Annual Report 2014

中國衛生控股有限公司

CHINA HEALTHCARE HOLDINGS LIMITED

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

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

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 2B-4A, 20/F., Tower 5
China Hong Kong City,
33 Canton 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
The Belvedere Building
66 Pitts Bay Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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 2014 to our shareholders.

OPERATIONS AND RESULTS

During the year, the Group continued to provide B-to-C consumer services in Mainland China and actively explored healthcare management services, delivering desirable incomes to lay a solid foundation for its business transformation.

During the reporting year, the Group recorded a loss of approximately HK$67.6 million. The Board of Directors did not recommend the payment of any final dividend for the year.

RESOLUTION OF LEGACY ISSUES

During the reporting year, the Group resolved 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. The Group terminated the acquisition of "Fu Shou Yuan", and thus the relevant legal proceedings have been concluded.

During the reporting year, the Group remained insolvent due to its obligations of the convertible bond 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 June 2014, extending the full settlement of the outstanding principal for redemption of the Preference Shares to 31 March 2015.

Subsequent to the balance sheet date, the Company entered into three investment agreements with investors to raise total proceeds of approximately HK$430 million (see the paragraph headed "POST BALANCE SHEET EVENTS"). The agreements, if fulfilled as scheduled, will enable the Company to fully settle its debt obligations and provide considerable resources for its development in the long run.

Chairman's Statement

PROSPECTS

Although in absence of a significant breakthrough in introduction of external resources and business transformation, the Company made notable progress in capital raising during the reporting year, as set out in the paragraph headed "POST BALANCE SHEET EVENTS". Meanwhile, the Company successfully recruited business professionals in medical services to reinforce its management team and get prepared for future development.

Looking to the coming financial year, the Board of Directors will continue to actively seek opportunities to achieve the Company's business transformation towards a medical service provider with an aim at the maximum value for our shareholders. It is a unanimous view of the Board of Directors that in the next one to two decades, the modern medical services sector shall enjoy numerous opportunities amid the themes of digitisation, urbanisation and population aging as China moves ahead with comprehensive economic and social progresses. We are confident that the Company will be well positioned for the opportunities and challenges to create the future success.

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

30 June 2014

Management Discussion and Analysis

RESULTS

For the year ended 31 March 2014, the Group reported a turnover of approximately HK$37.7 million, representing an increase of 63% as compared to HK$23.1 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$67.6 million as compared to profit of approximately HK$140.6 million for the previous financial year. Basic loss per share for the year was HK10.9 cents (2013: earnings per share of HK26.4 cents).

BUSINESS OPERATION

During the past financial year, the Group's business operation was principally engaged in provision of consumer oriented especially health care related 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 to position as a consumer oriented especially health care related service provider to embrace the mega trend in China.

Review of the Group's business operations

The Group's health care related service operation is looking to seize the development opportunity of the huge demand for healthcare services brought by the healthcare reform in Mainland China. During the past financial year, revenue of the operation primarily came from engaging in provision of service in relation to healthcare and third party administration to healthcare insurance companies in Mainland China.

During the past financial year, the business operation of the Group provided the provision of consumer oriented services. As a value added service provider to telecom operators in China, the Group carried out B-to-C consumer service business in Mainland China through its distribution network.

During the period of late December 2012 to mid March 2013, an once in a ten year Chinese top leadership generational change took place, and the new State Council ultimately decided to eliminate the Ministry of Railway. As such the Chinese railway has evolved and experienced substantial changes in previous status quo, and as a result the Group's plan to diversify into distribution of cooling system for high speed trains has been adversely effected severely despite the Directors and management's best efforts. Up to date of this report, the Group has not attained the qualification as an approved supplier of cooling systems for high-speed trains in the PRC yet. As a result, no revenue from the cooling system distribution business has been recorded by the Group.

Management Discussion and Analysis

In this connection, the Directors revised the bases and assumptions of the underlying forecasts for valuation on its cooling system distribution business as at 31 March 2014. Based on the valuation prepared by an independent valuer, the value of the cooling system distribution business as at 31 March 2014 was assessed to be zero. As a result, impairment loss on the intangible assets for such business of about HK$41.6 million (2013: nil) was recognised by the Company. At 31 March 2013, 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 descending average growth rate 13.4%. The recoverable amount of the asset is determined based on value-in-use calculations. There was no material change in the valuation methodology adopted by the Group.

Directors would like to report that the operation of the Group's operation had an increase of about 63% in terms of revenues, as compared with that of the past financial year in 2013.

Review of the Group's financial distress

As of the date, 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 principals of about US$5.39 million and the redeemable convertible preference shares of outstanding principal of US$15 million (the "RCPS").

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 parities to the Proceeding have reached an agreement to settle the Proceeding, which brings an end to the VSA. Relevant details and developments of the Litigation are disposed in a series of announcements since 3 June 2011.

Management Discussion and Analysis

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. Since the balance sheet date, the Company has entered into three fund raising agreements with investors, as announced on each of 8 April 2014; 23 May 2014; and 3 June 2014, targeting a total amount of approximately HK$430.6 million, with the 23 May fund raising completed and the 8 April and 3 June fund raisings completions pending regulatory vetting and shareholders' approvals. Meanwhile, the Directors has been actively seeking for procuring viable asset injection.

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

FUTURE PROSPECT

Despite the Group's HoldCo is facing financial distress, the Group has been 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, especially in view of the very encouraging developments since the balance sheet date.

LIQUIDITY AND CAPITAL RESOURCES

As at 31 March 2014, the Group's cash and cash equivalents amounted to approximately HK$26.7 million (2013: HK$14.2 million), where about HK$5.7 million (2013: 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.

On 15 August 2013, the Group settled the principal amount of HK$10,000,000 of promissory note through capitalization by way of issuing and allotting 30,030,030 shares at an issue price of HK$0.333 per share to the holders of the promissory notes, so as to alleviate the debt burden of the Group. Details of which have been set out in the announcement of the Company dated 2 August 2013.

On 21 August 2013, the Company, three shareholders of the Company (the "Vendors") and a placing agent entered into the placing agreement, pursuant to which the Vendors agreed to place, through the placing agent, on a best effort basis, a maximum of 90,000,000 existing shares, to not less than six places at the placing price of HK$0.33 per placing share. On the same day, the top-up subscription agreement was entered into between the Vendors and the Company, pursuant to which the Vendors conditionally agreed to subscribe for such number of top-up subscription shares equal to the number of the placing shares at the top-up subscription price of HK$0.33 per top-up subscription share. As both the placing and the top up subscription have not been completed, the placing agreement and the top up subscription agreement were terminated on 4 September 2013. Details of the above have been set out in the announcements of the Company dated 21 August 2013 and 4 September 2013.

Management Discussion and Analysis

The Group's total borrowings which represented convertible bonds, redeemable convertible cumulative preference shares and promissory note as at 31 March 2014 amounted to about HK$188.3 million (2013: HK$181.6 million).

On this basis, the gearing ratio is calculated at (1.33) (2013: (2.16)), based on an amount of shareholders' equity of HK$(141,611,000) (2013: HK$(84,236,000)).

CONTINGENT LIABILITIES

As at 31 March 2014, there were no contingent liabilities of the Group (2013: nil).

CHARGE ON GROUP'S ASSETS

As at 31 March 2014, there was no charge on the Group's assets (2013: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group employed 65 (2013: 48) staff members. Total staff cost including Directors' emoluments was HK$6.1 million as compared to HK$9.1 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 70 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 52, 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 52, is 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 51, 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.

Biographical Details of Directors and Senior Management

Mr. Wang Jingming, aged 57, received a bachelor's degree from the Fourth Military Medical University and a master's degree in Surgery from the Third Military Medical University. In his career of hospital management from 1994, he served in the 251st Hospital of the People's Liberation Army as director of Medical Service, vice president in medical and president, Chang'an Hospital in Xi'an as president, Beijing Beiya Orthopedics Hospital as president, Nanchang 334 Hospital as president. During the 5 years when he served as president in the 251st Hospital, the hospital witnessed an increase in the number of beds from 800 to 1,800, and a growth in medical income from RMB130 million to RMB450 million. The hospital was named as one of the 20 "Model Digital Hospitals" in China by the Ministry of Health, and the "Advanced Unit of the Army in Hospital Informatization" by the General Logistics Department. Mr. Wang was honoured individual third-class merits for 2 times, as well as "Excellent Hospital President of the Army" and "Advanced Individual in Hospital Informatization" by the General Political Department and the General Logistics Department. He was also elected as a standing member of the Information Management Committee, a vice chairman of the Chinese Hospital Statistics Committee, and a standing member of the Military Hospital Economic Management Committee of Chinese Hospital Association.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Mu Xiangming, aged 58, 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.

Dr. Yan Shi Yun, aged 74, 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 56, 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.

Biographical Details of Directors and Senior Management

Mr. Zhao Hua, aged 59, 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 38, 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 15 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 2014.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2014 and the state of affairs at the date are set out in the consolidated financial statements on pages 27 to 104.

The directors do not recommend the payment of any dividend for the year ended 31 March 2014 (2013: 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 16 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the Company's convertible bonds are set out in the note 29 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 30 to the consolidated financial statements.

SHARE CAPITAL

Details of movement in the Company's share capital during the year are set out in note 33 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 31.

DISTRIBUTABLE RESERVES

As at 31 March 2014, 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
Dr. Li Zhong Yuan
Mr. Zhou Bao Yi
Mr. Chung Ho
Mr. Wang Jingming (appointed on 15 May 2014)

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 9 and 11 of this annual report.

In accordance with the Company's Bye-laws 86(2) and 87, Mr. Wang Jingming, Dr. Yan Shi Yun, Mr. Mu Xiang Ming and Mr. Jiang Bo 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 14 to the consolidated financial statements.

Report of the Directors

DIRECTORS' INTERESTS IN CONTRACTS

Except for those disclosed in notes 27 and 28 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 2014, 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 2014
Dr. Li Zhong Yuan	The Company	Corporate	24,443,000 *(Note 1)*	–	24,443,000	3.86%
		Personal	–	2,619,000	2,619,000	0.41%
Mr. Zhou Bao Yi	The Company	Personal	1,002,000	–	1,002,000	0.16%
Mr. Mu Xiang Ming	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 Timenew Limited which is wholly owned by Dr. Li Zhong Yuan.

2. 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 2014, 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 *(note 1)*	Beneficial owner	100,000,000	–	100,000,000	15.79%
ZhongXing Limited *(note 2)*	Beneficial owner	69,422,474	–	69,422,474	10.96%
Dragonrise Capital Advisors Inc. *(note 3)*	Beneficial owner	48,155,474	–	48,155,474	7.60%

Notes:

(1) Firstsail Investments Limited was beneficially owned as to 50% by Mr. Chan Lee On and 50% by Mr. Shen Yuluo.

(2) ZhongXing Limited was wholly-owned by Mr. Ho Kin.

(3) Dragonrise Capital Advisors Inc. was beneficially wholly-owned by Ms. Yeung Ning.

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 2014.

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 2013	Granted during the year	Exercised during the year	Lapsed during the year	Reclassified during the year	At 31 March 2014
Directors							
Li Zhong Yuan	E	2,619,000	–	–	–	–	2,619,000
Martin Treffer	E	1,002,000	–	–	–	(1,002,000)	–
Yan Shi Yun	E	261,000	–	–	(261,000)	–	–
Total Directors		3,882,000	–	–	(261,000)	(1,002,000)	2,619,000
Employees and others	E	2,349,000	–	–	–	1,002,000	3,351,000
Total employees and others		2,349,000	–	–	–	1,002,000	3,351,000
Total		6,231,000	–	–	(261,000)	–	5,970,000

Option type	Date of grant	Exercisable Period	Exercise price *HK$*	Closing price immediately before the date of grant *HK$*
E	13 Apr 2010	13/4/2010-12/4/2020	0.500	0.490

Report of the Directors

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 105 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.

MAJOR SUPPLIERS AND CUSTOMERS

The largest supplier and the five largest suppliers of the Group accounted for approximately 40.39% and 100%, respectively, of the Group's total purchases during the year.

The largest customer and the five largest customers of the Group accounted for approximately 54.53% 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 2014.

Report of the Directors

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

As at 31 March 2014, 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 22 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 proceeding three years. Elite Partners CPA Limited will retire and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Zhou Bao Yi
Executive Director

30 June 2014

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 2014 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 five 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 9 and 11 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	9/10	N/A	N/A	N/A	1/2
Dr. Li Zhong Yuan	10/10	N/A	N/A	N/A	1/2
Mr. Zhou Bao Yi	10/10	3/3	N/A	N/A	1/2
Mr. Chung Ho	9/10	N/A	N/A	N/A	2/2
Mr. Wang Jingming (appointed on 15 May 2014)	0/0	N/A	N/A	N/A	0/0
Non-executive Director					
Mr. Martin Treffer (resigned on 3 April 2013)	0/0	N/A	N/A	N/A	0/0
Independent non-executive Directors					
Dr. Yan Shi Yun	6/10	2/3	1/1	1/1	0/2
Mr. Mu Xiang Ming	9/10	3/3	1/1	1/1	1/2
Mr. Jiang Bo	8/10	3/3	1/1	1/1	0/2
Mr. Zhao Hua (appointed on 28 May 2013)	5/7	N/A	N/A	N/A	0/2

Corporate Governance Report

CHAIRMAN AND EXECUTIVE DIRECTORS

Under A2.1 of the Code, the roles of Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Jia Hong Sheng is the Chairman of the Board. 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 as the chairman, 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. According to the board diversity policy adopted by the Nomination Committee during the year, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service etc. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service etc. The final decision will be based on merit and contribution that the selected candidates will bring to the Board. 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.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Company's external auditors are Messrs. Elite Partners CPA Limited. For the year ended 31 March 2014, the external auditor's remuneration for audit services was HK$700,000.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration of the members of the senior management by band for the year ended 31 March 2014 is set out below:

Remuneration bands	Number of persons
Up to HK$1,000,000	1
HK$1,000,001 and above	–

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 2014.

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 2014 and the unaudited interim financial statements for the six months ended 30 September 2013, 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; and

– reviewed the appointment, reappointment and removal and performance of the external auditor.

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 2014.

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 2013 and for the year ended 31 March 2014, 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.

Corporate Governance Report

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.

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 2014.

Independent Auditor's Report

開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 were engaged to audit the consolidated financial statements of China Healthcare Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 104, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, 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 (continued)

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$49,635,000 as at 31 March 2014, which has been past due; and (ii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$130,686,000 as at 31 March 2014, 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 conditionally extent the final settlement date to 31 March 2015. 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 31 March 2015, we were unable to obtain sufficient evidence to satisfy ourselves as to the Group has sufficient future cashflow to redeem the PS by 31 March 2015. 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 (continued)

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 2014 and of the Group's loss 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, 30 June 2014

Yip Kai Yin
Practising Certificate Number P05131

Suites 2B-4A, 20/F., Tower 5,
China Hong Kong City,
33 Canton Road, Tsim Sha Tsui,
Kowloon, Hong Kong

Consolidated Statement of Profit or Loss

Year ended 31 March 2014

	Notes	For the year ended 31 March 2014 HK$'000	2013 HK$'000
Revenue	10	**37,720**	23,128
Cost of services		**(27,136)**	(11,068)
Gross profit		**10,584**	12,060
Other income	10	**123**	1,201
Selling and distribution expenses		**(9,269)**	(11,947)
Administrative expenses		**(37,156)**	(31,920)
Finance costs	11	**(65,937)**	(140,420)
Impairment loss of intangible assets		**(41,614)**	–
Extinguishment of liability component of redeemable convertible cumulative preference shares	30	**35,692**	293,643
Fair value (loss)/gain on derivative component of redeemable convertible cumulative preference shares	30	**(571)**	6,875
(LOSS)/PROFIT BEFORE TAX	12	**(108,148)**	129,492
Income tax	13	**(598)**	(270)
(LOSS)/PROFIT FOR THE YEAR		**(108,746)**	129,222
Attributable to:			
Owners of the Company		**(67,570)**	140,609
Non-controlling interests		**(41,176)**	(11,387)
		(108,746)	129,222
(LOSS)/EARNING PER SHARE	15		
Basic		**(10.9)**	26.4
Diluted		**(10.9)**	25.9

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 March 2014

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(108,746)**	129,222
Other comprehensive income/(loss):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**1,311**	(3,475)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(107,435)**	125,747
Attributable to:		
Owners of the Company	**(67,375)**	137,143
Non-controlling interests	**(40,060)**	(11,396)
	(107,435)	125,747

Consolidated Statement of Financial Position

31 March 2014

	Notes	As at 31 March 2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	469	1,606
Goodwill	17	742	–
Intangible assets	18	–	50,531
Financial assets	30	1,579	2,150
Other receivables	21	1,512	3,218
Total non-current assets		4,302	57,505
CURRENT ASSETS			
Trade receivables	20	55,313	28,257
Prepayments, deposits and other receivables	21	124,592	192,301
Restricted bank balances	23	5,727	9,927
Cash and bank balances	24	20,951	4,302
Total current assets		206,583	234,787
CURRENT LIABILITIES			
Trade payables	25	13,894	6,188
Other payables and accrued expenses	26	32,506	33,370
Amounts due to directors	27	506	3,096
Interest-bearing loans from a director and a shareholder	28	552	8,453
Liability component of convertible bonds	29	49,635	48,064
Liability component of redeemable convertible cumulative preference shares	30	130,686	115,503
Tax payables		2,881	3,245
Preference shares dividend payable of a subsidiary	31	72,757	59,470
Promissory note	32	8,000	18,000
Total current liabilities		311,417	295,389
NET CURRENT LIABILITIES		(104,834)	(60,602)
TOTAL ASSETS LESS CURRENT LIABILITIES		(100,532)	(3,097)

Consolidated Statement of Financial Position (continued)

31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
		As at 31 March	
Net liabilities		**(100,532)**	(3,097)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*33*	**63,329**	60,326
Reserves		**(204,940)**	(144,562)
		(141,611)	(84,236)
Non-controlling interests		**41,079**	81,139
Total equity		**(100,532)**	(3,097)

Li Zhong Yuan
Director

Zhou Bao Yi
Director

Consolidated Statement of Changes In Equity

Year ended 31 March 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 (note a)	Contributed surplus HK$'000 (note b)	Statutory reserves HK$'000 (note c)	Convertible bonds reserve HK$'000 (note d)	Foreign currency translation reserve HK$'000 (note e)	Share options reserve HK$'000 (note f)	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	50,326	293,834*	57,124*	1,047*	3,592*	18,845*	1,656*	(683,303)*	(256,879)	92,535	(164,344)
Profit/(loss) for the year	–	–	–	–	–	–	–	140,609	140,609	(11,387)	129,222
Other comprehensive loss 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	**60,326**	**319,334***	**57,124***	**1,047***	**3,592***	**15,379***	**1,656***	**(542,694)***	**(84,236)**	**81,139**	**(3,097)**
Loss for the year	–	–	–	–	–	–	–	(67,570)	(67,570)	(41,176)	(108,746)
Other comprehensive income for the year	–	–	–	–	–	195	–	–	195	1,116	1,311
Total comprehensive income/(loss) for the year	–	–	–	–	–	195	–	(67,570)	(67,375)	(40,060)	(107,435)
Issue of loan share upon loan capitalisation	3,003	6,997	–	–	–	–	–	–	10,000	–	10,000
At 31 March 2014	**63,329**	**326,331***	**57,124***	**1,047***	**3,592***	**15,574***	**1,656***	**(610,264)***	**(141,611)**	**41,079**	**(100,532)**

* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$204,940,000 (2013: HK$144,562,000) in the consolidated statement of financial position.

Consolidated Statement of Changes In Equity (continued)

Year ended 31 March 2014

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 2014, 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 2014

	2014	2013
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax:	**(108,148)**	129,492
Adjustments for:		
Finance costs	**65,937**	140,420
Interest income	**(123)**	(133)
Amortisation of intangible assets	**8,917**	2,972
Depreciation	**1,021**	1,377
Impairment loss of intangible assets	**41,614**	–
Fair value (loss)/gain on derivative component of redeemable convertible cumulative preference shares	**571**	(6,875)
Gain on recalculation of liability component of redeemable convertible cumulative preference shares	**(35,692)**	(293,643)
Loss on disposal of items of property, plant and equipment	**43**	122
Operating cash flow before movement in working capital	**(25,860)**	(26,268)
Increase in trade receivables	**(26,553)**	(1,064)
Decrease in prepayments, deposits and other receivables	**72,876**	879
Increase in trade payables	**7,596**	6,068
(Decrease)/increase in other payables and accrued expenses	**(2,263)**	6,030
Cash generated from/(used in) operations	**25,796**	(14,355)
Income tax paid	**(962)**	(354)
Net cash flows generated from/(used in) operating activities	**24,834**	(14,709)

Consolidated Statement of Cash Flows (continued)

Year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3)	(1,485)
Interest received	123	133
Net cash inflow for acquisition of a subsidiary	129	–
Net cash flows generated from/(used in) investing activities	249	(1,352)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease)/increase in amounts due to directors	(2,590)	497
Decrease in interest-bearing loans from a director and a shareholder	(8,000)	–
Net cash flows (used in)/generated from financing activities	(10,590)	497
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,493	(15,564)
Effect of foreign exchange rate changes, net	(2,044)	(2,667)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	14,229	32,460
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	26,678	14,229
Analysis of cash and cash equivalents:		
Restricted bank balances	5,727	9,927
Cash and bank balances	20,951	4,302
	26,678	14,229

Notes to the Consolidated Financial Statements

31 March 2014

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 44 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$104,834,000 and net liabilities of approximately HK$100,532,000 as at 31 March 2014;

(ii) The liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK$49,635,000 as at 31 March 2014; and

(iii) The liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$130,686,000 as at 31 March 2014 which was originally past due but conditionally extended to 31 March 2015.

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 be in standstill to 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 a supplemental agreement with PS holder, in consideration of the Subscription Agreement of the Convertible Note dated 3 June 2014 (the "Subscription of Convertible Note"), should the Company fail to complete the Subscription of Convertible Note, the PS holder agreed to extend the final settlement date to 31 March 2015.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

2. BASIS OF PRESENTATION *(continued)*

Furthermore, the Group has been in the active process of fund arisings, and meanwhile 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 2014 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to 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 statements 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 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. 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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

3. BASIS OF PREPARATION *(continued)*

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

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

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

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

The Group has applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

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

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

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

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "*Consolidated and Separate Financial Statements*" relating to the presentation of consolidated financial statements and HK(SIC) Int 12 "*Consolidation – Special Purpose Entities*". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption dose not change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 April 2013.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries and associates. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Disclosure of interest in subsidiaries is made in the respective note to the financial statements. The adoption of this standard did not materially affect the disclosures of the Group in the current and last years.

HKFRS 13 Fair Value Measurement

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

HKFRS 13 Fair Value Measurement *(continued)*

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

New and revised HKFRSs in issue but not effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) - Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

5 Effective for annual periods beginning on or after 1 January 2016

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

(a) the contractual arrangement with the other vote holders of the investee;
(b) rights arising from other contractual arrangements; and
(c) the Group's voting rights and potential voting rights.

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

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

Business combinations and goodwill *(continued)*

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.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

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.

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 (Continued)
31 March 2014

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 (Continued)

31 March 2014

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 satisfy, 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%
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 (Continued)

31 March 2014

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.

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 (“FVTPL”) are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

Financial instruments *(continued)*

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).

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.

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

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

Financial instruments *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

A financial asset other than a financial asset held for trading may be designed 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.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

Financial instruments *(continued)*

Impairment of financial assets *(continued)*

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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

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.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

Income tax *(continued)*

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 (Continued)

31 March 2014

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;

(b) service income is recognised when the services are rendered;

(c) 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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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 29 and 30 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 (Continued)

31 March 2014

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2014 was HK$742,000 (2013: HK$Nil). Further details are given in note 17.

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 and promissory note. 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 (Continued)

31 March 2014

8. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2014	2013
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables:		
Trade receivables	**55,313**	28,257
Deposits and other receivables	**126,013**	195,052
Restricted bank balances	**5,727**	9,927
Cash and bank balances	**20,951**	4,302
	208,004	237,538
Financial asset at FVTPL:		
Financial assets	**1,579**	2,150
Total financial assets	**209,583**	239,688
Financial liabilities		
Financial liabilities at amortised cost:		
Trade payables	**13,894**	6,188
Other payables and accrued expenses	**32,506**	33,370
Amounts due to directors	**506**	3,096
Interest-bearing loans from a director and a shareholder	**552**	8,453
Liability component of convertible bonds	**49,635**	48,064
Liability component of redeemable convertible cumulative preference shares	**130,686**	115,503
Preference shares dividend payable of a subsidiary	**72,757**	59,470
Promissory note	**8,000**	18,000
Total financial liabilities	**308,536**	292,144

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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% (2013: 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	
	2014	2013
	HK$'000	*HK$'000*
RMB	**4,407**	3,518

8. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

As at 31 March 2014, 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 2014, the Group has concentration of credit risk of 89% (2013: 100%) and 100% (2013: 100%) as the total trade receivables was due from the Group's largest customer and the five largest customers, respectively. 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 (Continued)

31 March 2014

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:

	2014			2013		
	Less than 1 year or on demand	1 – 5 years	Total	Less than 1 year or on demand	1 – 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-derivative financial liabilities						
Trade payables	13,894	–	13,894	6,188	–	6,188
Other payables and accrued expenses	32,506	–	32,506	33,370	–	33,370
Amounts due to directors	506	–	506	3,096	–	3,096
Interest-bearing loans from a director and a shareholder	552	–	552	8,453	–	8,453
Liability component of convertible bonds*	49,635	–	49,635	48,064	–	48,064
Liability component of redeemable convertible cumulative preference shares*	130,686	–	130,686	115,503	–	115,503
Preference shares dividend payable of a subsidiary	72,757	–	72,757	59,470	–	59,470
Promissory note	8,000	–	8,000	18,000	–	18,000
	308,536	–	308,536	292,144	–	292,144

* 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.

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 (Continued)

31 March 2014

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 (Continued)

31 March 2014

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	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
31 March 2014				
Financial assets at FVTPL				
Derivative financial assets	**–**	**1,579**	**–**	**–**

	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
31 March 2013				
Financial liabilities at FVTPL				
Derivative financial asset	–	2,150	–	–

There were no transfers between Level 1 and 2 during the years ended 31 March 2014 and 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.

For management purposes the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

– B-to-C consumer services;
– Healthcare service; and
– Distribution of cooling system.

The healthcare service segment is a new business segment through an acquisition of subsidiary by the Group during the year.

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

9. OPERATING SEGMENT INFORMATION *(continued)*

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

No operating segment is presented as the Group basically operated in one single operating segment (i.e. B-to-C consumer services) during the year ended 31 March 2013.

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 March 2014.

	B-to-C Consumer Service	Healthcare service	Distribution of cooling system	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Revenue from external customers	20,568	17,152	–	37,720
Segment results	(13,372)	1,595	(50,559)	(62,336)
Reconciliation:				
Interest income and unallocated income				35,815
Corporate and other unallocated expenses				(15,690)
Finance costs unallocated				(65,937)
Loss before tax				(108,148)
Depreciation and amortization	940	–	8,917	9,857
Reconciliation:				
Unallocated depreciation and amortization				81
				9,938

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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 2014 and 2013:

	B-to-C consumer service		Healthcare service		Distribution of cooling system		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**81,433**	166,220	**6,108**	–	**–**	51,227	**87,541**	217,447
Corporate and other unallocated assets							**123,344**	74,845
Total assets							**210,885**	292,292
SEGMENT LIABILITIES	**24,983**	10,498	**4,809**	–	**2**	700	**29,794**	11,198
Corporate and other unallocated liabilities							**281,623**	284,191
Total liabilities							**311,417**	295,389
Other segment information								
Interest income							**123**	133
Depreciation							**1,021**	1,377
Amortisation of intangible assets							**8,917**	2,972
Capital expenditure							**3**	1,485

Geographical information

For the years ended 31 March 2014 and 2013, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

9. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

During the year ended 31 March 2014, the Group had transactions with 2 (2013: 1) customers who contributed over 10% of the Group's total net revenue which is summarised below:

	Year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Customer 1	**20,568**	23,128
Customer 2	**16,937**	–
	37,505	23,128

10. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represented the commission income earned from provision of B-to-C consumer service and the income from provision of healthcare service. An analysis of revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Commission income earned from provision of B-to-C consumer service	**20,568**	23,128
Income from provision of healthcare service	**17,152**	–
	37,720	23,128

	2014	2013
	HK$'000	*HK$'000*
Interest income	**123**	133
Others *(note)*	**–**	1,068
	123	1,201

Note: 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 (Continued)

31 March 2014

11. FINANCE COSTS

An analysis of finance costs is as follows:

	2014 HK$'000	2013 HK$'000
Dividend payable to convertible preference share issued by a subsidiary	13,392	13,402
Interests on loans from a director and a shareholder	99	401
Effective interest expenses on convertible bonds wholly repayable within five years	1,571	1,422
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	50,875	125,195
	65,937	140,420

12. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging the following:

	2014 HK$'000	2013 HK$'000
Auditor's remuneration	700	900
Depreciation of property, plant and equipment	1,021	1,377
Amortisation of intangible asset	8,917	2,972
Rental expenses in respect of office premises	759	512
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	5,766	6,270
– Contributions to defined contribution retirement plans	333	2,839

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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% (2013: 25%).

	2014 HK$'000	2013 HK$'000
Current tax – PRC		
Provision for the year	598	189
Under provision in prior years	–	81
Total tax charge for the year	598	270

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:

	2014 HK$'000	2013 HK$'000
(Loss)/profit before tax	(108,148)	129,492
Tax at the statutory rate in the PRC of 25%	(27,037)	32,373
Effect of different tax rate of subsidiaries operating in other jurisdictions	430	–
Expenses not deductible for tax	25,663	40,408
Income not subject to tax	(8,964)	(75,398)
Tax losses not recognised	8,854	2,806
Under provision in prior years	1,652	81
Tax charge for the year	598	270

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES

Directors' emoluments

The emoluments paid or payable to each of the eight (2013: eight) directors of the Company were as follows:

Year ended 31 March 2014

	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	–	2,259	15	2,274
Mr. Zhou Bao Yi	–	554	–	554
Mr. Chung Ho *(Note b)*	–	–	–	–
Non-executive director				
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
Mr. Zhao Hua *(Note d)*	–	–	–	–
	300	2,813	15	3,128

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 director				
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
	300	2,770	12	3,082

No director had waived any emoluments during the years ended 31 March 2014 and 2013.

Note:

a) Mr. Jia Hong Sheng has been appointed as an Executive director and the Chairman of the Board with effect from 26 March 2013.

b) Mr. Chung Ho ("Mr. Chung") has been appointed as an Executive director of the Company with effect from 28 December 2012.

c) Mr. Martin Treffer has been resigned as Non-executive director of the Company on 3 April 2013.

d) Mr. Zhao Hua has been appointed as an Independent non-executive director of the Company with effect from 28 May 2013.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

14. DIRECTORS' EMOLUMENTS AND HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2013: two) were directors of the Company whose emoluments are presented above. The emoluments of the remaining three (2013: three) individuals were as follows:

	2014	2013
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**430**	448
Contributions to retirement benefit schemes	**19**	21
	449	469

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

	Number of employees	
	2014	2013
Nil to HK$1,000,000	**3**	3

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 2014 and 2013.

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

15. (LOSS)/EARNINGS PER SHARE

	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company, used in the basis (loss)/earnings per share calculation:	**(67,570)**	140,609

Number of shares	**2014**	2013
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**622,018**	531,479

(a) Basic (loss)/earnings per share

For the year ended 31 March 2014, the calculation of basic loss per share amount is based on the net loss for the year of HK$67,570,000 (2013: profit of HK$140,609,000) attributable to the equity holders of the Company, and weighted average of approximately 622,018,000 (2013: approximately 531,479,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

For the year ended 31 March 2014, 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.

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 Company, 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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$'000	Furniture fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST:				
At 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 and 1 April 2013	–	1,159	2,741	3,900
Additions	–	3	–	3
Disposals	–	(282)	(1,132)	(1,414)
Exchange realignment	–	25	49	74
At 31 March 2014	–	905	1,658	2,563
ACCUMULATED DEPRECIATION:				
At 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 and 1 April 2013	–	795	1,499	2,294
Provided for the year	–	141	880	1,021
Disposals	–	(243)	(1,019)	(1,262)
Exchange realignment	–	14	27	41
At 31 March 2014	–	707	1,387	2,094
NET CARRYING VALUES				
At 31 March 2014	**–**	**198**	**271**	**469**
At 31 March 2013	–	364	1,242	1,606

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

17. GOODWILL

	2014	2013
	HK$'000	*HK$'000*
At 1 April	–	–
Acquisition of a subsidiary *(note 36)*	742	–
At 31 March	742	–

Goodwill acquired through business combination has been allocated to the healthcare segment.

The Group performed its annual impairment test for goodwill allocated to the healthcare segment cash-generating-unit by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the cash-generating-unit is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of not more than 3% for a five-year period. The discount rate used of 23.77% reflects specific risks related to the segment. The budgeted gross margin of 17% is determined by the management based on past performance and its expectations for market development. The management believes that any reasonably foreseeable change in any of the above key assumptions would not cause the carrying amount of the goodwill to exceed the recoverable amount. Accordingly, no impairment loss is recognised for the year.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

18. INTANGIBLE ASSETS

	Distribution right for selling cooling systems HK$'000
COST	
At 1 April 2012	–
Acquisition of subsidiaries	53,503
At 31 March 2013, 1 April 2013 and 31 March 2014	53,503
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2012	–
Charge for the year	2,972
At 31 March 2013 and 1 April 2013	2,972
Charge for the year	8,917
Impairment loss	41,614
At 31 March 2014	53,503
CARRYING VALUES	
At 31 March 2014	–
At 31 March 2013	50,531

(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 42. Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives of six years.

(ii) Subsequent to the completion of the acquisition of Anew Capital Limited and its subsidiaries (together, the "Anew Group") by the Group in late 2012, Anew Group, in cooperation with Beijing Oriental Capital Technology Company Limited ("Oriental Capital"), which has entered into a cooperative agreement with Anew Group for cooperation of selling and distributing Voith Turbo's cooling systems in the PRC, have invested various resources in marketing and promoting the cooling systems in the railway industry in the PRC and strived for being a qualified supplier of cooling systems for high-speed trains recognized by the Ministry of Railway ("MOR") in the PRC, which was originally responsible for both policy planning and management of the operation of the railway system in the PRC.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

18. INTANGIBLE ASSETS *(continued)*

In March 2013, nevertheless, the State Council announced an institutional reform and transformation program for the railway industry, pursuant to which MOR's railway planning and policy making functions are entrusted to the Ministry of Communications ("MOC"), its other administrative functions rest with a new organisation, the State Railways Administration ("SRA"), while MOR's commercial activities are being passed and transferred over to the China Railways Corporation ("CRC") newly established then. According to the State Council's program, CRC shall transport passengers and freight, and be responsible for operating and managing the country's rail network. CRC shall draft investment plans for railway construction, and put forward to the government proposals to fund and build the lines. CRC shall also be responsible for implementing railway projects and be accountable, as the main responsible body, for safety. MOR no longer exists after such reform.

Since the institutional reform for the railway industry, the railway construction and investment policy have been going through significant adjustments. To the best knowledge and information of the Directors, there is no increase in new orders of high-speed trains while a few of orders for some models have been suspended and no new suppliers of cooling systems have been approved by CRC since the industry reform. Up till now, Anew Group has not attained the qualification as an approved supplier of cooling systems for high-speed trains yet. As a result, no revenue from the cooling system distribution business has been recorded by the Group since completion of the acquisition of Anew Capital Limited by the Group.

Having considered the abovementioned, the Directors revised the bases and assumptions of the underlying forecasts for the valuation on its cooling system distribution business as at 31 March 2014. Based on the valuation prepared by Sino-Infinite Appraisal Limited, an independent valuer, the value of the cooling system distribution business as at 31 March 2014 was assessed to be zero. As a result, full impairment on the intangible assets in relation to the cooling system distribution business was recognized by the Company.

(iii) 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 descending average growth rate 13.4%. The valuations were carried out by an independent qualified professional valuation firm not connected with the Group.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

18. INTANGIBLE ASSETS (continued)

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 in 2013.

(iv) Impairment loss and amortisation charges for the year approximately HK$41,614,000 and HK$8,917,000 respectively, were included in administrative expenses in the consolidated profit or loss (2013: HK$Nil and HK$2,972,000).

19. 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.

20. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**55,313**	28,257

The normal credit period granted to customer is 180 days.

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

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**3,540**	5,235
1 to 3 months	**8,616**	5,730
Over 3 months	**43,157**	17,292
	55,313	28,257

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

20. TRADE RECEIVABLES *(continued)*

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

	2014	2013
	HK$'000	*HK$'000*
Within 90 days	**5,379**	6,033
91 to 180 days	**5,505**	6,283
Over 180 days	**32,273**	4,976
	43,157	17,292

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Other receivables (note (i)(ii))	93,874	155,502
Less: Non-current portion of other receivables *(note (ii))*	(1,512)	(3,218)
	92,362	152,284
Deposits *(note (iii))*	32,140	39,550
Prepayments	90	467
Current portion of prepayments, deposits and other receivables	124,592	192,301

Notes:

(i) Approximately RMB69,315,000 (equivalent to approximately HK$87,316,000) (2013: RMB79,333,000 equivalent to approximately HK$98,226,000) were amounts of sales proceeds of and due from the disposed subsidiaries;

(ii) Under non-current portion and current portion are amount of approximately HK$1,512,000 and HK$4,671,000 respectively with respect to a secured loan of RMB8,000,000 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;

(iii) Approximately RMB25,000,000 (equivalent to approximately HK$31,493,000) 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 (Continued)

31 March 2014

22. LOAN RECEIVABLES

	2014 HK$'000	2013 HK$'000
Loans advanced to independent third parties	**21,675**	21,675
Impairment	**(21,675)**	(21,675)
	–	–

23. RESTRICTED BANK BALANCES

The restricted bank balances amount of approximately HK$5,727,000 (2013: HK$9,927,000) 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% (2013: 0.4% to 0.5%) per annum.

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

	2014 HK$'000	2013 HK$'000
RMB	**1,764**	8,971
HK$	**90**	96
US$	**3,873**	860
	5,727	9,927

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

24. CASH AND BANK BALANCES

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

	2014	2013
	HK$'000	*HK$'000*
RMB	**4,444**	1,150
HK$	**16,192**	917
US$	**77**	1,300
Euro	**238**	935
	20,951	4,302

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.

25. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**13,216**	6,188
1 to 3 months	**678**	–
	13,894	6,188

The trade payables are non-interest-bearing and normally settled from 30 to 60 day terms.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

26. 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.

27. AMOUNTS DUE TO DIRECTORS

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

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

The loans from a director and a shareholder with outstanding interest of approximately HK$272,000 (2013: HK$4,222,000) and HK$280,000 (2013: HK$4,231,000), respectively, are unsecured, bear interest at the Hong Kong Best Leading Rate and repayable within one year.

29. 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 2013 and 2014.

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

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.

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:

	2014	2013
	HK$'000	*HK$'000*
Carrying amount at 1 April	**48,064**	46,643
Interest charged for the year	**1,571**	1,421
Carrying amount at 31 March	**49,635**	48,064

Liability component of convertible bonds comprise of the following:

	2014	2013
	HK$'000	*HK$'000*
Principal amount	**42,042**	42,042
Interest payable	**6,718**	5,464
Charge of overdue interest	**875**	558
	49,635	48,064

30. 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% per annum on the sum of principal and accumulated dividend payable at any early redemption date.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

30. 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 predetermined price of HK$0.3201 or by cash at the date of maturity.

On 28 June 2013, the Company and the PS 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 PS holder before or by 29 June 2013 and the PS 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 PS holder at a pre-determined price of HK$0.3201 per share.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

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

Since the terms of the Modification Agreement, Supplementary Agreement and Amendment 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.

(i) Liability component

	2014	2013
	HK$'000	*HK$'000*
At the beginning of the year	**115,503**	281,801
Interest charged for the year	**50,875**	125,195
Extinguishment of financial liability charged to profit or loss	**(35,692)**	(291,493)
At the end of the year	**130,686**	115,503

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**	**Amendment Agreement**
Effective interest rates	53.34%	48.81%	58.14%
Year	0.35	0.67	0.26
Dividend	semi-annual	semi-annual	semi-annual
Dividend per annum	5%	5%	6%

(ii) Embedded derivative

	2014	2013
	HK$'000	*HK$'000*
At the beginning of the year, (asset)/liability	**(2,150)**	6,875
Fair value change charged/(credited) to profit or loss	**571**	(6,875)
Initial recognition as a result of Supplementary Agreement credited to profit or loss	**–**	(2,150)
At the end of the year, asset	**(1,579)**	(2,150)

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

30. 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

31. PREFERENCE SHARES DIVIDEND PAYABLE OF A SUBSIDIARY

	2014	2013
	HK$'000	*HK$'000*
Dividend payable	**72,757**	59,470

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.

32. 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.

On 15 August 2013, the Company capitalised the principal amount of HK$10,000,000 of promissory note by means of issuing and allotting the 30,030,030 ordinary shares to the promissory note holder.

Due to the short maturity date, the carrying amount of promissory note approximates to its fair value.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

33. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	100,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2012	503,259,665	50,326
Issue of consideration shares *(note i)*	100,000,000	10,000
At 31 March 2013	603,259,665	60,326
Issue of loan share upon loan capitalization *(note ii)*	30,030,030	3,003
At 31 March 2014	633,289,695	63,329

Notes:

(i) 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.

(ii) On 15 August 2013, the Company capitalised the principal amount of HK$10,000,000 of promissory note by means of issuing and allotting the 30,030,030 ordinary shares to the promissory note holder.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2014 *HK$'000*	2013 *HK$'000*
NON-CURRENT ASSET		
Investments in subsidiaries	–	–
Financial assets	**1,579**	2,150
	1,579	2,150
CURRENT ASSETS		
Prepayments, deposits and other receivables	**53**	56,042
Amounts due from subsidiaries *(note a)*	**53,500**	53,500
Cash and bank balances	**13,108**	362
Total current assets	**66,661**	109,904
CURRENT LIABILITIES		
Other payables and accrued expenses	**12,991**	26,899
Amounts due to subsidiaries *(note a)*	**19**	347
Amounts due to directors	**300**	814
Interest-bearing loans from a director and a shareholder	**552**	8,453
Liability component of convertible bonds	**49,635**	48,064
Liability component of redeemable convertible cumulative preference shares	**130,686**	115,503
Total current liabilities	**194,183**	200,080
NET CURRENT LIABILITIES	**(127,522)**	(90,176)
Net liabilities	**(125,943)**	(88,026)
EQUITY		
Share capital	**63,329**	60,326
Reserves		
Share premium	**326,331**	319,334
Contributed surplus	**57,124**	57,124
Convertible bonds reserve	**3,592**	3,592
Share options reserve	**1,656**	1,656
Accumulated losses	**(577,975)**	(530,058)
Total equity	**(125,943)**	(88,026)

Note:

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

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

35. SHARE OPTIONS SCHEMES

The Company operated a share option scheme which was expired on 7 April 2012 (the "old scheme") and a new share option scheme (the "New Scheme") was approved by the shareholders of the Company on 28 August 2012.

Pursuant to the Old Scheme, the exercise period of options shall not beyond the ten year period after the date of adoption of the Old Scheme while the exercise period of Options granted under the New 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 New 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 New 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 New Scheme of the Company must not exceed 30% of the shares of the Company in issue from time to time.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

35. 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 exercises at any time from the date of grant to the expiry date of the New 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 2014 and 2013 are as follows:

Option type	**Date of grant**	**Exercisable period**		**Exercise price**
		From	**To**	*HK$*
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

During the year ended 31 March 2013, option type B, C and D were lapsed.

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

35. SHARE OPTIONS SCHEMES *(continued)*

The following tables summarise the movements in the Company's share options during the year ended 31 March 2013 and 31 March 2014:

Old Scheme

		Number of share options					
	Option type	Outstanding at 1 April 2012	Lapsed	Outstanding at 31 March 2013	Lapsed	Reclassified	Outstanding at 31 March 2014
Directors	B	1,500,000	(1,500,000)	–	–	–	–
	C	3,210,000	(3,210,000)	–	–	–	–
	E	3,882,000	–	3,882,000	(261,000)	(1,002,000)	2,619,000
Total of directors		8,592,000	(4,710,000)	3,882,000	(261,000)	(1,002,000)	2,619,000
Employees	B	60,000	(60,000)	–	–	–	–
	C	270,000	(270,000)	–	–	–	–
	E	2,349,000	–	2,349,000	–	1,002,000	3,351,000
Total of employees		2,679,000	(330,000)	2,349,000	–	1,002,000	3,351,000
Advisors and consultants	B	4,144,000	(4,144,000)	–	–	–	–
	C	4,422,000	(4,422,000)	–	–	–	–
	D	99,000	(99,000)	–	–	–	–
Total of advisors and consultants		8,665,000	(8,665,000)	–	–	–	–
Total		19,936,000	(13,705,000)	6,231,000	(261,000)	–	5,970,000

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

35. SHARE OPTIONS SCHEMES *(continued)*

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

	2014		2013	
	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	**0.5**	**6,231,000**	2.062	19,936,000
Lapsed/cancelled	**0.5**	**(261,000)**	2.772	(13,705,000)
At 31 March	**0.5**	**5,970,000**	0.5	6,231,000

The options outstanding at the end of the year have a weighted average remaining contractual life of 6 years (2013: 17 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	Nil

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 2014 and 31 March 2013, no expense in relation to share options granted by the Company was recognised as no option granted.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

36. ACQUISITION OF A SUBSIDIARY

On 26 June 2013, the Group completed the acquisition of 51% equity interest in Shanghai Imperial Care Health Advocate Limited ("Shanghai Imperial") from an independent third party. The consideration of HK$800,000 has been satisfied by cash on 25 June 2014.

The acquisition of Shanghai Imperial allows the Group to broaden the revenue base and improve the profitability of the Group.

The following summarized the recognised amount of identifiable assets acquired and liabilities assumed as at 26 June 2013:

	Amount recognised (fair value) *HK$'000*
Net assets acquired of	
Property, plant and equipment	5
Cash and bank balances	129
Other payables and accrued expenses	(20)
Net identifiable assets and liabilities	114
Non-controlling interests	(56)
Goodwill	742
Consideration for acquisition satisfied by payable	800
Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Shanghai Imperial:	
Cash consideration paid	–
Cash and cash equivalent acquired	(129)
Net inflow of cash and cash equivalents	(129)

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

37. 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.

38. 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:

	2014	2013
	HK$'000	*HK$'000*
Within one year	**998**	142
In the second to fifth years inclusive	**972**	–
	1,970	142

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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

39. 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) Compensation of key management personnel of the Group are set out in note 14 to the consolidated financial statements.

(b) As disclosed in note 28 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 2014 were HK$49,000 (2013: HK$223,000) and HK$50,000 (2013: HK$230,000), respectively.

40. 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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

41. POST BALANCE SHEET EVENTS

(i) On 8 April 2014, the Company and the Subscribers entered into the Subscription Agreements (the "Subscription 1"), pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK$225,000,000. The Company further agreed to grant to the Subscribers the Options, pursuant to which the Subscribers have the right to request the Company to issue the Option CN to them on the same terms and conditions of the Convertible Notes and in an aggregate principal amount of not more than that of the Convertible Notes at any time within the Option Period. Up to the date of this announcement, the Subscription 1 has not been completed as certain condition precedents have not been fulfilled.

(ii) On 15 May 2014, Mr Wang Jingming has been appointed as an executive director of the Company.

(iii) On 23 May 2014, the Company and the Subscribers entered into four separate Subscription agreements to subscribe an aggregate of 50,000,000 shares of the Company, at HK$0.212, under general mandate, to independent third parties (the "Subscription 2"). The net proceeds to the Company are approximately HK$10.4 million. As at the date of this announcement, the 50,000,000 shares has placed successfully.

(iv) On 3 June 2014, the Company, the Subscriber and the Guarantor entered into the Subscription Agreement (the "Subscription 3"), pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Note in principal amount of HK$195,000,000. Up to the date of this announcement, the Subscription 3 has not been completed as certain condition precedents have not been fulfilled.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

41. POST BALANCE SHEET EVENTS *(continued)*

(v) On 30 June 2014, the Company and the preference share holder entered into an supplementary agreement to the Amendment Agreement of the Preference Shares Agreement dated 28 June 2013 (the "Supplementary Agreement 2014"). Pursuant to the Supplementary Agreement 2014, subject to the completion of the subscription agreement of the convertible note dated 3 June 2014 (the "Subscription of Convertible Note") as announced on 3 June 2014, the Company should redeem the Preference Shares principal in 5 days after the completion of the Subscription of Convertible Note, and settle all dividends. Should the company fail to complete the Subscription of Convertible Note, the settlement date to redeem the Preference Shares is further extended to 31 March 2015.

Pursuant to the Supplementary Agreement 2014, the calculation and settlement of the dividends of the Preference Shares shall be (1) US$4 million from 28 July 2006 to 30 November 2012 (the "Dividend I"), which shall be settled by promissory notes issued by the Company; (2) 5% per annum from 1 December 2012 to 30 November 2013 (the "Dividend II"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.25 per share; (3) 6% per annum from 1 December 2013 to 30 June 2014 (the "Dividend III"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.25 per share; and (4) 7% per annum from 1 July 2014 to 31 March 2015 (the "Dividend IV"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.15 per share.

42. 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.

Notes to the Consolidated Financial Statements (Continued)
31 March 2014

42. ACQUISITION OF INTANGIBLE ASSET THROUGH ACQUISITION OF SUBSIDIARIES *(continued)*

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:

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

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.

43. 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 30 June 2014.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

44. 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 Direct	Indirect	Principal activities
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 Imperial Care Health Advocate Limited	PRC	Registered capital	RMB1,000,000	–	51%	Healthcare service
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 (Continued)

31 March 2014

44. 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 attributable to the Company Direct	Indirect	Principal activities
Shandong Harvest Mobile Communication Technology Company Limited *(note b)*	PRC	Registered capital	RMB14,000,000	–	44.76% *(note c)*	Distribution of consumer services
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
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.

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

	2014
Percentage of equity interest held by non-controlling interests:	
Harvest Network Limited	**55.24%**
Shanghai Imperial Care Health Advocate Limited	**49.00%**

	2014 *HK$'000*
Profit/(loss) for the year allocated to non-controlling interests:	
Harvest Network Limited	**(41,757)**
Shanghai Imperial Care Health Advocate Limited	**581**
Accumulated balances of non-controlling interests at the reporting dates:	
Harvest Network Limited	**40,498**
Shanghai Imperial Care Health Advocate Limited	**581**

Notes to the Consolidated Financial Statements (Continued)

31 March 2014

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

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

2014	**Harvest Network Limited HK$'000**	**Shanghai Imperial Care Health Advocate Limited HK$'000**
Revenue	20,596	17,152
Profit/(loss) for the year	(75,592)	1,185
Total comprehensive income/(loss) for the year	(73,670)	1,186
Current assets	170,865	6,105
Non-current assets	466	3
Current liabilities	(98,016)	(4,809)
Non-current liabilities	–	–
Net cash flows (used in)/generated from operating activities	(4,227)	121
Net cash flows generated from investing activities	27	–
Net cash flows generated from financing activities	–	–
Net increase/(decrease) in cash and cash equivalents	(4,200)	121

Financial Summary

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)
RESULTS					
Turnover	**37,720**	23,128	49,106	57,606	2,769,760
(Loss)/profit before tax	**(108,148)**	129,492	(34,616)	(198,824)	(108,730)
Income tax expense	**(598)**	(270)	(1,957)	(3,197)	(386)
(Loss)/profit for the year from continuing operations	**(108,746)**	129,222	(36,573)	(202,021)	(109,116)
(Loss)/profit for the year from discontinued operations	**–**	–	(489)	6,407	(3,173)
(Loss)/profit for the year	**(108,746)**	129,222	(37,062)	(195,614)	(112,289)
Attributable to:					
Owners of the Company	**(67,570)**	140,609	(24,596)	(214,257)	(95,736)
Non-controlling interests	**(41,176)**	(11,387)	(12,466)	18,643	(16,553)
	(108,746)	129,222	(37,062)	(195,614)	(112,289)

Financial Summary (Continued)

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
			(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**210,885**	292,292	257,577	289,152	294,892
Total liabilities	**(311,417)**	(295,389)	(421,921)	(419,758)	(336,022)
Net liabilities	**(100,532)**	(3,097)	(164,344)	(130,606)	(41,130)