮詢有限公司 ("上海醫瑞葆") at the consideration of approximately HK\$800,000. 上海醫瑞葆 was established in PRC with limited liability, whose principal activity is engaged in provision of service in relation to healthcare and third party administration to healthcare insurance company.

Notes to the Consolidated Financial Statements

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45. PRIOR YEAR ADJUSTMENTS

In October 2008, Harvest Network Limited (the "Harvest Network"), a subsidiary of the Group, entered into a subscription agreement with the subscribers to issue in aggregate 216,000 convertible preference shares to the subscribers for a total consideration of US\$21.6 million.

Pursuant to Memorandum of Association in Harvest Network, holder of the convertible preference shares shall be entitled to a cumulative dividend calculated at US\$8 per shares per annum.

The dividend payable for the convertible preference shares has not been recognised for the years ended 31 March 2009, 2010, 2011 and 2012 in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". As a result of the consequence and other restatements required, comparative figures have been restated.

For the year ended 31 March 2009

Consolidated income statement

| | For the year ended 31 March 2009 |
|--|---|
| | <i>HK\$'000</i> |
| Profit for the year, as previously reported | 33,583 |
| Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary | <u>(5,834)</u> |
| Profit for the year, as restated | <u><u>27,749</u></u> |
| Earnings per share (HK cents), as previously reported | <u><u>8.0</u></u> |
| Earnings per share (HK cents), as restated | <u><u>7.0</u></u> |

Notes to the Consolidated Financial Statements

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45. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of financial position

| | As at 31 March 2009 | | |
|--|----------------------------------|--------------------------------------|----------------------|
| | Previously stated HK\$'000 | Adjustment (note (i)) HK\$'000 | Restated HK\$'000 |
| Assets and liabilities | | | |
| Preference shares dividend payable of a subsidiary | – | (5,834) | (5,834) |
| Total effect on assets and liabilities | – | (5,834) | (5,834) |
| Equity | | | |
| Accumulated losses | (346,099) | (2,615) | (348,714) |
| Non-controlling interests | 99,355 | (3,219) | 96,136 |
| Total effect on equity | (246,744) | (5,834) | (252,578) |

For the year ended 31 March 2010

Consolidated income statement

| | For the year ended 31 March 2010 HK\$'000 |
|--|---|
| Loss for the year, as previously reported | (98,811) |
| Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary | (13,478) |
| Loss for the year, as restated | <u>(112,289)</u> |
| Loss per share (HK cents), as previously reported | <u>(38.0)</u> |
| Loss per share (HK cents), as restated | <u>(41.0)</u> |

Notes to the Consolidated Financial Statements

31 March 2013

45. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of financial position

| | As at 31 March 2010 | | | Restated HK\$'000 |
|---|----------------------------------|--------------------------------------|---------------------------------------|----------------------|
| | Previously stated HK\$'000 | Adjustment (note (i)) HK\$'000 | Adjustment (note (ii)) HK\$'000 | |
| Assets and liabilities | | | | |
| Preference shares dividend payable of a subsidiary | – | (5,834) | (13,478) | (19,312) |
| Total effect on assets and liabilities | – | (5,834) | (13,478) | (19,312) |
| Equity | | | | |
| Accumulated losses | (435,794) | (2,615) | (6,041) | (444,450) |
| Non-controlling interests | 90,941 | (3,219) | (7,437) | 80,285 |
| Total effect on equity | (344,853) | (5,834) | (13,478) | (364,165) |

For the year ended 31 March 2011

Consolidated income statement

| | For the year ended 31 March 2011 HK\$'000 |
|--|---|
| Loss for the year, as previously reported | (182,135) |
| Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary | (13,479) |
| Loss for the year, as restated | <u>(195,614)</u> |
| Loss per share (HK cents), as previously reported | <u>(60.0)</u> |
| Loss per share (HK cents), as restated | <u>(60.0)</u> |

Notes to the Consolidated Financial Statements

31 March 2013

45. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of financial position

| | As at 31 March 2011 | | | | Restated HK\$'000 |
|---|----------------------------------|--------------------------------------|---------------------------------------|--|----------------------|
| | Previously stated HK\$'000 | Adjustment (note (i)) HK\$'000 | Adjustment (note (ii)) HK\$'000 | Adjustment (note (iii)) HK\$'000 | |
| Assets and liabilities | | | | | |
| Preference shares dividend payable of a subsidiary | - | (5,834) | (13,478) | (13,479) | (32,791) |
| Total effect on assets and liabilities | - | (5,834) | (13,478) | (13,479) | (32,791) |
| Equity | | | | | |
| Accumulated losses | (644,010) | (2,615) | (6,041) | (6,041) | (658,707) |
| Non-controlling interests | 120,978 | (3,219) | (7,437) | (7,438) | 102,884 |
| Total effect on equity | (523,032) | (5,834) | (13,478) | (13,479) | (555,823) |

For the year ended 31 March 2012

Consolidated income statement

| | For the year ended 31 March 2012 HK\$'000 |
|--|---|
| Loss for the year, as previously reported | (23,584) |
| Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary | (13,478) |
| Loss for the year, as restated | <u>(37,062)</u> |
| Loss per share (HK cents), as previously reported | (-) |
| Loss per share (HK cents), as restated | <u>(5.0)</u> |

Notes to the Consolidated Financial Statements

31 March 2013

45. PRIOR YEAR ADJUSTMENTS *(continued)*

Consolidated statement of financial position

| | As at 31 March 2012 | | | | | Restated HK\$'000 |
|---|----------------------------------|--------------------------------------|---------------------------------------|--|---------------------------------------|----------------------|
| | Previously stated HK\$'000 | Adjustment (note (i)) HK\$'000 | Adjustment (note (ii)) HK\$'000 | Adjustment (note (iii)) HK\$'000 | Adjustment (note (iv)) HK\$'000 | |
| | | | | | | |
| Assets and liabilities | | | | | | |
| Preference shares dividend payable of a subsidiary | - | (5,834) | (13,478) | (13,479) | (13,478) | (46,269) |
| Total effect on assets and liabilities | - | (5,834) | (13,478) | (13,479) | (13,478) | (46,269) |
| Equity | | | | | | |
| Accumulated loss | (662,565) | (2,615) | (6,041) | (6,041) | (6,041) | (683,303) |
| Non-controlling interests | 118,067 | (3,219) | (7,437) | (7,438) | (7,437) | 92,536 |
| Total effect on equity | (544,498) | (5,834) | (13,478) | (13,479) | (13,478) | (590,767) |

Note

- (i) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2009 and adjustment to the portion of the finance cost to owner of the Company and non-controlling interests.
- (ii) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2010 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.
- (iii) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2011 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.
- (iv) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2012 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.

Notes to the Consolidated Financial Statements

31 March 2013

46. ACQUISITION OF INTANGIBLE ASSET THROUGH ACQUISITION OF SUBSIDIARIES

On 24 November 2012, the Group entered into a sale and purchase agreement (“Anew Capital Acquisitions”) with an independent third party (the “Anew Capital Vendor”) whereby the Group conditionally agreed to acquire the entire issued share capital of Anew Capital Group for a total contracted consideration of HK\$50,000,000.

For the total consideration of HK\$50,000,000, HK\$18,000,000 was satisfied by the issue of the Promissory note and HK\$32,000,000 was satisfied by issuance of 100,000,000 consideration shares (“Consideration”). The acquisition was completed on 19 December 2012.

Anew Capital Group has not carried out any significant business transactions on acquisition date. In the opinion of the directors, the acquisition did not constitute an acquisition of business in substance. The acquisition of the intangible assets was then considered as acquisition of assets through acquisition of subsidiaries. Therefore, the acquisition was not accounted for as a business combination in accordance with the requirement of HKFRS 3 – Business Combination.

Details of assets acquired and liabilities assumed as at the acquisition date were as follows:

| | <i>HK\$'000</i> |
|---------------------------------|-------------------|
| Net assets acquired of | |
| Intangible asset | 53,503 |
| Other receivables | 93 |
| Accrued expense | <u>(96)</u> |
| Total consideration | <u>53,500</u> |
| Satisfied by: | |
| – Promissory note at fair value | 18,000 |
| – Consideration shares | <u>35,500</u> |
| | <u>53,500</u> |

Note

- (i) Since the promissory note is due within a year from the date of issuance, In the opinion of the directors, the nominal value of promissory note approximates to its fair value.
- (ii) The fair value of the consideration shares is referenced to the market price of consideration shares on the date of issuance.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Notes to the Consolidated Financial Statements

31 March 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the principal subsidiaries are as follows:

| Name of Company | Place of incorporation/ registration and operations | Class of shares held | Issued/ registered capital | Percentage of equity attributable to the Company | | Principal activities |
|--|---|---|----------------------------------|--|--------------------|--|
| | | | | Direct | Indirect | |
| Gomei Investment Limited | British Virgin Islands/Hong Kong | Ordinary | US\$1 | 100% | – | Investment holding |
| TechCap BioTech Holdings Limited | British Virgin Islands/Hong Kong | Ordinary | US\$1,000 | – | 100% | Investment holding |
| China Healthcare Holdings (Hong Kong) Limited | Hong Kong | Ordinary | HK\$10,000 | – | 100% | Investment holding |
| Wisdom Profit Investment Limited | Hong Kong | Ordinary | HK\$10,000 | – | 100% | Investment holding |
| Shanghai Weichang Investment and Management Consulting Co., Ltd. (note a) | PRC | Registered capital | US\$3,350,000 | – | 100% | Investment management and consultancy services |
| Shanghai New Everstep Investment Management and Consultancy Limited (note a) | PRC | Registered capital | US\$920,000 | – | 100% | Provision of maternal and fetal care service |
| CHC Investment Holdings Limited | British Virgin Islands/Hong Kong | Ordinary | US\$100 | – | 100% | Investment holding |
| Harvest Network Limited | British Virgin Islands/ Hong Kong | Ordinary Convertible preference shares | US\$205 US\$21,600,000 | – | 44.76% (note c) | Investment holding |
| World Success Investments Limited | Hong Kong | Ordinary | HK\$10,000 | – | 44.76% (note c) | Investment and consultancy |
| Shanghai De Yi Er Investment Management Consulting Co., Ltd (note a) | PRC | Registered capital | US\$10,000,000 | – | 44.76% (note c) | Investment and consultancy |

Notes to the Consolidated Financial Statements

31 March 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(continued)

| Name of Company | Place of incorporation/ registration and operations | Class of shares held | Issued/ registered capital | Percentage of equity contributable to the Company | | Principal activities |
|--|---|-------------------------|----------------------------------|---|--------------------|--|
| | | | | Direct | Indirect | |
| Shandong Harvest Mobile Communication Technology Company Limited (note b) | PRC | Registered capital | RMB14,000,000 | - | 44.76% (note c) | E-commerce distribution of mobile pre-charge |
| China Clinical Trials Centre Limited | British Virgin Islands/Hong Kong | Ordinary | US\$100 | - | 100% | Clinical trials of drugs and devices |
| Wingames Investments Limited | British Virgin Islands/Hong Kong | Ordinary | US\$1 | - | 100% | Investment holding |
| Rich Base International Investments Limited | Hong Kong | Ordinary | HK\$1 | - | 100% | Investment holding |
| Fulvis Investment Limited | British Virgin Islands/Hong Kong | Ordinary | US\$1 | 100% | - | Investment holding |
| Anew Capital Limited | British Virgin Islands/Hong Kong | Ordinary | US\$12,000 | - | 100% | Investment holding |
| China Glory New Technology Limited | Hong Kong | Ordinary | HK\$1,000,000 | - | 100% | Distribution of cooling systems |

Notes:

- (a) Wholly-foreign-owned enterprises established under the PRC Law.
- (b) Sino-foreign equity joint ventures established under the PRC Law.
- (c) The Group had the controlling power over the board of directors of Harvest Network, accordingly, Harvest Network and its subsidiaries had been accounted for as subsidiaries of the Group.

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

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

Financial Summary

| | Year ended 31 March | | | | |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | 2013 HK\$'000 | 2012 HK\$'000 (Restated) | 2011 HK\$'000 (Restated) | 2010 HK\$'000 (Restated) | 2009 HK\$'000 (Restated) |
| RESULTS | | | | | |
| Turnover | <u>23,128</u> | <u>49,106</u> | <u>57,606</u> | <u>2,769,760</u> | <u>2,870,719</u> |
| (Loss)/profit before tax | <u>129,492</u> | (34,616) | (198,824) | (108,730) | 29,200 |
| Income tax expense | <u>(270)</u> | <u>(1,957)</u> | <u>(3,197)</u> | <u>(386)</u> | <u>(1,451)</u> |
| (Loss)/profit for the year from continuing operations | <u>129,222</u> | (36,573) | (202,021) | (109,116) | 27,749 |
| (Loss)/profit for the year from discontinued operations | <u>-</u> | <u>(489)</u> | <u>6,407</u> | <u>(3,173)</u> | <u>-</u> |
| (Loss)/profit for the year | <u>129,222</u> | <u>(37,062)</u> | <u>(195,614)</u> | <u>(112,289)</u> | <u>27,749</u> |
| Attributable to: | | | | | |
| Owners of the Company | <u>140,609</u> | (24,596) | (214,257) | (95,736) | 16,191 |
| Non-controlling interests | <u>(11,387)</u> | <u>(12,466)</u> | <u>18,643</u> | <u>(16,553)</u> | <u>11,558</u> |
| | <u>129,222</u> | <u>(37,062)</u> | <u>(195,614)</u> | <u>(112,289)</u> | <u>27,749</u> |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | <u>292,292</u> | 257,577 | 289,152 | 294,892 | 280,623 |
| Total liabilities | <u>(295,389)</u> | (421,921) | (419,758) | (336,022) | (223,954) |
| Net (liabilities)/assets | <u>(3,097)</u> | <u>(164,344)</u> | <u>(130,606)</u> | <u>(41,130)</u> | <u>56,669</u> |

As at 31 March

| 2013 HK\$'000 | 2012 HK\$'000 | 2011 HK\$'000 | 2010 HK\$'000 | 2009 HK\$'000 |
|------------------|------------------|------------------|------------------|------------------|
|------------------|------------------|------------------|------------------|------------------|