中國置業投資控股有限公司*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736

ANNUAL REPORT 2014

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Xu Dong *(Chairman)*
Au Tat On

NON-EXECUTIVE DIRECTOR

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah

COMPANY SECRETARY

Yip Yuk Sing

AUTHORISED REPRESENTATIVES

Yu Wai Fong
Yip Yuk Sing

AUDITOR

CCIF CPA Limited (retired on 28 August 2013)
Crowe Horwath (HK) CPA Limited
(appointed on 28 August 2013)

LEGAL ADVISER

Li, Wong, Lam & W.I. Cheung

PRINCIPAL BANKER

ICBC (Asia)
Wing Lung Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2707-08, 27/F
China Resources Building,
26 Harbour Road, Wanchai
Hong Kong

BERMUDA SHARE REGISTRAR AND TRANSFER AGENT

Codan Services Limited
Clarendon House,
2 Church Street, Hamilton HM11,
Bermuda

HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

WEBSITE

http://www.736.com.hk

STOCK CODE

736

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2014 to the shareholders of the Company (the "Shareholders").

For the year under review, the Group's turnover was approximately RMB4.59 million. The audited net loss for the year was approximately RMB131.01 million, representing an increase of approximately 2.3% compared with last year. The basic loss per share of the Company ("Share") was RMB0.24. The loss for the year included the impairment loss of the mining rights for the copper and molybdenum in Inner Mongolia, the People's Republic of China (the "PRC") which was caused by the decline in both the copper and molybdenum price resulting from the slowdown in global economic growth.

During the year under review, the Group continued to engage in its principal business activities, including the properties investment business and the exploitation of copper and molybdenum in a mine (the "Mine") located in the Inner Mongolia, the People's Republic of China ("PRC").

As at 31 March 2014, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 square meters, of which approximately 27% was leased to third parties under operating leases with lease terms ranging up to eight years.

For the mining business, the Mine is still in the development stage and thus has not yet contributed any operational turnover to the Group during the year under review. Progress of the mine development was further discussed under the section headed "Management Discussion and Analysis".

CHAIRMAN'S STATEMENT

The Company has acquired approximately 32.39% of the issued share capital of the Edknowledge Group Limited which is principally engaged in the provision of blended learning educational services for corporations, institutions, schools, non-governmental organisations and individuals in Hong Kong and abroad. After due consideration of the current market of the education sector and the steady growth of the needs and demands of the provision of educational services, the directors of the Company (the "Directors") consider that the prospects of provision of educational services in Hong Kong would be promising and believe that the acquisition provides a prime opportunity for the Group to enter the educational services business in Hong Kong and diversify the revenue stream of the Group which is expected to increase the value of Shares and benefit the Company and the Shareholders as a whole.

Going ahead, the Group will continue to seek suitable investment opportunities from time to time to diversify its existing business portfolio and engage in a new line of business with potential growth.

Taking this opportunity, I would like to thank all Shareholders and business partners for their continuous supports. I also thank my fellow Directors and staff members for their dedication and contribution to the Group during the year.

Xu Dong
Chairman

Hong Kong, 27 June 2014

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Dong, aged 36, was appointed as an executive director of the Company in May 2010 and was re-designated as the chairman and chief executive officer of the Company in August 2010. Mr. Xu holds a bachelor's degree in Japanese from the Shanghai International Studies University. Mr. Xu has extensive experience in business investment and management of mineral corporations. He is responsible for the overall management, strategic planning and business development and management of the mineral business of the Company.

Mr. Au Tat On, aged 58, was appointed as an executive director of the Company in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28-year experience in banking operations and financing. He is responsible for the general management and business development of the Group.

NON-EXECUTIVE DIRECTOR

Ms. Yu Wai Fong, aged 51, was appointed as the chairman, executive director and chief executive officer of the Company in March 2009 and was re-designated as non-executive director of the Company in August 2010. Ms. Yu has extensive experience in corporate management, corporate finance, mergers and acquisitions. She is responsible for strategic planning and business development of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Wai Yin, Wilson, aged 49, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in April 2009. Mr. Lai is a fellow member of the Association of International Accountants, United Kingdom and a practising member of the Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Shue Yan University majoring in accounting. During the 20 years in the audit profession, Mr. Lai gained extensive experience in the audits of Hong Kong listed companies and multi-national companies engaged in manufacturing, construction, property investment and software development businesses as well as audits of US Securities and Future Commission regulated clients. In addition, he had involved in many initial public offering projects and due diligence works in the PRC, Hong Kong, Singapore and the United States. He is currently the sole proprietor of Wilson W.Y. Lai & Co., Certified Public Accountants.

Ms. Cao Jie Min, aged 29, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in May 2009. Ms. Cao holds a bachelor of laws degree in international economy from the Shanghai Institute of Foreign Trade. Ms. Cao currently holds a practicing certificate issued by the Ministry of Justice of the PRC. She is currently working in the international settlement department of the Bank of Tokyo – Mitsubishi UFJ (China) Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tse Kwong Wah, aged 41, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in March 2011. Mr. Tse graduated from Concordia University, Canada with a Bachelor of Arts degree majoring in applied mathematics in 1998. He also obtained certificate on business management and import/export & logistics practices from Hong Kong Baptist University and The Hong Kong Management Association respectively in 2001 and 2010. Mr. Tse has over 10 years of working experience in the area of marketing, merchandising and management.

SENIOR MANAGEMENT

Mr. Han Wei, aged 43, was appointed as the director and authorised representative of Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the Company, in December 2008. He is also the director and legal representative of certain indirect wholly owned subsidiaries of the Company in the PRC. Mr. Han has extensive experience in banking and business management. Prior to his appointment, Mr. Han served as the general manager of an investment company in Shanghai for about five years and served as a manager of Bank of Shanghai.

Mr. Zhou Hong Tao, aged 36, is currently a project manager of Keshi Ketengqi Great Land Mine Industries Company Limited, a non-wholly owned subsidiary of the Company. He is also the director and legal representative of certain indirect wholly owned subsidiaries of the Company in the PRC. Mr. Zhou obtained a bachelor's degree in Engineering from the Dalian University of Technology and a master degree in Business Administration from the Beijing Jiaotong University. He also obtained the IFM certificate from U.S.A. in 2005 and has over ten years of experience in management and merger and acquisition of resource related projects. Prior to joining the Company, Mr. Zhou served (i) at the office of Yanshan District Committee, Beijing City as deputy general manager; (ii) at PKU Resource Group as director of the project operation centre; (iii) at Shanghai Xiang Chen Hang Place The Industry Co. Limited as deputy general manager.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year under review, the Group's turnover was approximately RMB4.59 million (2013: approximately RMB9.42 million), representing an decrease of approximately 51.2% compared with last year. The decrease in turnover was mainly due to termination of certain operating leases during the year under review.

The audited net loss for the year was approximately RMB131.01 million (2013: approximately RMB128.04 million) and the loss per share was RMB0.24 (2013: RMB0.29). The loss for the year included the impairment loss of the mining rights for the copper and molybdenum in Inner Mongolia which was caused by the decline in both the copper and molybdenum price resulting from the slowdown in global economic growth.

The administrative and selling expenses of the Group for the year amounted to approximately RMB46.18 million (2013: approximately RMB44.16 million), representing an increase of approximately 4.6% compared with last year. The finance cost of the Group amounted to approximately RMB4.07 million (2013: approximately 3.83 million) which was incurred for the bank loans under the security of investment properties in Shanghai and the unconvertible bonds issued by the Company during the year.

BUSINESS REVIEW

During the year under review, the Group continued to engage in its principal business activities, including the properties investment business and the exploitation of the Mine located in the Inner Mongolia, the PRC.

PROPERTIES INVESTMENT BUSINESS

As at 31 March 2014, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 square meters, of which approximately 27% was leased to third parties under operating leases with lease terms ranging up to eight years.

MINING BUSINESS

Regarding the mining business, with an aim to ensure smooth development of the mine and to provide a basis for the mine construction so as to reduce the risk of development, the Keshi Ketengqi Great Land Mine Industries Company Limited* (克什克騰旗大地礦業有限公司) (the "Mining Company") gradually underwent the relevant approval formalities for the mine during the year, and had obtained replies on the energy-conservation assessment, water resources assessment and pre-assessment of the land from the local government and the annual verification certificate of the mining rights. Meanwhile, the Mining Company entrusted Chifeng Jinyue Mine Engineering Design Co., Ltd.* (赤峰市金嶽礦山工程設計公司) to develop the preliminary design of the tailing reservoirs of the processing plant and prepare the safety special chapter, and entered into the Staged Treatment Proposal on Geological Environment and Land Rehabilitation on the Mine with Chifeng Guancheng Geological Exploration Co., Ltd.* (赤峰市冠誠地質勘查有限責任公司). The report had been completed and was approved by the Department of Land and Resources of Inner Mongolio Autonomous Region and the Land and Resources Bureau of Chifeng City.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

As many regions and cities of Inner Mongolia Autonomous Region were hit by major flooding disasters last year, and the road to the mine was severely destroyed. For the upcoming construction commencement on the mine, the Mining Company repaired and restored the road to the mine. In order to achieve a win-win situation in social and economic benefits as soon as possible, the Mining Company will carry out the construction by strictly following the government approvals and mining design as well as the relevant rules and regulations during future mining and processing. The Mining Company was striving to speed up the preliminary approval process, with an aim to obtain reply on the project from the government as soon as possible so as to commence construction and production of the mine.

The expenditure incurred on the mining development for the year ended 31 March 2014 was approximately RMB0.3 million. There is no material change in the estimated mineral resources of the Mine for the year ended 31 March 2014.

MONEY LENDING BUSINESS

The Group has provided loans in an aggregate principal amount of HK$8 million with the interest rates of 20% per annum during the year and the interest income was approximately HK$1.35 million. There was no outstanding loan at the year ended 31 March 2014.

TERMINATION OF THE POSSIBLE ACQUISITION OF PURE POWER HOLDINGS LIMITED

On 21 June 2010, the Company entered into the memorandum of understanding ("MOU") with the then shareholders of the Pure Power Holdings Limited ("Target Company") in relation to the acquisition of the entire interest in the Target Company ("Possible Acquisition"). Subsequently on 20 September 2010, the Company entered into the supplemental memorandum of understanding ("SMOU") with the then shareholders ("BVI Cos") of the Target Company and their respective ultimate beneficial owners pursuant to which a refundable cash deposit of up to US$150,000,000 (equivalent to HK$1,170,000,000) shall be paid by the Company to each of the then shareholders of the Target Company or their nominees on such date to be agreed by the parties to the SMOU. On or about 22 September 2010, 30 November 2010 and 21 December 2010, the Company paid the then shareholders of the Target Company deposits in the amount of US$10,000,000 (equivalent to HK$78,000,000), US3,000,000 (equivalent to HK$23,400,000) and US$6,000,000 (equivalent to HK$46,800,000) respectively (collectively "Deposits"). Later, pursuant to a letter of confirmation dated 9 September 2011, one of the then shareholders of the Target Company, namely Bloom Trade Limited, was no longer a party to the Possible Acquisition and accordingly, all of its obligations under the MOU as amended by the SMOU and the previous letters of confirmation shall be released, hence the Possible Acquisition then became a possible acquisition by the Company of approximately 71.76% of the issued share capital of the Target Company. Pursuant to the second supplemental memorandum of understanding ("2nd SMOU") entered into between the Company and the BVI Cos on 20 June 2013, the remaining deposit shall not be paid by the Company unless and until the Company and the BVI Cos entered into a formal sale and purchase agreement. As at the date of the 2nd SMOU, an aggregate amount of US$19,000,000 (equivalent to HK$148,200,000) has been paid by the Company as refundable deposit. As a continuing security for the due and punctual performance and observance by each of the BVI Cos of all the obligations of the Target Company and the Project Company contained in the MOU (as amended by the SMOU, the 2nd SMOU and the Letters of Confirmations), each of the BVI Cos has charged its respective shareholdings in the share capital of the Target Company to the Company pursuant to the Share Mortgages.

MANAGEMENT DISCUSSION AND ANALYSIS

As set out in the announcements in respect of the Possible Acquisition, the Company has sought confirmation from the Stock Exchange regarding whether the Possible Acquisition would be classified for the purposes of the Listing Rules as a very substantial acquisition only but not a backdoor listing or a reverse takeover pursuant to Rule 14.06(6) of the Listing Rules. The Stock Exchange replied that they considered the Possible Acquisition is an extreme case and therefore, they would classify it as a reverse takeover under Rule 14.06(6) of the Listing Rules and the Company would be treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules if it proceeds with the Possible Acquisition. Such decision was upheld by the Listing Committee of the Stock Exchange. As such, after due consideration, the Board decided not to proceed with the Possible Acquisition.

On 30 January 2014, the Company, the BVI Cos and Xiong Wei ("Guarantor") entered into the deed of termination ("Deed of Termination") for termination of the MOU, SMOU and 2nd SMOU (collectively "Amended MOU"). Pursuant to the Deed of Termination, the Company and each of the BVI Cos unconditionally and irrevocably agreed to terminate the Amended MOU. Upon the date when all the conditions precedent of the Deed of Termination are fulfilled ("Effective Date"), the Company and the BVI Cos shall be released and discharged from all their rights and obligations under the Amended MOU, save and except for any antecedent breach. The Guarantor has agreed inter alia to guarantee the performance of the obligations of the BVI Cos under the Deed of Termination and the performance of the obligations of the ListCo under the Promissory Note. The Deposit in the aggregate amount of HK$148,200,000 shall be returned by the BVI Cos to the Company in the following manner:

(a). a sum of HK$25,000,000 payable in cash by the BVI Cos to the Company on or before the execution of the Deed of Termination; and

(b). within 14 business days from the Effective Date (or any other days as mutually agreed by the Company and the BVI Cos in writing), a sum of HK$123,200,000 to be satisfied by the BVI Cos procuring the company ("Listco"), the shares of which are listed on the Stock Exchange, to issue the promissory note ("Promissory Note") in the aggregate principal amount of HK$123,200,000 due 12 months with an interest rate of 8% per annum in favour of the Company or its nominee.

As at the date of this annual report, the BVI Cos have paid the sum of HK$25,000,000 in cash to the Company and the Company has also received the Promissory Note in accordance with the terms of the Deed of Termination.

As disclosed in the announcement of the Company dated 18 December 2013, the BVI Cos were of the view that the term of the MOU has been extended for over 2 years and during that period, the BVI Cos have turned down many potential purchasers who were interested in acquiring the Target Company, resulting in its loss on time and potential gains. Despite the Company requested the BVI Cos to return the full amount of the Deposit in cash to Company, the BVI Cos refused to make such payment and offered to repay part of the Deposit by way of promissory note. Although the Company is of the view that it has no liability for any matters in relation to or arising from the Possible Acquisition, the Company has considered:–

1. that if the Company insists on immediate payment of the Deposit from the BVI Cos, the Company has to proceed to litigation, which is costly and time consuming and the time required for getting back the Deposit is uncertain and could be over a year;

2. that the BVI Cos are investment holding companies incorporated in the BVI. The principal assets in the BVI Cos are the shares of the Target Company. If the Company proceeds to the litigation, the Company may get back the shares of the Target Company and it will have to seek an interested purchaser in the market in order to realize those shares. There is no guarantee that the terms offered by the interested purchaser would be better than those of the Promissory Note; and

MANAGEMENT DISCUSSION AND ANALYSIS

3. the following terms of the Promissory Notes:–

   (a) the Promissory Note will be issued by a listed company in Hong Kong;

   (b) the interest rate of the Promissory Note is much higher than the prevailing interest rate of the banks;

   (c) the terms of the Promissory Note is no more than a year; and

   (d) other than the share mortgage entered into by Fortune Glow and the Company on 22 September 2010, the remaining share mortgages entered into by the Company and each of the BVI Cos on 22 September 2010 ("Shares Mortgage") will only be released and discharged upon the settlement of the entire principal amount of the Promissory Note together with all interest accrued in full.

In light of the above, the Company decided to accept the Promissory Note instead of requesting immediate payment of the Deposit by the BVI Cos, and considered that the Promissory Note as a more promising way to get back the money.

In assessing the credit risks of the Promissory Note, although the Company noted that the Listco:–

(1) had a net current liabilities and net liabilities position as at 30 September 2013;

(2) was loss making for the year ended 31 March 2013 and during the six months ended 30 September 2013;

(3) was heavily leveraged with gearing ratio of 1.01 as at 30 September 2013; and

(4) has records of extending the repayment date of other promissory notes.

The Board has also considered that the Guarantor agreed to guarantee the performance of obligations of the Listco under the Promissory Note and the remaining Share Mortgages will only be released and discharged upon the full settlement of the Promissory Note.

Since proceeding to litigation may be costly and time consuming and the possible remedy the Company may be granted after the proceedings are the shares in the Target Company, the Board considers that the position of the Company will not be better off if the Company insists on immediate repayment of the Deposit from the BVI Cos by commencing legal action against them than accepting the repayment by way of the Promissory Note. The number of shares secured by the remaining Share Mortgage represents approximately 43.52% issued share capital of the Target Company. In the event that the Promissory Note is defaulted, instead of taking possession of the Target Company, which may constitute a reverse takeover, the Company may sell or dispose of the secured assets, subject to market conditions and the advice from its professional advisors (including but not limited to, accounting, financial, legal and tax advisors).

Accordingly, the Directors are in the opinion that the terms of the Deed of Termination (including the terms for the return of the Deposit) are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Details of the Deed of Termination are set out in the circular of the Company dated 13 March 2014.

On 2 April 2014, a resolution was passed in a special general meeting to approve, confirm and ratify the Deed of Termination and the transactions contemplated thereunder.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the Group's net current assets were approximately RMB10.5 million (2013: approximately RMB21.6 million), including cash and bank balances of approximately RMB30.6 million (2013: approximately RMB21.3 million).

The Group had bank borrowings of approximately RMB43.5 million as at 31 March 2014 (2013: approximately RMB48 million), of which 11.5% were due within one year from balance sheet date, 26.4% were due more than one year but not exceeding two years and 62.1% were due more than two years but not exceeding five years. The gearing ratio, defined as the percentage of net debts to the total equity of the Company, was approximately 11.1% (2013: 7.7%).

INVESTMENT POSITION

The Group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2014.

FOREIGN EXCHANGE EXPOSURE

As most of the Group's assets and liabilities are denominated in Renminbi and the liabilities of the Group are well covered by its assets, the Group does not have any significant exposure to foreign exchange fluctuation. During the year under review, the Group did not use any financial instruments for hedging purposes.

SHARES CAPITAL AND CAPITAL STRUCTURE

On 27 August 2013, the Company issued 50,000,000 new Shares at HK$0.136 per share under the placing agreement dated 16 August 2013. The net proceeds from the placing was approximately HK$6.65 million which was wholly used for the general working of the Group as at the date of this annual report as intended.

On 23 September 2013, the Company issued 58,000,000 new Shares at HK$0.14 per share under the placing agreement dated 12 September 2013. The net proceeds from the placing was approximately HK$7.8 million of which HK$1.5 million was used as consideration for acquisition of EdKnowledge Group Limited and the remaining balance used as general working capital of the Group as intended.

On 25 October 2013, the Company issued 40,000,000 new Shares at HK$0.104 per share under the placing agreement dated 2 October 2013. The net proceeds from the placing was approximately HK$4.02 million of which approximately HK$2.2 million was used for the general working of the Group as intended and the remaining balance was held as bank deposit as at the date of this annual report.

MANAGEMENT DISCUSSION AND ANALYSIS

On 4 December 2013, the Company issued a 7-year unconvertible bond in the principal amount of HK$10,000,000 to an independent third party at the interest rate of 5% per annum under the bond placing agreement dated 9 May 2013 and supplementary bond placing agreement dated 29 November 2013. The net proceeds from the placing was approximately HK$9.9 million which was held as bank deposit as at the date of this annual report.

On 11 December 2013, the Company issued a fixed coupon note in the principal amount of HK$10,000,000 at the interest rate of 8% per annum to the Global Success Business Inc. as the consideration for the acquisition of 3,382 ordinary shares in Edknowledge Group Limited.

CHARGES ON GROUP'S ASSETS

As at 31 March 2014, the Group's investment properties with a value of approximately RMB134 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the Group.

CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any material contingent liability (2013: Nil).

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 27 November 2013, the Company, Global Success Business Inc ("Vendor") and Edknowledge Group Limited ("Target Company") entered into the agreement pursuant to which (i) the Vendor conditionally agreed to sell and the Company conditionally agreed to acquire the 2,941 ordinary shares of the Target Company at HK$10,000,000 ("Consideration"); and (ii) the Target Company conditionally agreed to allot and issue and the Company conditionally agreed to subscribe for the 441 new ordinary shares of the Target Company to be allotted and issued by the Target Company at HK$1,500,000 ("Subscription Price"). The Consideration was settled by way of the issue of the promissory note by the Company while the Subscription Price was settled by cash. Upon completion on 11 December 2013, the Company was interested in a total of 3,382 ordinary shares of the Target Company, representing approximately 32.39% of the issued share capital of the Target Company. The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in the provision of blended learning educational services for corporations, institutions, schools, non-governmental organisations and individuals in Hong Kong and abroad, details of which are set out in the announcement of the Company dated 27 November 2013.

Save as disclosed above, the Company did not have other acquisition or disposal of subsidiaries or associated companies for the year ended 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 March 2014, the Group had 37 employees (2013: 41). The remuneration of employees was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides mandatory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

RESULTS AND DIVIDENDS

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

The Directors do not recommend payment of any dividends in respect of the year ended 31 March 2014.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 127. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 30 and 31 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws ("Bye-laws") or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities for the year ended 31 March 2014.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2014, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately RMB321,674,000 (2013: approximately RMB441,292,000) subject to the restriction on the share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the Group's five largest customers accounted for approximately 100% of the total turnover for the year and turnover attributable to the largest customer included therein amounted to approximately 51%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 57%.

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 customers or five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year under review and up to the date of this report were:

EXECUTIVE DIRECTORS:

Xu Dong *(Chairman)*
Au Tat On

NON-EXECUTIVE DIRECTOR:

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah

The Directors have no financial, business, family or other material relationships with each other.

According to Bye-law 87(1), one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election. Mr. Au Tat On and Ms. Cao Jie Min will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

There were no service contracts entered into between the Company and the Directors. The Directors will be subject to the general requirement of retirement by rotation and re-election at the annual general meeting of the Company under the Bye-laws.

The Company has received the annual written confirmation from each of the independent non-executive Directors of their independence to the Company. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 5 and page 6 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's remuneration and nomination committee with reference to the Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2014, none of the Directors or their associates (if any, as defined under the Listing Rules) was interested in any business which competes or is likely to compete with the businesses of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had interests in any contract of significance subsisting during or at the financial year ended 31 March 2014 in relation to the business of the Group taken as a whole.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2014, the interests and short positions of the Directors of the Company in the share capital (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	Capacity of Shares held	No. of Shares held	Percentage of issued Shares
Yu Wai Fong	Beneficial owner	2,118,871	0.36%

REPORT OF THE DIRECTORS

The interests of Directors in the share options of the Company are separately disclosed in the note 31 to the financial statements.

Save as disclosed above, as at 31 March 2014, no Directors has registered an interest or short position in the Shares or any shares of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 31 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2014, so far as the Directors are aware, the persons or corporations (not being a Director or chief executive of the Company) who have interest or short positions in the Shares and underlying Shares as recorded in the register required to be kept under section 336 of the SFO or have otherwise notified to the Company were as follows:

Name	Capacity of Shares held	No. of Shares held	Percentage of issued Shares
Oriental Development Group (HK) Co., Limited *(Note)*	Beneficial owner	90,000,000	15.25%
Man Yuen *(Note)*	Interest of a controlled corporation	90,000,000	15.25%

Note:

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Oriental Development Group (HK) Co., Limited is wholly and beneficially owned by Mr. Man Yuen as at the date of this annual report. By virtue of the SFO, Man Yuen is deemed to be interested in the Shares held by Oriental Development Group (HK) Co., Limited.

Save as disclosed above, as at 31 March 2014, the Directors are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares which fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year under review, the Company did not enter into any non-exempted connected transaction within the meaning of the Listing Rules.

Significant related party transactions entered into by the Group during the year ended 31 March 2014, which do not constitute connected transactions under the Listing Rules, are disclosed in note 34 to the financial statements.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of the significant post balance sheet events of the Group are set out in note 37 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of Directors, the Company maintained a sufficient public float throughout the year ended 31 March 2014.

AUDITOR

CCIF CPA Limited, the Company's auditor for the year ended 31 March 2013, retired as auditor of the Company with effect from 28 August 2013 and a resolution was passed at the annual general meeting of the Company on the same day to approve the appointment of Crowe Horwath (HK) CPA Limited as the Company's auditor with immediate effect to fill the vacancy arising from the retirement of CCIF CPA Limited and to hold office until the conclusion of the next annual general meeting of the Company.

The financial statements for the year ended 31 March 2014 were audited by Crowe Horwath (HK) CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Crowe Horwath (HK) CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Xu Dong
Chairman

Hong Kong, 27 June 2014

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

In view of the corporate governance practices, the Company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our Shareholders' expectations. The Company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules. The Company recognizes the maintenance of good corporate governance practices is essential to the growth of the Company. In the opinion of the Directors, the Company had complied with the CG Code throughout the year ended 31 March 2014, except for the code provisions A.2.1, A.6.7 and E.1.2. Details of the deviation are set out in the relevant section below.

DIRECTORS' SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard as set out in the Model Code.

BOARD OF DIRECTORS

The Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Details of the Board composition are set out in the Report of Directors on page 16.

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the Board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in Board members, major transactions and investment commitments, annual budget, all policy matters etc. The day-to-day management, administration and operation of the Company are delegated to senior management which is accountable to the Board for the implementation of the Group's overall strategies and coordination of overall business operations.

The Board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the Company and its shareholders at all times. To the best knowledge of the Company, there is no financial, business, family or other relevant relationship amongst Directors. Biographical details of the Directors are set out on page 5 and 6 under the section headed "Biographical details of the Directors and Senior Management" of this annual report.

The Company also recognized and embraced the benefits of having a diverse Board to the quality of its performance. The Board will take into account a number of measurable objectives to achieve its diversity, including but not limited to gender, age, cultural and educational background, or professional experience. Such objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board.

CORPORATE GOVERNANCE REPORT

The number of full Board meetings and general meetings held during the year ended 31 March 2014 and the Directors' respective attendance record are summarised as follows:

	Number of general meeting Attended/Held	Number of Board meeting Attended/Held
Executive Directors		
Xu Dong *(Chairman)*	0/1	38/38
Au Tat On	1/1	38/38
Non-executive Director		
Yu Wai Fong	1/1	38/38
Independent Non-executive Directors		
Lai Wai Yin, Wilson	1/1	38/38
Cao Jie Min	0/1	38/38
Tse Kwong Wah	1/1	38/38

According to the code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. According to the code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company.

The Chairman and an independent non-executive Director were unable to attend the annual general meeting of the Company held on 28 August 2013 due to their other work commitments.

The Board will continue to improve its corporate governance practices appropriate to the conduct and development of its business and to review such practices from time to time to ensure that they are in line with the latest developments and statutory standards.

CHAIRMAN AND CHIEF EXECUTIVE

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Xu Dong, the chairman of the Company, also acted as chief executive officer of the Company during the year under review, which was deviated from the requirement of the code provision A.2.1. The Board considered that this structure was conductive with strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

The chairman of the Company takes the lead in formulating overall strategies and policies of the Group which include compliance with good corporate governance practices and to facilitate active contribution of Directors in Board activities. He also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

CORPORATE GOVERNANCE REPORT

EXECUTIVE DIRECTORS

The executive Directors are responsible for management of the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to the Listing Rules. On this basis, the Company considers all such Directors to be independent.

CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the year, all Directors were provided with regular updates on corporate governance and regulatory requirements in which the Group conducts its business. Directors are encouraged to attend relevant training courses at the Company's expenses. All Directors confirmed that they have participated in continuous professional development by attending seminars or studying relevant materials on the topics related to corporate governance and regulations.

CORPORATE GOVERNANCE FUNCTIONS AND BOARD COMMITTEES

The Board is collectively responsible for the management and control of the Company and for promoting the Company's success by directing and supervising its affairs. It is also the responsibility of the Board to determine the appropriate corporate governance policies and practices applicable to the Company's circumstances and to ensure processes and procedures are in place to achieve the Company's corporate governance objectives. During the year, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Listing Rules, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which currently comprises three independent non-executive Directors. The duties of the Audit Committee include the following:

- To act as the key representative body for overseeing the Company's relations with the external auditor, and to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal.

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

- To develop and implement policy on engaging an external auditor to supply non-audit services.

- To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained therein.

- To review the Company's financial controls, internal control and risk management systems.

- To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.

- To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.

- To review the Group's financial and accounting policies and practices.

- To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.

- To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.

- To consider other topics, as defined by the Board.

- To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

- To perform the duties as set out in Code Provision C.3.3 of the CG Code.

CORPORATE GOVERNANCE REPORT

During the year, the Audit Committee held 2 meetings, details of attendance are set out below:–

Members	Number of meetings Attendance/Held
Lai Wai Yin, Wilson (Chairman of the Audit Committee)	2/2
Cao Jie Min	2/2
Tse Kwong Wah	2/2

The Audit Committee during the year in conjunction with the auditor has reviewed the internal controls, interim and annual results of the Group and its other duties (if relevant) in the CG Code.

The Board has not taken any different view from that of the Audit Committee regarding selection, appointment, resignation or dismissal of external auditor.

REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

The remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company have been established by the Board. Both committees currently comprise three independent non-executive Directors. The duties of the Remuneration Committee include the following:

- To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

- To review and determine the remuneration packages of the Directors with reference to their duties and responsibilities with the Company.

- To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

- To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

- To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE REPORT

During the year, the Remuneration Committee held 2 meetings, details of attendance are set out below:–

Members	Number of meetings Attendance/Held
Lai Wai Yin, Wilson	2/2
Cao Jie Min	2/2
Tse Kwong Wah	2/2

The duties of the Nomination Committee include the following:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To assess the independence of independent non-executive Directors.

- To make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

In addition, the Nomination Committee as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. Where vacancies exist, the Nomination Committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

For the avoidance of doubt, the Directors and their associates do not participate in decisions making relating to their own remuneration.

During the year, the Nomination Committee held 2 meetings, details of attendance are set out below:–

Members	Number of meetings Attendance/Held
Lai Wai Yin, Wilson	2/2
Cao Jie Min	2/2
Tse Kwong Wah	2/2

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Group for the year. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 28 to 30 of this annual report.

INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the Shareholders' investments and the Group's assets. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives. These have all been in place throughout the year under review and up to the date of this report and are reviewed regularly by the Board.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, Crowe Horwath (HK) CPA Limited, for the year is set out as follows:

Services rendered	**Fee paid/payable Approximately** RMB'000
Audit services (2013: approximately RMB804,000)	871
Non-audit services (2013: approximately RMB582,000)	666
Total:	1,537

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Bye-laws and the Companies Act 1981 of Bermuda (the "Companies Act"), the Board may whenever it thinks fit call special general meetings, and Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board and such meeting shall be held within two (2) months after the deposit of such requisition. The requisition must state the purposes of the meeting and the matter referred to in any proposed resolution or the business to be dealt with at that meeting, and must be signed by the requisitionists and deposited at the registered office of the Company. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act.

Shareholders may send written enquiries to the Company, for the attention of the Board or the secretary of the company, by post to Room 2707-08, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong. Shareholders may also direct their questions about their shareholdings to Tricor Secretaries Limited, the Company's Hong Kong share registrar, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

- annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The chairman and the Directors are available at annual general meetings to address Shareholders' queries;

- separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the Shareholders to facilitate the enforcement of Shareholders' rights;

- interim and annual results are announced as early as possible so that the Shareholders are kept informed of the Group's performance and operations; and

- corporate website of www.736.com.hk contains extensive information and updates on the Company's business developments and operations, financial information and other information.

CONSTITUTIONAL DOCUMENTS

A copy of the latest version of the Company's constitutional documents including the memorandum of association of the Company and the Bye-laws were posted on the websites of the Company and the Stock Exchange respectively.

During the year ended 31 March 2014, there was no significant change in the Company's constitutional documents.

INDEPENDENT AUDITOR'S REPORT

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Properties Investment Holdings Limited (the "company") and its subsidiaries (together the "group") set out on pages 31 to 126, which comprise the consolidated and company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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

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 judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the 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 qualified audit opinion.

BASIS FOR QUALIFIED OPINION

SCOPE LIMITATION ON RECOVERABILITY OF DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

As set out in note 20 to the consolidated financial statements, the company intended not to continue the possible acquisition of 71.76% equity interest in Pure Power Holdings Limited and requested the vendors to return the deposit paid by the company. The deposit for acquisition of subsidiaries of RMB97,845,000 (the "Deposit") was settled by the vendors, through the promissory notes issued by a listed company (the "Issuer") in Hong Kong on 29 April 2014. The promissory notes carry an interest of 8% per annum and repayable in 1 year from its issue date. However, we were unable to obtain sufficient information to evaluate the ability of the Issuer of the promissory notes to make payment on maturity date. We were therefore unable to satisfy ourselves as to whether the Deposit could be recovered in full or to determine the amount of impairment, if any. There were no other alternative audit procedures that we could carry out to satisfy ourselves as to any impairment loss would had been made for the Deposit. Any adjustments that might have found to be necessary in respect of the above would have had a consequential effect on the net asset of the group as at 31 March 2014, and of its loss for the year, and the related disclosures made in the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion paragraph, the consolidated financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2014, and of the group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2014

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2014

	Note	2014 RMB'000	2013 RMB'000
Turnover	7	**4,596**	9,416
Cost of sales		**(2,471)**	(5,575)
Gross Profit		**2,125**	3,841
Valuation loss on investment properties	17	**(1,750)**	(18,034)
Other revenue	8(a)	**1,439**	1,677
Other net income	8(b)	**11**	8,207
Selling expenses		**(195)**	(224)
Administrative expenses		**(45,981)**	(43,937)
Exploration and development expenses of mine		**(244)**	(1,251)
Other operating expenses	9(d)	**(82,793)**	(79,000)
Loss from operations		**(127,388)**	(128,721)
Finance costs	9(a)	**(4,073)**	(3,825)
Share of profit of an assoicate		**126**	–
Loss before taxation	9	**(131,335)**	(132,546)
Income tax	12	**328**	4,508
Loss for the year		**(131,007)**	(128,038)
Attributable to:			
Owners of the company		**(123,403)**	(120,430)
Non-controlling interests		**(7,604)**	(7,608)
Loss for the year		**(131,007)**	(128,038)
Loss per share			
– Basic	15(a)	**(RMB0.24)**	(RMB0.29)
– Diluted	15(b)	**(RMB0.24)**	(RMB0.29)

The notes on pages 38 to 126 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	2014 RMB'000	2013 RMB'000
Loss for the year	**(131,007)**	(128,038)
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of group entities outside the PRC	**(2,418)**	(785)
– financial statements of an associate	**16**	–
Total other comprehensive loss for the year, net of nil tax	**(2,402)**	(785)
Total comprehensive loss for the year	**(133,409)**	(128,823)
Attributable to:		
Owners of the company	**(125,805)**	(121,215)
Non-controlling interests	**(7,604)**	(7,608)
Total comprehensive loss for the year	**(133,409)**	(128,823)

The notes on pages 38 to 126 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Plant and equipment	16	**7,351**	10,097
Investment properties	17	**177,872**	179,622
Intangible assets	19	**100,000**	180,000
Deposit for acquisition of subsidiaries	20	**97,845**	119,615
Interest in an associate	21	**9,119**	–
		392,187	489,334
Current assets			
Trade and other receivables	22	**5,561**	15,480
Trading securities	23	**138**	149
Cash and cash equivalents	24	**30,645**	21,308
		36,344	36,937
Current liabilities			
Other payables and accruals	25	**20,753**	10,872
Interest-bearing bank borrowings	26	**5,000**	4,500
Current taxation	27(a)	**44**	–
		25,797	15,372
Net current assets		**10,547**	21,565
Total assets less current liabilities		**402,734**	510,899
Non-current liabilities			
Other payables and accruals	25	**264**	–
Interest-bearing bank borrowings	26	**38,500**	43,500
Deferred tax liabilities	27(b)	**6,025**	6,463
Unconvertible bonds	28	**15,884**	8,071
Promissory notes	29	**7,862**	–
		68,535	58,034
NET ASSETS		**334,199**	452,865
EQUITY			
Equity attributable to owners of the company			
Share capital	30	**14,456**	10,941
Reserves	32	**310,743**	425,320
		325,199	436,261
Non-controlling interests		**9,000**	16,604
TOTAL EQUITY		**334,199**	452,865

Approved and authorised for issue by the board of directors on 27 June 2014.

On behalf of the board

Xu Dong	**Au Tat On**
Director	*Director*

The notes on pages 38 to 126 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the company								
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2012	7,333	971,524	(56,225)	16,632	22,531	(412,251)	549,544	24,212	573,756
Changes in equity for 2013									
Loss for the year	–	–	–	–	–	(120,430)	(120,430)	(7,608)	(128,038)
Other comprehensive loss									
Exchange differences on translation of financial statements of group entities outside the PRC	–	–	–	–	(785)	–	(785)	–	(785)
Total comprehensive loss for the year	–	–	–	–	(785)	(120,430)	(121,215)	(7,608)	(128,823)
Forfeiture of share option	–	–	–	(16,632)	–	16,632	–	–	–
Share issue expenses	–	(245)	–	–	–	–	(245)	–	(245)
Right issue (note 30(ii))	3,608	4,569	–	–	–	–	8,177	–	8,177
Total transactions with owners	3,608	4,324	–	(16,632)	–	16,632	7,932	–	7,932
At 31 March 2013	10,941	975,848	(56,225)	–	21,746	(516,049)	436,261	16,604	452,865
At 1 April 2013	**10,941**	**975,848**	**(56,225)**	**–**	**21,746**	**(516,049)**	**436,261**	**16,604**	**452,865**
Changes in equity for 2014									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(123,403)**	**(123,403)**	**(7,604)**	**(131,007)**
Other comprehensive loss									
Exchange differences on translation of:									
– financial statements of group entities outside the PRC	**–**	**–**	**–**	**–**	**(2,418)**	**–**	**(2,418)**	**–**	**(2,418)**
– financial statements of an associate	**–**	**–**	**–**	**–**	**16**	**–**	**16**	**–**	**16**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(2,402)**	**(123,403)**	**(125,805)**	**(7,604)**	**(133,409)**
Placing of new shares I (note 30(iii))	**1,191**	**4,207**	**–**	**–**	**–**	**–**	**5,398**	**–**	**5,398**
Placing of new shares II (note 30(iv))	**1,377**	**5,048**	**–**	**–**	**–**	**–**	**6,425**	**–**	**6,425**
Placing of new shares III (note 30(v))	**947**	**2,337**	**–**	**–**	**–**	**–**	**3,284**	**–**	**3,284**
Share issue expenses	**–**	**(364)**	**–**	**–**	**–**	**–**	**(364)**	**–**	**(364)**
Total transactions with owners	**3,515**	**11,228**	**–**	**–**	**–**	**–**	**14,743**	**–**	**14,743**
At 31 March 2014	**14,456**	**987,076**	**(56,225)**	**–**	**19,344**	**(639,452)**	**325,199**	**9,000**	**334,199**

The notes on pages 38 to 126 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before taxation		**(131,335)**	(132,546)
Adjustments for:			
Finance costs	9(a)	**4,073**	3,825
Interest income	8(a)	**(1,069)**	(799)
Depreciation	9(c)	**4,667**	4,696
Valuation loss on investment properties	17	**1,750**	18,034
Fair value loss/(gains) of trading securities	9(d), 8(b)	**9**	(29)
Impairment loss of rental receivables	9(d)	**2,302**	–
Compensation for early termination of operating lease	9(d)	**277**	–
Reversal of impairment loss of prepayment	8(b)	**–**	(8,140)
Impairment loss of intangible assets	9(d)	**80,000**	79,000
Loss/(gain) on disposal of plant and equipment	9(d),8(b)	**205**	(38)
Share of profit of an associate		**(126)**	–
Exchange difference, net		**(156)**	250
		(39,403)	(35,747)
Changes in working capital			
Decrease/(increase) in trade and other receivables		**7,338**	(11,349)
Increase/(decrease) in other payables and accruals		**8,150**	(13,201)
Cash used in operations		**(23,915)**	(60,297)
Tax paid – Hong Kong	27(a)	**(66)**	–
Net cash used in operating activities		**(23,981)**	(60,297)
Investing activities			
Payment to acquire plant and equipment		**(958)**	(280)
Refund of deposit paid for acquisition of subsidiaries	20	**19,803**	–
Acquisition of an associate		**(1,188)**	–
Refund of prepayment for acquisition of investment property		**–**	8,140
Proceeds from disposal of plant and equipment		**–**	98
Interest received	8(a)	**1,069**	799
Net cash generated from investing activities		**18,726**	8,757

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Proceeds from issuance of new shares		**15,107**	8,177
Share issue expenses		**(364)**	(245)
Repayment of bank loans		**(4,500)**	(4,000)
Proceeds from issuance of unconvertible bonds	28	**7,942**	8,071
Interest paid for interest-bearing bank borrowings		**(3,352)**	(3,766)
Interest paid for other borrowings		**(4)**	–
Interest paid for unconvertible bonds		**(338)**	(59)
Loan from a related party	25	**403**	–
Net cash generated from financing activities		**14,894**	8,178
Net increase/(decrease) in cash and cash equivalents		**9,639**	(43,362)
Cash and cash equivalents at 1 April		**21,308**	64,819
Effect of foreign exchange rate changes		**(302)**	(149)
Cash and cash equivalents at 31 March	24	**30,645**	21,308

The notes on pages 38 to 126 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Note	2014 RMB'000	2013 RMB'000
Non-current assets			
Plant and equipment	16	–	–
Interest in subsidiaries	18	219,088	312,438
Deposit for acquisition of subsidiaries	20	97,845	119,615
Interest in an associate	21	8,977	–
		325,910	432,053
Current assets			
Other receivables	22	104	88
Trading securities	23	138	149
Cash and cash equivalents	24	28,194	19,623
		28,436	19,860
Current liabilities			
Other payables	25	6,156	950
Net current assets		22,280	18,910
Total assets less current liabilities		348,190	450,963
Non-current liabilities			
Unconvertible bonds	28	15,884	8,071
Promissory notes	29	7,862	–
		23,746	8,071
NET ASSETS		324,444	442,892
EQUITY			
Equity attributable to owners of the company			
Share capital	30	14,456	10,941
Reserves	32	309,988	431,951
TOTAL EQUITY		324,444	442,892

Approved and authorised for issue by the board of directors on 27 June 2014.

On behalf of the board

Xu Dong	**Au Tat On**
Director	*Director*

The notes on pages 38 to 126 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. CORPORATE INFORMATION

China Properties Investment Holdings Limited (the "company") is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

The company was incorporated and domiciled in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its principal place of business is Room 2707-08, 27/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for current accounting period of the group and the company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these consolidated financial statements.

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Basis of measurement

The consolidated financial statements for the year ended 31 March 2014 comprise the company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment in equity securities and investment properties are stated at their fair value as explained in the accounting policies set out in notes 2(f) and 2(h) respectively below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

Basis of measurement (Continued)

Items included in the financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Renminbi ("RMB"), and it is also the functional currency of the company and the group's presentation currency. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amount of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the group. The group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the group has power, only substantive rights are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and the total comprehensive loss for the year between non-controlling interests and the owners of the company. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses (see note 2(k)) unless the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) ASSOCIATES

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(e) and (k)). Any acquisition-date excess over cost, the group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the group's share of losses exceeds its interest in the associate, the group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the group's interest is the carrying amount of the investment under the equity method together with the group's long-term interests that in substance form part of the group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the company's statement of financial position, investments in associates are stated at cost less impairment losses, unless classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) i) BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

- a deferred tax asset or liability arising from the assets acquired and liabilities assumed in a business combination and the potential tax effects of temporary differences and carryforwards of an acquiree that exist at the acquisition date or arise as a result of the acquisition are recognised and measured in accordance with HKAS 12 Income Taxes;

- assets or liabilities relating to employee benefit arrangements are recognised and measured in accordance with HKAS 19 Employee Benefits;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) i) BUSINESS COMBINATIONS (Continued)

Where the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) ii) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the group's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. If some or all of the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro–rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

f) OTHER INVESTMENTS IN EQUITY SECURITIES

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on valuation technique that use only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(r)(ii) and (iii).

Investments are recognised/derecognised on the date the group and/or the company commits to purchase/sell the investments or when they expire.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) PLANT AND EQUIPMENT

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(k)).

Gains or losses arising from the retirement or disposal of an item of 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.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and equipment	5 years
Motor vehicles	4 to 5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

h) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(r)(i).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) INVESTMENT PROPERTIES (Continued)

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(j).

i) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Mining rights with finite useful lives are carried at cost less accumulated amortisation and impairment losses (see note 2(k)). The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

j) LEASED ASSETS

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

i) Classification of assets leased to the group

Assets held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(h)).

ii) Operating lease charges

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) IMPAIRMENT OF ASSETS

i) *Impairment of investments in equity securities and other receivables*

Investments in equity securities (other than investments in subsidiaries – see note 2(f)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in associates accounted for under the equity method in the consolidated financial statements (see note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(k)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) IMPAIRMENT OF ASSETS (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

– For trade receivables and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) IMPAIRMENT OF ASSETS (Continued)

ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– investments in subsidiaries and associates in the company's statement of financial position; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an assets will not be reduced below its individual fair value less costs of disposal, or value in use, (if determinable).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. (see note 2(k)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

l) FINANCIAL INSTRUMENTS

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) FINANCIAL INSTRUMENTS (Continued)

i) *Financial assets*

The group's financial assets are classified into the following specified categories: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss including trading securities 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 includes any dividend or interest earned on the financial assets.

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 and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment loss (see note 2(k)(i)).

Effective interest method

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

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

ii) *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) FINANCIAL INSTRUMENTS (Continued)

ii) Financial liabilities and equity instruments (Continued)

Financial liabilities

Financial liabilities including trade and other payables, interest-bearing bank borrowings, unconvertible bonds and promissory notes are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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.

The group derecognises financial liability when, and only when, the group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

m) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment for doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(k)).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

o) OTHER PAYABLES

Other payables are initially recognised at fair value are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

p) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit and loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

q) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) INCOME TAX (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be recognised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(h), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale.

In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be recognised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) INCOME TAX (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

r) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Dividends income from listed investments

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) REVENUE RECOGNITION (Continued)

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iv) Government grant

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

v) Agency income

Agency income is recognised when the agency service provided.

s) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e., a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) TRANSLATION OF FOREIGN CURRENCIES (Continued)

In the case of a partial disposal of a subsidiary that includes a foreign operation that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

t) BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

u) RELATED PARTIES

a) A person, or a close member of that person's family, is related to the group if 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 the group's parent.

b) An entity is related to the group if any of the following conditions applies:

   i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   iii) Both entities are joint ventures of the same third party.

   iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) RELATED PARTIES (Continued)

b) An entity is related to the group if any of the following conditions applies: (Continued)

vi) The entity is controlled or jointly controlled by a person identified in (a).

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).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

v) EMPLOYEE BENEFITS

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) EMPLOYEE BENEFITS (Continued)

iii) Termination benefits

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restricting costs involving the payment of termination benefits.

w) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, chief operating decision maker ("CODM") for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, ant the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

x) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

y) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching condition will be complied with. When the grant relates to an expenses item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

In the current year, the group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
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
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

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except as described below, the application of other 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.

ANNUAL IMPROVEMENTS TO HKFRSs 2009-2011 CYCLE

This cycle of annual improvements contains amendments to five standards with consequential amendments to other HKFRS. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented.

AMENDMENTS TO HKAS 1 PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the group has chosen to use the new titles "consolidated statement of profit or loss" and "consolidated statement of profit or loss and other comprehensive income" as introduced by the amendments in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

AMENDMENTS TO HKFRS 7 DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 Financial Instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

HKFRS 10 CONSOLIDATED FINANCIAL STATEMENTS

HKFRS 10 replaces the requirements in HKAS 27 Consolidated and Separate Financial Statements relating to the preparation of consolidated financial statements and HK-SIC 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 involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS10, the group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the group in respect of its involvement 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 interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 18 and 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

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

HKFRS 13 FAIR VALUE MEASUREMENT

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance, HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. To the extent that the requirements are applicable to the group, the group has provided those disclosures in notes 17 and 4. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the group's assets and liabilities.

HKAS 19 EMPLOYEE BENEFITS (AS REVISED IN 2011)

HKAS 19 (as revised in 2011) introduces a number of amendments to the accounting for defined benefit plans. Among them, revised HKAS 19 eliminates the "corridor method" under which the recognition of actuarial gains and losses relating to defined benefit schemes could be deferred and recognised in profit or loss over the expected average remaining service lives of employees. Under the revised standard, all actuarial gains and losses are required to be recognised immediately in other comprehensive income. Revised HKAS 19 also changed the basis for determining income from plan assets from expected return to interest income calculated at the liability discount rate, and requires immediate recognition of past service cost, whether vested or not.

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

The group's major financial instruments include trade and other receivables, trading securities, cash and cash equivalents, interest-bearing borrowings, other payables and accruals, promissory notes and unconvertible bonds. The company's major financial instruments include trading securities, cash and cash equivalents, promissory notes and unconvertible bonds.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and equity price 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

i) CREDIT RISK

The Group

a) As at 31 March 2014 and 2013, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

b) ***Deposits with financial institutions***

The group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2014, the group has certain concentration of credit risk as 62% (2013: 84%) of total cash and cash equivalents were deposited at one financial institution in Hong Kong with high credit ratings.

c) In respect of trade receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition is performed on each and every major tenant periodically. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The group has received rental deposits amounting to RMB565,000 (2013: RMB1,765,000) from the tenants as collateral. Rents are usually due upon presentation of billing.

d) In respect of trade receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The default risk of the industry in which tenants operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the group has concentration of credit risk as 100% (2013: 65%) of the total rental receivables was due from the group's largest tenant.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

i) CREDIT RISK (Continued)

The Company

Deposits with financial institutions

The company limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2014, the company has certain concentration of credit risk as 68% (2013: 91%) of total cash and cash equivalents were deposited at one financial institution in Hong Kong with high credit ratings.

ii) LIQUIDITY RISK

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to parent company's board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The group relies on interest-bearing bank borrowings, promissory notes and unconvertible bonds as a significant source of liquidity.

The following tables set out the remaining contractual maturities at the end of the reporting period of the group's and the company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the group and the company can be required to pay.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

ii) LIQUIDITY RISK (Continued)

The group

	2014							2013						
	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash outflow RMB'000	Carrying amount RMB'000	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash outflow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities														
Other payables and accruals	–	20,614	–	–	–	20,614	20,614	–	10,872	–	–	–	10,872	10,872
Loan from a related party	6.73%	162	162	122	–	446	403	–	–	–	–	–	–	–
Interest-bearing bank borrowings	7.21%	7,185	14,184	28,913	–	50,282	43,500	7.21%	6,939	8,044	43,168	–	58,151	48,000
Promissory notes	8.5%	635	8,384	–	–	9,019	7,862	–	–	–	–	–	–	–
Unconvertible bonds	5%	794	794	2,383	16,890	20,861	15,884	5%	404	404	1,210	10,807	12,825	8,071
		29,390	23,524	31,418	16,890	101,222	88,263		18,215	8,448	44,378	10,807	81,848	66,943

The company

	2014							2013						
	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash outflow RMB'000	Carrying amount RMB'000	Weighted average effective interest rate	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash outflow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities														
Other payables and accruals	–	6,156	–	–	–	6,156	6,156	–	950	–	–	–	950	950
Promissory notes	8.5%	635	8,384	–	–	9,019	7,862	–	–	–	–	–	–	–
Unconvertible bonds	5%	794	794	2,383	16,890	20,861	15,884	5%	404	404	1,210	10,807	12,825	8,071
		7,585	9,178	2,383	16,890	36,036	29,902		1,354	404	1,210	10,807	13,775	9,021

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

iii) CURRENCY RISK

The group's exposure to foreign currency risk related primarily to deposits for acquisition of subsidiaries, cash and cash equivalents, other receivables, other payables, trading securities, promissory notes and unconvertible bonds that are denominated in currencies other than the functional currency of the relevant group entities.

Most of the group's and the company's transactions, assets and liabilities are denominated in RMB, which is the same as the functional currency of the entity to which they related.

The following table details the group's and the company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

The group

	2014		2013	
	United States Dollars RMB'000	**Hong Kong Dollars RMB'000**	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Deposits for acquisition of subsidiaries	**97,845**	**–**	119,615	–
Other receivables	**–**	**1,406**	–	1,208
Cash and cash equivalents	**–**	**29,913**	–	20,471
Trading securities	**–**	**138**	–	149
Other payables	**–**	**(5,161)**	–	(1,098)
Loan receivables	**–**	**–**	–	6,457
Promissory notes	**–**	**(7,862)**	–	–
Unconvertible bonds	**–**	**(15,884)**	–	(8,071)
Overall exposure to currency risk	**97,845**	**2,550**	119,615	19,116

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

iii) CURRENCY RISK (Continued)

The company

	2014		2013	
	United States Dollars RMB'000	**Hong Kong Dollars RMB'000**	United States Dollars RMB'000	Hong Kong Dollars RMB'000
Deposits for acquisition of subsidiaries	**97,845**	**–**	119,615	–
Other receivables	**–**	**104**	–	88
Cash and cash equivalents	**–**	**28,194**	–	19,623
Trading securities	**–**	**138**	–	149
Other payables	**–**	**(5,156)**	–	(950)
Promissory notes	**–**	**(7,862)**	–	–
Unconvertible bonds	**–**	**(15,884)**	–	(8,071)
Overall exposure to currency risk	**97,845**	**(466)**	119,615	10,839

The following table indicates the instantaneous change in the group's and the company's loss after tax (and accumulated losses) that would arise if foreign exchange rates to which the group and the company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

iii) CURRENCY RISK (Continued)

The group

	2014			2013		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax RMB'000**	**Effect on equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax RMB'000	Effect on equity RMB'000
United States Dollars	**1%**	**(817)**	**817**	1%	(999)	999
	(1%)	**817**	**(817)**	(1%)	999	(999)
Hong Kong Dollars	**5%**	**(106)**	**106**	5%	(798)	798
	(5%)	**106**	**(106)**	(5%)	798	(798)

The company

	2014			2013		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax RMB'000**	**Effect on equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax RMB'000	Effect on equity RMB'000
United States Dollars	**1%**	**(817)**	**817**	1%	(999)	999
	(1%)	**817**	**(817)**	(1%)	999	(999)
Hong Kong Dollars	**5%**	**19**	**(19)**	5%	(452)	452
	(5%)	**(19)**	**19**	(5%)	452	(452)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' loss after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the group which expose the group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

iv) INTEREST RATE RISK

The group's exposure to market risk for changes in interest rates related primarily to the group's variable rate interest-bearing borrowings. The group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2014, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's loss after tax and accumulated losses attributable to variable rate interest-bearing bank borrowings by approximately RMB326,000 (2013: RMB360,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until at the end of next annual reporting period. The analysis is performed on the same basis for 2013.

The interest rate profile of the group's and the company's borrowings at the end of the reporting period is as follows:

	The group			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Promissory notes	**8.5**	**7,862**	–	–
Unconvertible bonds	**5**	**15,884**	5	8,071
Loan from a related party	**6.73**	**403**	–	–
		24,149		8,071
Variable rate borrowings				
Interest-bearing bank borrowings	**7.21**	**43,500**	7.21	48,000
		67,649		56,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

iv) INTEREST RATE RISK (Continued)

	The company			
	2014		2013	
	Effective interest rate %	**RMB'000**	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Promissory notes	**8.5**	**7,862**	–	–
Unconvertible bonds	**5**	**15,884**	5	8,071
		23,746		8,071

v) EQUITY PRICE RISK

The group and the company is exposed to equity price changes arising from trading of listed securities classified as trading securities in the consolidated statement of financial position. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the end of the reporting period, if the quoted market prices of the trading securities had been 10% higher or lower while all other variables were held constant, the group's and the company's net loss would decrease or increase by approximately RMB14,000 (2013: RMB15,000) as a result of changes in fair value of investments. The group's and the company's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price in existence at that date. It also assumed that the fair values of the group's and the company's trading securities would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the group's and the company's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variable, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

vi) FAIR VALUE MEASUREMENT

a) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs, Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

The group and the company

	Fair value measurements as at 31 March 2014 categorised into				Fair value measurements as at 31 March 2013 categorised into			
	Level 1	**Level 2**	**Level 3**	**Fair value at 31 March 2014**	Level 1	Level 2	Level 3	Fair value at 31 March 2013
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurements								
Assets:								
Trading securities	**138**	**–**	**–**	**138**	149	–	–	149

During the years ended 31 March 2013 and 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

vii) ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

a) *Interest-bearing bank borrowings, promissory notes and unconvertible bonds*

The fair value is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

b) *Trading securities*

Fair value for quoted equity investments are based on the closing bid prices at the end of the reporting period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The carrying amounts of the non-current portions of interest-bearing bank borrowings approximate their fair values.

5. ACCOUNTING JUDGEMENTS AND ESTIMATES

a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies which are described in note 2, management has made certain 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, as discussed below.

i) *Impairment of receivables*

The group maintains impairment allowance for doubtful debts based on evaluation of the recoverability of the trade and other receivables, where applicable, at the end of each reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance might be required.

The carrying amount of loan and receivables net of impairment allowance as at 31 March 2014 was RMB2,825,000 (2013: RMB11,570,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

5. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ii) *Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recovered during the year. The useful lives are based on the group's historical experience with similar assets and taking into account anticipated obsolescence and technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

The carrying amount of plant and equipment as at 31 March 2014 was RMB7,351,000 (2013: RMB10,097,000).

iii) *Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 31 March 2014 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss.

The carrying amount of investment properties as at 31 March 2014 was RMB177,872,000 (2013: RMB179,622,000).

iv) *Impairment of intangible assets*

The group assess whether there are any indicators of impairment for intangible assets. If any such indication exists the recoverable amount of the asset or the cash generating unit to which it belongs is estimated to determine impairment losses on the asset. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amount, which would effect profit or loss in future years.

The carrying amount of intangible assets as at 31 March 2014 was RMB100,000,000 (2013: RMB180,000,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

5. ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

v) Impairment of deposit for acquisition of subsidiaries

Balances are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. As set out in note 20 to the consolidated financial statements, the deposit for acquisition of subsidiaries of RMB97,845,000 (the "Deposit") was settled by the vendors, through the promissory notes issued by a listed company (the "Issuer") in Hong Kong on 29 April 2014.

The management considered the Issuer has adequate financial resources for the repayment and the guarantor agreed to guarantee the performance of obligation of the Issuer under the promissory notes. Thus, no impairment allowance is necessary and the deposits are considered fully recoverable.

The estimate of recoverability of the deposit depends on the repayment of the Issuer on promissory notes upon maturity or the performance of obligation of the guarantor if the Issuer defaults for the repayment.

b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the group's accounting policies.

i) Mining right

As disclosed in note 19 to the financial statements, the group's mining right for the copper and molybdenum will expire in November 2014. The company's directors have considered, after having obtained a PRC legal opinion, that in accordance with the relevant PRC laws and regulations, the group is entitled to renew the mining rights when it expires. The company's directors are of the opinion that there is no foreseeable circumstances which will preclude the group from obtaining a renewal of the mining right when it expires.

ii) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in financial statements, are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the board of directors, chief operating decision maker ("CODM"), for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspectives. Geographically, management considers the performance of the segments in Hong Kong and mainland China. The group has presented the following two reportable segments. These segments are managed separately. The property investment segment and the investing in mining activities segment offer very different products and services.

PROPERTIES INVESTMENT: The properties investment reportable operating segment derives its revenue primarily from leasing of investment properties.

INVESTING IN MINING ACTIVITIES: The investing in mining activities reportable segment derives its revenue from the cooperation of the exploitation of copper and molybdenum mines with third party.

No reportable operating segment has been aggregated.

a) SEGMENT RESULTS, ASSETS AND LIABILITIES

For the purposes of assessing segment performance and allocating resources between segments, the group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sale generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of profit or loss.

All assets are allocated to reportable segments other than trading securities and corporate assets. All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT REPORTING (Continued)

a) SEGMENT RESULTS, ASSETS AND LIABILITIES (Continued)

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resources allocation and assessment of segment performance for the year ended 31 March 2014 and 2013 is set out below.

	2014			2013		
	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000
Revenue from external customers	4,596	–	4,596	9,416	–	9,416
Reportable segment revenue	4,596	–	4,596	9,416	–	9,416
Reportable segment loss before taxation	(12,507)	(85,435)	(97,942)	(16,129)	(85,617)	(101,746)
Interest income of bank deposits	1	–	1	2	1	3
Exploration and development expenses of mine	–	(244)	(244)	–	(1,251)	(1,251)
Depreciation	(627)	(3,252)	(3,879)	(661)	(3,232)	(3,893)
Reversal of impairment loss of prepayment	–	–	–	8,140	–	8,140
Valuation loss on investment properties	(1,750)	–	(1,750)	(18,034)	–	(18,034)
Impairment loss of intangible assets	–	(80,000)	(80,000)	–	(79,000)	(79,000)
Impairment loss of rental receivable	(2,302)	–	(2,302)	–	–	–
Compensation for early termination of operating lease	(277)	–	(277)	–	–	–
Loss on disposal of plant and equipment	–	(205)	(205)	–	–	–
Income tax credit	438	–	438	4,508	–	4,508
Finance costs	(3,352)	(4)	(3,356)	(3,763)	–	(3,763)
Reportable segment assets	181,266	105,472	286,738	186,253	186,564	372,817
Additions to non-current assets during the year	5	2,397	2,402	259	4	263
Reportable segment liabilities	53,459	5,874	59,333	54,504	3,245	57,749
Deferred tax liabilities	6,025	–	6,025	6,463	–	6,463
Total liabilities	59,484	5,874	65,358	60,967	3,245	64,212

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT REPORTING (Continued)

b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER ITEMS:

		2014	2013
		RMB'000	RMB'000
(i)	**Revenue**		
	Total reportable segment revenue	**4,596**	9,416
	Elimination of inter-segment revenue	**–**	–
	Consolidated turnover	**4,596**	9,416
(ii)	**Profit/(loss)**		
	Total reportable segments' loss	**(97,942)**	(101,746)
	Share of profit of an associate	**126**	–
	Unallocated corporate income	**14**	164
	Depreciation	**(788)**	(803)
	Interest income	**1,068**	796
	Finance costs	**(717)**	(62)
	Unallocated corporate expenses	**(33,096)**	(30,895)
	Consolidated loss before taxation	**(131,335)**	(132,546)
(iii)	**Assets**		
	Total reportable segments' assets	**286,738**	372,817
	Unallocated corporate assets	**141,793**	153,454
	Consolidated total assets	**428,531**	526,271
(iv)	**Liabilities**		
	Total reportable segments' liabilities	**(65,358)**	(64,212)
	Current taxation	**(44)**	–
	Unallocated corporate liabilities	**(28,930)**	(9,194)
	Consolidated total liabilities	**(94,332)**	(73,406)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT REPORTING (Continued)

b) RECONCILIATIONS OF REPORTABLE SEGMENT REVENUES, PROFIT OR LOSS, ASSETS AND LIABILITIES AND OTHER ITEMS: (Continued)

(v) Other items

	2014			
	Properties investment RMB'000	**Investing in mining activities RMB'000**	**Unallocated RMB'000**	**Total RMB'000**
Interest income				
– loan receivable	**–**	**–**	**1,067**	**1,067**
– bank deposits	**1**	**–**	**1**	**2**
Depreciation	**(627)**	**(3,252)**	**(788)**	**(4,667)**
Finance cost	**(3,352)**	**(4)**	**(717)**	**(4,073)**
Income tax credit/(expense)	**438**	**–**	**(110)**	**(328)**

	2013			
	Properties investment RMB'000	Investing in mining activities RMB'000	Unallocated RMB'000	Total RMB'000
Interest income				
– loan receivable	–	–	762	762
– bank deposits	2	1	34	37
Depreciation	(661)	(3,232)	(803)	(4,696)
Finance cost	(3,763)	–	(62)	(3,825)
Income tax credit	4,508	–	–	4,508

c) REVENUE FROM MAJOR SERVICES

The following is an analysis of the group's revenue from its major services:

	2014 RMB'000	2013 RMB'000
Properties investment	**4,596**	9,416

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENT REPORTING (Continued)

d) GEOGRAPHICAL INFORMATION

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The group's non-current assets include plant and equipment, investment properties, intangible assets and deposit for acquisition of subsidiaries. The geographical location of plant and equipment and investment properties are based on the physical location of the asset. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong (place of domicile)	**–**	–	**109,024**	122,386
PRC	**4,596**	9,416	**283,163**	366,948
	4,596	9,416	**392,187**	489,334

e) INFORMATION ABOUT MAJOR CUSTOMERS

Revenues from customers contributed 10% or more of the total revenue of the group are as follows:

	2014	2013
	RMB'000	RMB'000
Customer A – revenue from properties investment – the PRC	**1,768**	6,704
Customer B – revenue from properties investment – the PRC	**2,828**	2,712
	4,596	9,416

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

7. TURNOVER

The principal activities of the group are property investment and investing in mining activities.

Turnover represents rental income from investment properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2014	2013
	RMB'000	RMB'000
Rental income from investment properties	**4,596**	9,416

8. OTHER REVENUE AND OTHER NET INCOME

	2014	2013
	RMB'000	RMB'000
a) Other revenue		
Interest income on loan receivables	**1,067**	762
Interest income on bank deposits	**2**	37
Total interest income on financial assets not at fair value through profit or loss	**1,069**	799
Agency income	**–**	128
Sundry income*	**370**	750
	1,439	1,677

* The amount of RMB296,000 included in sundry income from mining operation.

	2014	2013
	RMB'000	RMB'000
b) Other net income		
Reversal of impairment loss of prepayment #	**–**	8,140
Fair value gain on trading securities	**–**	29
Gain on disposal of plant and equipment	**–**	38
Government subsidy *	**11**	–
	11	8,207
	1,450	9,884

* Subsidy income from government mainly relates to cash subsidies in respect of property investment industry which is unconditional grants.

The amount represents the deposits of amount approximately RMB15,000,000 paid for acquisition of investment properties during the year 2008 and was fully written off during the year 2009 as the amount is long outstanding and the recoverability of the amount is low. Part of the deposits was recovered in the year 2013, therefore the impairment loss was reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

		2014 RMB'000	2013 RMB'000
a)	**Finance costs**		
	Interest expenses on bank borrowings not wholly repayable within five years	**3,352**	3,766
	Total interest expenses on financial liabilities not at fair value through profit or loss	**3,352**	3,766
	Interest on other borrowings	**4**	–
	Interest on promissory notes	**193**	–
	Interest on unconvertible bonds	**524**	59
	Total interest expense	**4,073**	3,825
b)	**Staff costs (including directors' emoluments)**		
	Salaries, wages and other benefits	**14,762**	14,622
	Contribution to defined contribution retirement plans	**571**	644
		15,333	15,266
c)	**Other items**		
	Auditor's remuneration		
	– audit services	**871**	804
	– other services	**666**	582
	Depreciation	**4,667**	4,696
	Gross rental income from investment properties less direct outgoings of RMB2,471,000 (2013: RMB5,575,000)	**(2,125)**	(3,841)
	Operating lease charges: minimum lease payments (including directors' quarters)	**5,585**	3,829
	Gain on disposal of plant and equipment	**–**	(38)
	Exploration and development expenses of mine	**244**	1,251
d)	**Other operating expenses**		
	Fair value loss of trading securities	**9**	–
	Impairment loss of intangible assets	**80,000**	79,000
	Compensation for early termination of operating lease (i)	**277**	–
	Impairment loss of rental receivables (ii)	**2,302**	–
	Loss on disposal of plant and equipment	**205**	–
		82,793	79,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

9. LOSS BEFORE TAXATION (Continued)

(i) Shanghai Xiang Chen Hang Place The Industry Co. Ltd. ("Shanghai Xiang Chen Hang") early terminated a tenancy agreement located in Shanghai, the PRC. On 18 November 2013, the mediation agreement was reached between the landlord and Shanghai Xiang Chen Hang. According to the agreement, rental deposit of RMB277,000 was forfeited as compensation for the early termination.

(ii) During the period, a tenant moved out without notice. Rental receivables of RMB2,302,000 (2013: Nil) was fully impaired.

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of the directors' emoluments, disclosed pursuant to Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622) with reference to Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), are as follows:

	2014				
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Executive directors					
Au Tat On	–	474	79	12	565
Xu Dong *(chief executive)*	–	4,318	951	12	5,281
	–	4,792	1,030	24	5,846
Independent non-executive directors					
Lai Wai Yin	95	–	–	–	95
Cao Jie Min	95	–	–	–	95
Tse Kwong Wah	95	–	–	–	95
	285	–	–	–	285
Non-executive director					
Yu Wai Fong	–	1,979	475	12	2,466
Total	285	6,771	1,505	36	8,597

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

	2013				
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contribution RMB'000	Total RMB'000
Executive directors					
Au Tat On	–	428	195	12	635
Xu Dong *(chief executive)*	–	4,034	974	12	5,020
	–	4,462	1,169	24	5,655
Independent non-executive directors					
Lai Wai Yin	97	–	–	–	97
Cao Jie Min	97	–	–	–	97
Tse Kwong Wah	97	–	–	–	97
	291	–	–	–	291
Non-executive director					
Yu Wai Fong	–	1,838	487	12	2,337
Total	291	6,300	1,656	36	8,283

Note:

Mr. Xu Dong is the director and the chief executive of the company and is responsible for the company's day to day management and overall activities. The remuneration of Mr. Xu Dong for 2013 and 2014 is disclosed above.

No emoluments have been paid to the directors 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. No director waived or agreed to waive any emoluments during the years ended 31 March 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the group, three (2013: three) are directors of the company whose emoluments are included in the disclosure in note 10 above. The emoluments of the remaining two (2013: two) individuals are as follows:

	2014	2013
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,402**	2,143
Retirement scheme contributions	**57**	49
	2,459	2,192

The emoluments of the two (2013: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2014	2013
HK$Nil – HK$1,000,000 (equivalent to RMBNil – RMB792,000)	**1**	1
HK$1,000,001 – HK$1,500,000 (equivalent to RMB792,001 – RMB1,188,000)	**–**	–
HK$1,500,001 – HK$2,000,000 (equivalent to RMB1,188,001 – RMB1,584,000)	**–**	–
HK$2,000,001 – HK$2,500,000 (equivalent to RMB1,584,001 – RMB1,980,000)	**–**	1
HK$2,500,001 – HK$3,000,000 (equivalent to RMB1,980,001 – RMB2,376,000)	**1**	–
	2	2

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

12. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

a) Income tax in the consolidated statement of profit or loss represents:

	2014	2013
	RMB'000	RMB'000
Current tax		
Hong Kong profits tax (note 27(a))	**110**	–
Overseas tax calculated at rates prevailing in relevant jurisdiction	**–**	–
	110	–
Deferred tax (note 27(b))		
Reversal of temporary differences	**(438)**	(4,508)
Tax credit	**(328)**	(4,508)

The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of estimated assessable profits for the year, taking into account a one-off reduction of 75% of the tax payable for the year of assessment 2013/14 subject to a ceiling of HK$10,000 (equivalent to approximately RMB8,000) allowed by the Hong Kong SAR Government for each business.

The PRC enterprise income tax (the "EIT") for the year ended 31 March 2014 is 25% (2013: 25%). EIT has not been provided for as the group has incurred loss for the year.

No deferred tax liabilities have been recognised on the retained profits of subsidiaries as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain profits earned by the group's PRC subsidiaries will not be distributed in the foreseeable future. Particularly, the group's PRC subsidiaries incurred a loss for the year ended 31 March 2014.

b) Reconciliation between tax credit and accounting loss at applicable tax rate:

	2014	2013
	RMB'000	RMB'000
Loss before taxation	**(131,335)**	(132,546)
Notional tax on loss before taxation, calculated at the tax rate applicable to loss in the jurisdictions concerned	**(30,090)**	(30,559)
Tax effect of non-taxable income	**(23)**	(2,117)
Tax effect of non-deductible expenses	**25,652**	25,710
Tax effect of deductible temporary differences not recognised	**(445)**	(4,729)
Tax effect of unused tax losses not recognised	**4,586**	7,187
One-off tax reduction	**(8)**	–
Tax credit	**(328)**	(4,508)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the company includes a loss of approximately RMB130,846,000 (2013: RMB112,467,000) which has been dealt with in the financial statements of the company.

14. DIVIDENDS

The directors did not propose the payment of any dividend for the year ended 31 March 2014 (2013: Nil) in view of the loss for the year.

15. LOSS PER SHARE

a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the company of RMB123,403,000 (2013: loss of RMB120,430,000) and the weighted average number of 518,742,000 ordinary shares (2013: 420,626,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares:

	2014	2013
	'000	'000
Issued ordinary shares at the beginning of the year*	**441,915**	344,350
Effect of rights issue (note 30(ii))	**–**	76,276
Effect of issuance of new shares in placement (note 30(iii))	**29,589**	–
Effect of issuance of new shares in placement (note 30 (iv))	**30,033**	–
Effect of issuance of new shares in placement (note 30 (v))	**17,205**	–
Weighted average number of ordinary shares at the end of the year	**518,742**	420,626

* The number of ordinary shares for the years ended 31 March 2013 has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which was completed on 24 September 2012 to reflect the bonus element inherent in the rights issue.

b) DILUTED LOSS PER SHARE

There are no potential ordinary shares in issue during the year and at the end of the reporting period.

Diluted loss per share equals to basic loss per share because the outstanding share options had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2013

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. PLANT AND EQUIPMENT

The group

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 April 2012	31	1,035	21,753	22,819
Additions	–	62	218	280
Disposals	–	–	(349)	(349)
Exchange realignment	(1)	–	(35)	(36)
At 31 March 2013	30	1,097	21,587	22,714
At 1 April 2013	**30**	**1,097**	**21,587**	**22,714**
Additions (Note)	**–**	**130**	**2,391**	**2,521**
Disposals	**–**	**–**	**(2,330)**	**(2,330)**
Exchange realignment	**–**	**(9)**	**(77)**	**(86)**
At 31 March 2014	**30**	**1,218**	**21,571**	**22,819**
Accumulated depreciation				
At 1 April 2012	(6)	(792)	(7,426)	(8,224)
Charge for the year	(1)	(71)	(4,624)	(4,696)
Eliminated on disposals of assets	–	–	289	289
Exchange realignment	–	–	14	14
At 31 March 2013	(7)	(863)	(11,747)	(12,617)
At 1 April 2013	**(7)**	**(863)**	**(11,747)**	**(12,617)**
Charge for the year	**(1)**	**(49)**	**(4,617)**	**(4,667)**
Eliminated on disposals of assets	**–**	**–**	**1,775**	**1,775**
Exchange realignment	**–**	**10**	**31**	**41**
At 31 March 2014	**(8)**	**(902)**	**(14,558)**	**(15,468)**
Carrying amount				
At 31 March 2014	**22**	**316**	**7,013**	**7,351**
At 31 March 2013	23	234	9,840	10,097

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

16. PLANT AND EQUIPMENT (Continued)

Note:

During the year, the group acquired three motor vehicles at cost of approximately RMB2,391,000. The amount was settled by trade-in three existing motor vehicles amounting to RMB350,000 financed by a loan from a related party, Mr. Zhou Hong Tao, senior management of the company, amounting to RMB440,000 (Note 25 and Note 34) and advanced from the related party amounting to RMB773,000. The remaining balance approximately to RMB828,000 was settled by cash.

The company

	Furniture and equipment RMB'000
Cost	
At 1 April 2012, 31 March 2013 and 31 March 2014	118
Accumulated depreciation	
At 1 April 2012,31 March 2013 and 31 March 2014	(118)
Carrying amount	
At 31 March 2014	–
At 31 March 2013	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. INVESTMENT PROPERTIES

The group

	RMB'000
Valuation:	
At 1 April 2012	197,656
Loss on revaluation	(18,034)
At 31 March 2013	179,622
At 1 April 2013	179,622
Loss on revaluation	(1,750)
At 31 March 2014	177,872

All of the group's investment properties are held in the PRC under medium-term leases.

All of the group's investment properties were revalued on 31 March 2014 and 31 March 2013 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties which had been revalued based on the combination of investment approach and market approach. The investment properties are leased to third parties under operating leases, further details of which are included in note 33(i) to the financial statements.

The group's investment properties of approximately RMB133,812,000 (2013: approximately RMB139,881,000) were pledged to secure general banking facilities granted to the group (note 26).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. INVESTMENT PROPERTIES (Continued)

FAIR VALUE MEASUREMENT OF PROPERTIES

i) Fair value hierarchy

The following table presents the fair value of the group's properties measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at	Fair value measurements as at 31 March 2014 categorised into		
	31 March 2014	Level 1	Level 2	Level 3
	RMB'000	RMB'000	RMB'000	RMB'000
Group				
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	177,872	–	–	177,872

During the year ended 31 March 2014, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the group's investment properties were revalued as at 31 March 2014. The valuations were carried out by an independent firm of surveyors, Castores Magi (Hong Kong) Limited who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The group's chief financial officer has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. INVESTMENT PROPERTIES (Continued)

FAIR VALUE MEASUREMENT OF PROPERTIES (Continued)

ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties I	Market approach	Rental yield	6% – 10%	8%
Commercial – the PRC		Price per square metre	RMB29,400 – RMB41,400	RMB35,400
Investment properties II	Market approach	Rental yield	6% – 10%	8%
Commercial – the PRC		Price per square metre	RMB56,000 – RMB85,600	RMB70,800

As at 31 March 2014, the valuation of investment properties were based on the investment approach by capitalizing the net rental incomes receivable from the existing tenancies and the market approach by assessing the unit rate of capital value from the market comparables and discounted by projected cash flow series associated with the properties using rental yield of the market comparables.

The key inputs were the rental yield and price per square metre, which a significant increase/(decrease) in these inputs would result in a significantly increase/(decrease) in the fair value of the investment properties.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	RMB'000
Investment properties – Commercial – PRC	
At 1 April 2013	179,622
Valuation loss on investment properties	(1,750)
At 31 March 2014	177,872

All the losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. INTEREST IN SUBSIDIARIES

	The company	
	2014	2013
	RMB'000	RMB'000
Unlisted shares, at cost	**623,466**	623,466
Less: Impairment losses		
At 1 April	**417,778**	319,753
Impairment loss recognised	**110,032**	98,025
At 31 March	**527,810**	417,778
Unlisted shares, net	**95,656**	205,688
Due from subsidiaries	**228,056**	210,273
Less: Impairment losses		
At 1 April	**103,523**	104,270
Impairment loss recognised	**2,751**	–
Exchange realignment	**(1,650)**	(747)
At 31 March	**104,624**	103,523
Due from subsidiaries, net	**123,432**	106,750
	219,088	312,438

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year. In the opinion of the company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximate their fair value.

Due to the decrease in the fair value of the mine and operating loss of subsidiaries for the year ended 31 March 2014, the directors of the company are of the opinion that an impairment of 110,032,000 (2013: RMB98,025,000) was made.

The following are the particulars of subsidiaries which principally affected the results, assets and liabilities of the group. The class of shares held are ordinary unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. INTEREST IN SUBSIDIARIES (Continued)

All these companies are subsidiaries as defined under note 2(c) and have been included in the consolidated financial statements.

Name	Place of establishment, incorporation and operation	Particulars of issued and paid up share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Luck Grow Group Limited	The British Virgins Island	US$1	100%	100%	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	100%	–	100%	Investment holding
上海祥宸行置業有限公司 Shanghai Xiang Chen Hang Place The Industry Co Limited ("Shanghai Xiang Chen Hang") * (Note (i))	PRC	US$12,571,540	100%	–	100%	Property investment
Main Pacific Group Limited ("Main Pacific")	The British Virgins Island	US$1	100%	100%	–	Investment holding
Citigain Holdings Limited	Hong Kong	HK$1	100%	–	100%	Investment holding
鼎裕投資諮詢(深圳)有限公司 Dingyu Investment Consulting (Shenzhen) Company Limited * (Note (i))	PRC	HK$1,000,000	100%	–	100%	Investment holding
上海卓衡實業有限公司 Shanghai Zhuoheng Shiye Company Limited * (Note (ii))	PRC	RMB500,000	100%	–	100%	Investment holding
克什克騰旗大地礦業有限責任公司 Keshi Ketengqi Great Land Mine Industries Company Limited ("Keshi Ketengqi")* (Note (ii))	PRC	RMB10,000,000	91%	–	100%	Mining
上海吉譯實業有限公司 Shanghai Jiyi Shiye Company Limited * (Note (ii))	PRC	RMB20,000,000	85%	–	85%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of establishment, incorporation and operation	Particulars of issued and paid up share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Allied China Development Limited ("Allied China")	The British Virgins Island	US$1	100%	100%	–	Investment holding
Main Pacific Holdings Limited ("Main Pacific Holdings")	Hong Kong	HK$1	100%	–	100%	Dormant
Universe Prosper Limited ("Universe")	The British Virgins Island	US$1	100%	100%	–	Investment holding
Sinowood Holdings Limited ("Sinowood")	Hong Kong	HK$1	100%	–	100%	Investment holding
東匯原科技(深圳)有限公司 Dong Hui Yuan Technology (Shenzhen) Company Limited * (Note (i))	PRC	RMB500,000	100%	–	100%	Investment holding
上海躍寶商貿有限責任公司 Shanghai Yue Bao Trade Company Limited * (Note (ii))	PRC	RMB500,000	100%	–	100%	Investment holding
北京海創天元貿易有限公司 Beijing Hai Chong Tianyuan Trading Company Limited* (Note (ii))	PRC	RMB500,000	100%	–	100%	Investment holding
View Success Holdings Limited	Hong Kong	HK$10,000	100%	–	100%	Investment holding
北京博思嘉睿商務顧問有限公司 (Note (i))	PRC	HK$4,000,000	100%	–	100%	Agency service
Triglory Group Limited	The British Virgins Island	US$50,000	100%	100%	–	Investment holding
Triple Glory Holdings Limited	Hong Kong	HK$10,000	100%	–	100%	Money lending business
Star Harbour Group Limited	The British Virgins Island	US$1	100%	100%	–	Dormant

Notes:

i) Registered under the laws of the PRC as a wholly-foreign-owned enterprise.

ii) These companies are registered under the laws of the PRC as limited liability companies.

* For identification only.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. INTEREST IN SUBSIDIARIES (Continued)

The following table lists out the information relating to each of the group's subsidiaries which has material non-controlling interest (NCI):

	Keshi Ketengqi Great Land Mine Industries Company Limited	
	2014	2013
	RMB'000	RMB'000
NCI percentage	**9%**	9%
Current assets	**2,053**	1,426
Non-current assets	**100,106**	180,105
Current liabilities	**(13,788)**	(12,187)
Net assets	**88,371**	169,344
Carrying amount of NCI	**7,952**	15,240
Revenue	**–**	–
Loss for the year	**80,973**	81,371
Total comprehensive loss	**80,973**	81,371
Loss allocated to NCI	**7,288**	7,323
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**7**	–
Cash flows used in investing activities	**(1)**	(1)
Cash flows from/(used in) financing activities	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. INTANGIBLE ASSETS

	The group RMB'000
Cost	
At 1 April 2012	499,748
Additions	–
At 31 March 2013	499,748
At 1 April 2013	499,748
Additions	–
At 31 March 2014	499,748
Accumulated amortisation and impairment	
At 1 April 2012	240,748
Impairment for the year	79,000
At 31 March 2013	319,748
At 1 April 2013	319,748
Impairment for the year	80,000
At 31 March 2014	399,748
Carrying amount	
At 31 March 2014	100,000
At 31 March 2013	180,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. INTANGIBLE ASSETS (Continued)

a) In year 2010, the group acquired the subsidiaries which hold the mining right for the copper and molybdenum in Chifeng, Inner Mongolia in the PRC with a carrying amount of RMB499,398,000.

b) The mining right is stated at cost less accumulated amortisation and any impairment losses.

The subsidiary of the company commenced to dig the mine in order to test the quality of the mine. In the opinion of the company's director, as amortization of the mining right for the year 2014 was insignificant to the group's result and financial position, no amortisation of the mining right was recognised during the year 2014.

c) The group's mining right at 31 March 2014 is as follows:

Mining right	**Location**	**Expiry date**
永勝礦區	內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經柵鎮	17 November 2014

At 31 March 2014, the group's mining rights for copper and molybdenum will expire in November 2014. The group has obtained PRC legal opinion that, in accordance with the relevant PRC laws and regulations, the group has the right to apply for further extension upon expiration of the mining license. The directors are of the opinion that there is no circumstance which will preclude the group from obtaining a renewal of the mining rights. Regarding the duration of the mining rights, the PRC legal opinion indicated that there is no relevant stipulation under the PRC laws governing the interpretation of the duration.

d) In July 2013, Chifeng suffered from heavy rainstorm which crushed the road to mining site and seriously affected the mining activities in the area of Chifeng. In August 2013, in order to protect and restore the mining site, all mining companies in Chifeng were required to engage a qualified entity to perform the staged Treatment Proposal on Geological Environment and Land Rehabilitation on the Mine. In May 2014, the report had been completed and approved by the Land and Resources Bureau of Chifeng City. Due to the above reasons, the progress was delayed. Furthermore, the approval formalities from the local government took longer time than their expectation. The management of the company reassessed the estimated time to obtain all the permits and considered they can start production in the second half of 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. INTANGIBLE ASSETS (Continued)

e) As at 31 March 2014, the group determined the recoverable amounts of cash generating unit for the mining rights based on value in use calculation. That calculation used cash flows projections based on financial budgets as approved by management at pre-tax discount rate of 19.26% (2013: 18.69%) with reference to the valuation performed by Roma Appraisals Limited, who is an independent firm of professionally qualified valuers and has a recognised and relevant professional qualification and experiences in the category of mining, as at 31 March 2014. The cash flows projections cover five-year period and has been extrapolated to year 2031 which is based on the estimated resources to be extracted from the mine, using an average growth rate of 6%. The growth rates used do not exceed the long-term average growth rates for the mining industries. As a result, the recoverable amount of the cash generating unit for the mining rights were below their carrying amount, impairment losses of approximately RMB80,000,000 (2013: RMB79,000,000) have been recognised to profit and loss and included in other operating expenses in the consolidated statement of profit or loss. The decrease in the recoverable amounts of cash generating unit for the mining rights for the year ended 31 March 2014 was mainly due to the reassessed estimation for the time to start production as stated in note 19(d) and the decrease in the recent market price of copper and molybdenum from RMB46,637 per tonnage and RMB258,000 per tonnage in 2013 to RMB41,344 per tonnage and RMB233,000 per tonnage in 2014, representing decrease of 11% and 10% respectively. In addition, the growth rate estimation for the price of copper and molybdenum decreased from 11% in 2013 to 9% in 2014. Thus, the income expected to be generated from the mine decreased. The management estimated the financial projection based on their experience.

The decrease in the recoverable amounts of cash generating unit for the mining rights for the year ended 31 March 2013 was mainly due to the decrease in the market price of copper and molybdenum from RMB53,496 per tonnage and RMB280,000 per tonnage in 2012 to RMB46,637 per tonnage and RMB258,000 per tonnage in 2013, representing decrease of 13% and 8% respectively. In addition, the growth rate estimation for the price of copper and molybdenum decreased from 15% in 2012 to 11% in 2013 and thus the income expected to be generated from the mine decreased.

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

	2014 **RMB'000**	2013 RMB'000
At 1 April	**119,615**	120,479
Refund of prepayment	**(19,803)**	–
Exchange realignment	**(1,967)**	(864)
At 31 March	**97,845**	119,615

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES (Continued)

a) BACKGROUND

On 21 June 2010, the company entered into the Memorandum of Understanding ("MOU of Pure Power") with certain independent third parties in relation to the possible acquisition of the 100% equity interest in Pure Power Holdings Limited ("Pure Power") which owns a 100% equity interest in Bright Sky Energy & Minerals, INC ("Bright Sky"), a company incorporated in Nevada, USA. Bright Sky is the holder of three leases with exploration and exploitation rights for oil and gas assets in Nevada, USA. The interest of possible acquisition of Pure Power was amended to 71.76% under the letter of confirmation signed on 20 September 2011.

According to the Supplemental Memorandum of Understanding (the "SMOU") signed on 20 September 2010, the total deposit of the transaction is US$150 million (equivalent to approximately RMB944 million). According to the letter of confirmation signed on 24 December 2012, the group has to settle the balance of the deposit of US$131 million (equivalent to approximately RMB824 million) before 20 March 2013.

In accordance with the terms of the MOU of Pure Power, the MOU of Pure Power shall have a term of three months. The company has requested and the vendors have agreed to extend the term of the MOU of Pure Power for another one month to until 20 October 2010 by entering into the SMOU. Pursuant to the SMOU, the company shall have the rights to extend the period. The exclusivity period has also been extended for one month to 20 October 2010. On 20 October 2010, the company entered into a letter of confirmation with the vendors whereby, inter alia, the term of the MOU as amended by the SMOU was further extended to 20 December 2010. The letter of confirmation was extended several times to 20 March 2013.

According to the 2nd Supplemental Memorandum of Understanding (the "2nd SMOU") signed on 20 June 2013, the group and the vendors agreed that the balance of the deposit of US$131 million shall not be paid until the formal agreement for the sale and purchase is entered between the group and the vendors and it shall be paid in accordance with the terms of the formal agreement for the sale and purchase. In addition the exclusivity period has been extended for a further six months to 20 September 2013 (the "New Exclusivity Period"). The group shall have the right to extend the New Exclusivity Period for a further three months (or any period as agreed by the group and the vendors) by notifying the vendors in writing no later than two days prior to the expiration of the New Exclusivity Period. On 16 October 2013, the company entered into a letter of confirmation with the vendors whereby, inter alia, the term of the MOU as amended by the SMOU and the 2nd SMOU was further extended for three months to 20 December 2013. The date of the exclusivity period has also been extended to 20 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES (Continued)

b) REASON FOR TERMINATION OF POSSIBLE ACQUISITION

On 31 May 2013, the company announced that it has sought confirmation from The Stock Exchange of Hong Kong Limited ("HKEX") regarding whether the possible acquisition would be classified for the purposes of the Listing Rules as a very substantial acquisition only but not a back door listing or a reverse takeover. The HKEX replied that they considered the possible acquisition is an extreme case and therefore, they would classify it as a reverse takeover under the relevant Listing Rule (the "Ruling").

On 20 August 2013, notwithstanding further information provided for the HKEX's re-consideration of the Ruling, the HKEX replied that they upheld their decision that the possible acquisition is a reverse takeover. On 28 August 2013, the company filed an application to HKEX to seek a review of the Ruling. After a review hearing held on 22 October 2013, the company received a letter from the Listing Committee of the HKEX on 25 October 2013 stating that it decided to uphold the decision of the Listing Division that the possible acquisition would constitute a reserve takeover ("Review Decision").

On 18 December 2013, due to the Review Decision, the company intended not to extend the term of the MOU and intends to request the Vendors to return deposit in the sum of US$19,000,000 (equivalent to approximately HK$148,200,000) paid by the company to the vendors in accordance with the MOU (the "Said Deposit").

c) REPAYMENT OF THE DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 30 January 2014, the company signed a Deed of Termination (the "Deed") with the vendors to unconditionally and irrevocably terminate the MOU and its supplementary documents signed subsequently ("Amended MOU"). Upon the fulfillment of conditions precedent (the "Effective Date"), the company and the vendors shall be released and discharged from all their rights and obligations under the Amended MOU. Under the Deed, the Said Deposit shall be returned by the vendors to the company in cash of HK$25,000,000 (equivalents to approximately RMB19,803,000) and in promissory notes ("PN") of HK$123,200,000 (equivalents to approximately RMB97,845,000) satisfied by the vendors procuring China Environmental Energy Investment Limited (the "Issuer"), a company incorporated in Bermuda and the shares of which are listed in the Hong Kong Stock Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES (Continued)

c) REPAYMENT OF THE DEPOSIT FOR ACQUISITION OF SUBSIDIARIES (Continued)

Before signing of the Deed, on 16 January 2014, the vendors repaid in cash amounting to HK$25,000,000 (equivalents to RMB19,803,000). On 29 April 2014, the Issuer issued PN in an aggregate principal amount of HK$123,200,000 (equivalents to approximately RMB97,845,000) to the company as the vendors nominate the company to accept the PN. The PN bear interest at 8% per annum. The interest shall be repaid together with principal in one lump sum upon maturity on 29 April 2015 by the Issuer. The PN may be assigned or transferred (in integral multiple of HK$500,000) to any third party (other than a connected person as defined in the Listing Rules) subject to the Listing Rules and the applicable laws. The Issuer may redeem all or part of the principal amount and interest at any time three business days prior to the maturity date (i.e. 29 April 2015) at 100% of their face value together with all interest accrued on the principal amount of the PN thereby redeemed but unpaid, by giving the company not less than seven days' prior written notice specifying the amount and date of prepayment without any penalty, prepayment or other fees. Otherwise, the settlement of the principal and interest payment of PN shall be made in full upon the maturity date (i.e. 29 April 2015).

The shareholder of the vendors acted as a guarantor for the PN if the issuer of PN defaults for the payment of principal and interest of PN. ("Default Event")

The company obtained the indemnity letter from the guarantor, who guarantees to the company if the Default Event occurs. The directors considered the guarantor has adequate financial resources to repay the principal and interest of PN.

In the opinion of management of the company, although the Issuer:

i) had a net current liabilities and net liabilities position as at 30 September 2013;

ii) was loss making for the year ended 31 March 2013 and during the six months ended 30 September 2013;

iii) was heavily leveraged with gearing ratio of 1.01 at 30 September 2013; and

iv) has records of extending the repayment date of other promissory note.

The management believes that no impairment allowance is necessary in respect of the PN because the Issuer obtained a loan facilities of HK$200,000,000 from an independent third party not connected with the Issuer and the shareholder of the vendors acted as a guarantor. The deposit are considered fully recoverable.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. INTEREST IN AN ASSOCIATE

	The group		The company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unlisted shares, at cost	**–**	–	**8,977**	–
Share of net assets	**588**	–	**–**	–
Intangible asset				
– Brand name	**2,296**	–	**–**	–
Goodwill	**6,235**	–	**–**	–
	9,119	–	**8,977**	–

The following list contains only the particulars of the material associate, which is unlisted corporate entity whose quoted market price is not available. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	**Place of incorporation and business**	**Particulars of issued and paid up capital**	**Group's effective interest**	**Held by the company**	**Held by subsidiaries**	**Principal activity**
EdKnowledge Group Limited	Hong Kong	HK$10,441	32.39%	32.39%	–	Educational services (Note 1)

Note 1: EdKnowledge Group Limited, an educational services corporation in Hong Kong, enables the group to have a prime opportunity to enter the educational services business in Hong Kong and diversify the revenue stream of the group.

The above associate is accounted for using the equity method in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	EdKnowledge Group Limited 2014 RMB'000
Gross amounts of the associate's	
Current assets	1,892
Current liabilities	(74)
Equity	1,818
Revenue	659
Profit from operations	389
Other comprehensive income	50
Total comprehensive income	439
Dividend received from the associate	–
Reconciled to the group's interests in the associate:	
Net assets of the associate	1,818
Proportion of the group's ownership interest in the associate	32.39%
Share of net asset	588
Goodwill	6,235
Brand name	2,296
Carrying amount of the group's interest in the associate	9,119

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

22. TRADE AND OTHER RECEIVABLES

	The group		The company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**6,785**	6,731	**–**	–
Less: allowance for doubtful debts (b)(i)	**(5,140)**	(2,838)	**–**	–
Trade receivables (net)	**1,645**	3,893	**–**	–
Loan and interest receivables (note 2)	**39,710**	47,128	**39,710**	40,356
Less: impairment (note 2) (b)(ii)	**(39,710)**	(40,356)	**(39,710)**	(40,356)
Loan and interest receivables (net)	**–**	6,772	**–**	–
Other receivables	**1,180**	905	**–**	–
Loans and receivables	**2,825**	11,570	**–**	–
Prepayments and deposits	**2,736**	3,910	**104**	88
	5,561	15,480	**104**	88

Note:

1) All of the trade and other receivables are expected to be recovered within one year.

2) On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited ("Simsen") and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK$42,000,000 and second participation amount of HK$8,000,000 (together the "Participation Loans"). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the "Loan Agreement") between Simsen and Make Success Limited ("Borrower"). The Borrower has assigned a promissory note of HK$300,000,000 (the "PN") and a convertible note of HK$90,000,000 (the "CN") as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited ("Mayer") to the Borrower.

The repayment date of the loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been drawn down by the borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

Following a litigation between Mayer and the Borrower, Simsen disposed of the PN on 10 February 2012 for an amount of HK$10,000,000 with the consent of the company. The company anticipates that after the payment of all costs and expenses incurred in connection with the disposal, the portion that will be repaid to the company by Simsen is approximately HK$5,700,000 which will be applied to settle part of the accrued interest. Due to the uncertain outcome of the litigation, Simsen had not yet confirmed and repaid the disposal amount to the company. Therefore, the company had not yet recognised the amount as income for the year ended 31 March 2014 and 31 March 2013.

As at 31 March 2012, the company engaged an independent valuer to perform a valuation on the loan receivables. The valuation performed by Castores Magi Asia Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in this area. Taking into consideration the legal advice on the recoverability and the assessment of the market value of the loan receivables, the directors of the company considered that the loan receivables of HK$50,000,000 (2014: equivalent to RMB39,710,000, 2013: equivalent to RMB40,356,000) was fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

22. TRADE AND OTHER RECEIVABLES (Continued)

a) AGEING ANALYSIS

Trade receivables are net of allowance for doubtful debts of RMB5,140,000 (2013: RMB2,838,000) with the following ageing analysis presented based on invoice date as of the end of the reporting period:

	The group	
	2014	2013
	RMB'000	RMB'000
Current	**–**	–
1 to 3 months overdue	**1,645**	3,893
	1,645	3,893

Trade receivables are due after the date of billing. Further details on the group's credit policy are set out in note 4(i).

b) IMPAIRMENT OF TRADE RECEIVABLES

i) *The movements in the allowance for doubtful debts*

Impairment losses in respect of trade receivables are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

	The group	
	2014	2013
	RMB'000	RMB'000
At 1 April	**2,838**	2,838
Impairment loss recognised (note)	**2,302**	–
At 31 March	**5,140**	2,838

Note: As at 31 March 2014, trade receivables of the group amounting to approximately RMB5,140,000 (2013: RMB2,838,000) were individually determined to be impaired. During the period, the tenant moved out without notice. Rental receivables of RMB2,302,000 (2013: Nil) was individually determined to be impaired. These individually impaired receivables were outstanding for over 180 days as at the end of the reporting period and the management considered the recoverability of the amount is low. The group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

22. TRADE AND OTHER RECEIVABLES (Continued)

b) IMPAIRMENT OF TRADE RECEIVABLES (Continued)

ii) The movements of impairment loss of loan and interest receivables

	The group and the company	
	2014	2013
	RMB'000	RMB'000
At 1 April	**40,356**	41,054
Exchange realignment	**(646)**	(698)
At 31 March	**39,710**	40,356

c) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The group	
	2014	2013
	RMB'000	RMB'000
Neither past due nor impaired	**–**	–
Past due but not impaired		
– Less than 3 months past due	**1,645**	3,893

Receivables that were past due but not impaired relate to a tenant that have a good track record with the group. 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. The group hold rental deposits of RMB565,000 (2013: RMB1,765,000) as collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

23. TRADING SECURITIES

	The group and the company	
	2014	2013
	RMB'000	RMB'000
Listed equity securities, at market value in Hong Kong	**138**	149

The market value of listed equity securities is based on their closing bid prices at the end of the reporting period.

24. CASH AND CASH EQUIVALENTS

	The group		The company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**30,645**	21,308	**28,194**	19,623
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**30,645**	21,308		

Deposits with banks carry interest at market rates which ranging from 0.01% to 0.35% (2013: 0.01% to 0.36%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

25. OTHER PAYABLES AND ACCRUALS

	The group		The company	
	2014	2013	**2014**	2013
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**8,072**	5,187	**6,156**	950
Amounts due to directors (note 34) (note a and b)	**49**	49	**–**	–
Amounts due to related parties (note 34) (note a and b)	**11,928**	3,871	**–**	–
Loan from a related party (note 34) (note c)	**403**	–	**–**	–
Financial liabilities measured at amortised cost	**20,452**	9,107	**6,156**	950
Rental deposit received	**565**	1,765	**–**	–
	21,017	10,872	**6,156**	950
Less: Loan from a related party classified as non-current liabilities	**(264)**	–	**–**	–
	20,753	10,872	**6,156**	950

Notes:

a) All of the other payables (including amounts due to a related parties and amounts due to directors) are expected to be settled or recognised as income within one year or are repayable on demand.

b) The amounts due to directors and amounts due to related parties are unsecured, interest-free and repayable on demand.

c) A loan with principal amount of RMB440,000 from a related party is unsecured, bears interest at 6.73% per annum and is repayable by 36 instalments from January 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. INTEREST-BEARING BANK BORROWINGS

At 31 March 2014, the secured bank borrowings were repayable as follows:

	The group	
	2014	2013
	RMB'000	RMB'000
Current liabilities		
Within 1 year or on demand	**5,000**	4,500
Non-current liabilities		
After 1 year but within 2 years	**11,500**	5,000
After 2 years but within 5 years	**27,000**	38,500
After 5 years	**–**	–
	38,500	43,500
Total	**43,500**	48,000

All of the interest-bearing borrowings were carried at amortised cost. None of the non-current interest bearing borrowings is expected to be settled within one year.

None of the portion of interest-bearing borrowings due for repayment after one year which contain a repayment on demand clause.

The range of effective interest-rates (which are also equal to contracted interest rates) on the group's bank borrowings are as follows:

	2014	2013
Effective interest rates:		
Variable-rate borrowings	**7.21%**	7.21%

At 31 March 2014, the bank borrowings were secured by the investment properties of the group with a total carrying amount of approximately RMB133,812,000 (2013: approximately RMB139,881,000) (see note 17).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Current taxation in the consolidated statement of financial position represents:

	2014	2013
	RMB'000	RMB'000
Provision for Hong Kong profits tax	**110**	–
Provision tax paid for Hong Kong profits tax	**(66)**	–
	44	–

b) **DEFERRED TAX LIABILITIES RECOGNISED**

The group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties
	RMB'000
Deferred tax liabilities arising from:	
At 1 April 2012	10,971
Deferred tax credited to the profit or loss	(4,508)
At 31 March 2013	6,463
At 1 April 2013	6,463
Deferred tax credited to the profit or loss	(438)
At 31 March 2014	6,025

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

27. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

c) DEFERRED TAX ASSETS NOT RECOGNISED

At the end of the reporting period, the group has unused tax losses arising in Hong Kong of HK$29,869,273 (2013: HK$29,869,273) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the tax losses due to the unpredictability of future profits streams.

In addition, the group has unused tax losses of RMB77,439,204 (2013: RMB72,797,623) available for offset against future profits that may be carried forward for a period of up to five years for PRC Enterprise Income tax purposes. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No deferred tax liabilities have been recognised on the retained profits of subsidiaries as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain profits earned by the group's PRC subsidiaries will not be distributed in the foreseeable future.

28. UNCONVERTIBLE BONDS

	The group and the company	
	2014	2013
	RMB'000	RMB'000
At 1 April	**8,071**	–
Issued during the year	**7,942**	8,071
Exchange realignment	**(129)**	–
At 31 March	**15,884**	8,071

The amount represented unconvertible bonds of HK$20,000,000 (equivalent to approximately RMB15,884,000) (2013: HK$10,000,000 (equivalent to approximately RMB8,071,000)). As at 31 March 2014, accrued interest of RMB186,000 (2013:RMB59,000) was included in other payables and accruals. The unconvertible bonds bear interest at 5% per annum on the outstanding aggregate principal amount. The interest is payable in arrears annually on the anniversary of issue date or redemption date. The company may redeem principal amounts of outstanding bonds in whole or in part at any time before the maturity date. The maturity date of the unconvertible bond is 7 years from its issue date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. UNCONVERTIBLE BONDS (Continued)

On 18 January 2013, the company entered into a bond placing agreement (the "UB Placing Agreement") with Delta Wealth Securities Limited (the "Placing Agent") pursuant to which the Placing Agent agreed conditionally to procure, on a best-effort basis, the placees to subscribe in cash for unconvertible bonds of up to an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB40,355,000).

On 7 February 2013, the Placing Agent procured a placee to subscribe for one tranche of unconvertible bonds in the aggregate principal amount of HK$10,000,000 (equivalent to approximately RMB8,071,000) matured on 7 February 2020. The subscription agreement was entered into between the company and the placee on 7 February 2013.

On 9 May 2013, the company and the Placing Agent entered into a termination agreement to terminate the UB Placing Agreement. Pursuant to the termination agreement, the parties thereto shall have no obligation and liabilities towards each other under the UB Placing Agreement. At the same day, the company entered into another bond placing agreement (the "NUB Placing Agreement") with Placing Agent pursuant to which the Placing Agent agreed conditionally to procure, on a best-effort basis, placees to subscribe for the new unconvertible bonds up to an aggregate principal amount of HK$50,000,000 (equivalent to approximately RMB39,710,000) under the placing period up to 9 November 2013.

On 29 November 2013, the company and the Placing Agent entered into a supplementary bond placing agreement pursuant to which the placing period has been extended for six months to 9 May 2014.

The new unconvertible bondholders may request payment of interest in advance on the outstanding principal amounts of the new unconvertible bonds held by them at the rate of 3.0% per annum for the full term of those new unconvertible bonds ("Advance Interest"). If no Advance Interest payment request has been submitted on or before their new unconvertible bonds' issue date, then Advance Interest shall not be paid under those new unconvertible bonds and interest of 5% per annum paid in arrears annually shall apply.

On 4 December 2013, the company has successfully issued the first tranche of the new unconvertible bonds in an aggregate principal amount of HK$10,000,000 (equivalent to approximately RMB7,942,000) to an individual investor matured on 4 December 2020. No Advance Interest payment request was submitted on the issue date. Saved as above, no other new unconvertible bonds were placed before the termination of NUB Placing Agreement on 9 May 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

29. PROMISSORY NOTES

On 11 December 2013, the company issued promissory notes ("Notes") of HK$10,000,000 (equivalent to approximately RMB7,942,000) for the settlement of acquisition of an associate (note 21). As at 31 March 2014, accrued interest of RMB193,000 (2013:Nil) was included in other payables and accruals. The Notes bear interest at 8% per annum on the outstanding aggregate principal amount. The interest is payable in arrears on the day falling on the first and second anniversary of the issue date. The company may redeem principal amounts of outstanding Notes in whole or in part at any time before the maturity date. The maturity date of the Notes is 2 years from its issue date on 11 December 2015.

The fair value of the Notes at the date of issuance was HK$9,899,000 (equivalent to approximately RMB7,862,000), which was determined by independent valuer, Roma Appraisal Limited ("Roma"). Roma has experience in valuation of the promissory note. Valuations were made on the basis of effective interest method which is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expenses over the relevant period. The effective interest rate used in the calculation of the fair value is 8.5%.

30. SHARE CAPITAL

	At 31 March 2014		At 31 March 2013	
	No. of shares '000	**Amount RMB'000**	No. of shares '000	Amount RMB'000
Authorised				
Ordinary shares of HK$0.03 each				
At beginning of the year	**3,000,000**	**74,201**	333,333	8,593
Increase in authorised share capital (note i)	**–**	**–**	2,666,667	65,608
Ordinary shares of HK$0.03 each at end of the year	**3,000,000**	**74,201**	3,000,000	74,201
Issued and fully paid				
At the beginning of year	**441,915**	**10,941**	294,610	7,333
Rights issue (note ii)	**–**	**–**	147,305	3,608
Placing and subscription of new shares I (note iii)	**50,000**	**1,191**	–	–
Placing and subscription of new shares II (note iv)	**58,000**	**1,377**	–	–
Placing and subscription of new shares III (note v)	**40,000**	**947**	–	–
At the end of year	**589,915**	**14,456**	441,915	10,941

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

30. SHARE CAPITAL (Continued)

i) INCREASE IN AUTHORISED SHARE CAPITAL

By a special general meeting on 21 August 2012, the company's authorised share capital was increased to HK$90,000,000 (equivalents to approximately RMB74,201,000) by the creation of an additional 2,666,667,000 ordinary shares of HK$0.03 each.

ii) RIGHTS ISSUE

On 25 July 2012, the company proposed to issue 147,305,164 rights shares at the subscription price of HK$0.068 per rights share on the basis of one rights share for every two existing issued share. 147,305,164 shares were fully issued when the rights issue was completed on 24 September 2012 and approximately HK$10,017,000 (equivalent to approximately RMB8,214,000) was raised before deductible of relevant expenses.

iii) PLACING OF NEW SHARES I

On 16 August 2013, the company and Emperor Securities Limited, entered into a placing agreement pursuant to which the placing agent agreed to place up to 50,000,000 new shares at the price of HK$0.136 per placing share.

The placing of shares were completed on 27 August 2013. The total proceeds of the share placement, before deduction of the relevant expenses was approximately HK$6,800,000 (equivalent to approximately RMB5,398,000).

iv) PLACING OF NEW SHARES II

On 12 September 2013, the company and Cheong Lee Securities Limited, entered into a placing agreement pursuant to which the placing agent agreed to place up to 58,000,000 new shares at the price of HK$0.14 per placing share.

The placing of shares were completed on 23 September 2013. The total proceeds of the share placement, before deduction of the relevant expenses was approximately HK$8,120,000 (equivalent to approximately RMB6,425,000).

v) PLACING OF NEW SHARES III

On 2 October 2013, the company and Emperor Securities Limited, entered into a placing agreement pursuant to which the placing agent agreed to place up to 40,000,000 new shares at the price of HK$0.104 per placing share.

The placing of shares were completed on 25 October 2013. The total proceeds of the share placement, before deduction of the relevant expenses was approximately HK$4,160,000 (equivalent to approximately RMB3,284,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. SHARE OPTION SCHEME

The company has adopted a share option scheme ("old scheme") on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any non-controlling interest in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of options should be the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of the grant. The options are exercisable after the vesting date but within the period from 28 November 2007 to 3 October 2012. The options give the holder the right to subscribe for ordinary shares in the company.

a) The terms and condition of the grant under the old scheme are as follows:

Date of grant	Exercisable period	Exercise price	Number of shares issuable under options
i) Options granted to directors			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	91,160,000
			306,010,000
ii) Options granted to employees			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	103,500,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	141,080,000
			244,580,000
			550,590,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. SHARE OPTION SCHEME (Continued)

a) The terms and condition of the grant under the old scheme are as follows: (Continued)

For the year ended 31 March 2013

Name or category of participant	Number of shares issuable under options: Outstanding at 1 April 2012	Granted during the year	Exercise during the year	Forfeited during the year	Adjustments during the year#	Expired during the year	Outstanding at 31 March 2013	Date of grant of share options*	Exercisable period of share options	Exercise price of share options** RMB
Directors										
Ms. Yu Wai Fong	12,074	–	–	–	2,601	(14,675)	–	28-11-2007	28-11-2007 to 03-10-2012	720.99
Mr. Au Tat On	12,074	–	–	–	2,601	(14,675)	–	28-11-2007	28-11-2007 to 03-10-2012	720.99
	24,148	–	–	–	5,202	(29,350)	–			
Employees										
Other employees	24,148	–	–	–	5,201	(29,349)	–	28-11-2007	28-11-2007 to 03-10-2012	720.99
	24,148	–	–	–	5,201	(29,349)	–			
Total shares issued under options	48,296	–	–	–	10,403	(58,699)	–			

* The share options vested immediately from the date of the grant.

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

As a result of the rights issue became effective on 24 September 2012, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK$720.99 and 58,699 shares respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. SHARE OPTION SCHEME (Continued)

b) The number and weighted average exercise price of share options under the old scheme are as follows:

	2014		2013	
	Weighted average exercise price HK$	**Number of shares issuable under options**	Weighted average exercise price HK$	Number of shares issuable under options
Outstanding at 1 April	–	–	876.30	48,296
Effect of rights issue (note (i))	–	–	720.99	10,403
Expired during the year	–	–	–	(58,699)
Outstanding at 31 March	–	–	–	–
Issuable at the end of the year	–	–	–	–
Exercisable at the end of the year	–	–	–	–

i) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$720.99 and 58,699 new shares after issuing 147,305,164 rights issue at the subscription price of HK$0.068 per rights share on the basis of one rights share for every two existing issued shares with effect from 24 September 2012.

ii) There is no option outstanding at 31 March 2014 and 31 March 2013 as all share options were forfeited upon expiry of exercisable period on 3 October 2012.

c) The company has passed a resolution at the special general meeting held on 16 December 2011 to terminate the Old Scheme and to approve and adopt a new scheme ("New Scheme"). Save for a few changes that have been made in the New Scheme to conform with the market practices, terms of the New Scheme and the Old Scheme are broadly similar. The terms of the New Scheme provide that in granting options under the New Scheme, the board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the board may determine in its absolute discretion. The board will also have the discretion in determining the subscription price in respect of any option, provided that the relevant requirements in the Listing Rules are complied with. A summary of the terms of the New Scheme is set out in the appendix to company's circular published on 30 November 2011.

The New Scheme constitutes a share option scheme governed by chapter 17 of the Listing Rules. No option has been granted under the New Scheme for the year ended 31 March 2014 and 2013.

32. RESERVES

a) THE GROUP

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. RESERVES (Continued)

b) THE COMPANY

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2012	971,524	16,632	(7,382)	(438,721)	542,053
Changes in equity for 2012					
Loss for the year	–	–	–	(112,467)	(112,467)
Other comprehensive loss					
Exchange differences on translation of financial statements of group entities outside the PRC	–	–	(1,959)	–	(1,959)
Total comprehensive loss for the year	–	–	(1,959)	(112,467)	(114,426)
Right issue II (note 30 (ii))	4,569	–	–	–	4,569
Share issue expenses	(245)	–	–	–	(245)
Forfeiture of share option	–	(16,632)	–	16,632	–
Total transactions with owners	4,324	(16,632)	–	16,632	4,324
At 31 March 2013	975,848	–	(9,341)	(534,556)	431,951
At 1 April 2013	**975,848**	**–**	**(9,341)**	**(534,556)**	**431,951**
Changes in equity for 2013					
Loss for the year	**–**	**–**	**–**	**(130,846)**	**(130,846)**
Other comprehensive loss					
Exchange differences on translation of financial statements of group entities outside the PRC	**–**	**–**	**(2,345)**	**–**	**(2,345)**
Total comprehensive loss for the year	**–**	**–**	**(2,345)**	**(130,846)**	**(133,191)**
Placing and subscription of new shares I (note 30(iii))	**4,207**	**–**	**–**	**–**	**4,207**
Placing and subscription of new shares II (note 30(iv))	**5,048**				**5,048**
Placing and subscription of new shares III (note 30(v))	**2,337**				**2,337**
Share issue expenses	**(364)**	**–**	**–**	**–**	**(364)**
Total transactions with owners	**11,228**	**–**	**–**	**–**	**11,228**
At 31 March 2014	**987,076**	**–**	**(11,686)**	**(665,402)**	**309,988**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. RESERVES (Continued)

c) NATURE AND PURPOSES OF THE RESERVES

i) *Share premium*

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981. The share premium account of the company is distributable to the owners of the company in the form of fully paid bonus shares.

ii) *Special reserve*

The group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the group reorganisation in prior years, over the nominal value of the company's shares issued in exchange therefore and the difference between the total consideration and the net assets value of the subsidiaries acquired for the year ended 31 March 2011.

iii) *Employee share-based compensation reserve*

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note 2(v)(ii).

iv) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(s).

d) DISTRIBUTABILITY OF RESERVES

At 31 March 2014, the aggregate amount of reserves available for distribution to owners of the company was approximately RMB321,674,000 (2013: approximately RMB441,292,000) subject to the restriction on the share premium account as stated above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

32. RESERVES (Continued)

e) CAPITAL MANAGEMENT

The group's objectives when managing capital are 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 management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio. For this purpose, adjusted, promissory rate net debt is defined as total debt (which includes interest-bearing bank borrowings, promissory notes, unconvertible bonds and loan from a related party) less cash and cash equivalents. Total equity comprises all components of equity.

During the year ended 31 March 2014, the group's strategy, which was unchanged from 2013, was to maintain a gearing ratio as low as feasible. In order to maintain or adjust the ratio, the group may adjust the amount of dividends paid to the owners, return capital to the owners, issued new shares or sell assets to reduce debt. The gearing ratios at 31 March 2014 and 2013 were as follows:

	2014 **RMB'000**	2013 RMB'000
Total borrowings		
Interest-bearing bank borrowings (Note 26)	**43,500**	48,000
Unconvertible bonds (Note 28)	**15,884**	8,071
Promissory notes (Note 29)	**7,862**	–
Loan from a related party (Note 25)	**403**	–
Less: Cash and cash equivalents (Note 24)	**(30,645)**	(21,308)
Adjusted net debt	**37,004**	34,763
Total equity	**334,199**	452,865
Gearing ratio	**11.1%**	7.7%

Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

33. COMMITMENTS

OPERATING LEASE COMMITMENTS

i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from eight to twelve years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2014	2013
	RMB'000	RMB'000
Within one year	**6,126**	9,172
In the second to fifth year, inclusive	**37,992**	42,073
Over five years	**51,866**	48,048
	95,984	99,293

ii) The group as lessee:

The group leases certain office premises under operating leases, leases for these properties are negotiated for terms ranging from one to five years. At the end of the reporting period, the group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2014	2013
	RMB'000	RMB'000
Within one year	**2,809**	4,539
In the second to fifth years, inclusive	**3,198**	7,747
Over five years	**–**	5,133
	6,007	17,419

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. MATERIAL RELATED PARTY TRANSACTIONS

a) KEY MANAGEMENT PERSONNEL EMOLUMENTS

Emoluments for key management personnel, including amounts paid to the company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	2014	2013
	RMB'000	RMB'000
Short-term employee benefits	**11,214**	10,099
Post-employment benefits	**155**	94
	11,369	10,193

Total emoluments is included in "staff costs" (see note 9(b)).

b) OUTSTANDING BALANCES WITH RELATED PARTIES

	2014		2013	
		Related Interest Expenses		Related Interest Expenses
	RMB'000	**RMB'000**	RMB'000	RMB'000
Amounts due to directors (note 25) (note a)	**49**	**–**	49	–
Amounts due to related parties (note 25) (note a)	**11,928**	**–**	3,871	–
Loan from a related party (note 25) (note b)	**403**	**4**	–	–

a) The amount due to related parties represented the advance from directors of company's subsidiaries. The balances with these related parties and the amounts due to directors are unsecured, interest-free and repayable on demand.

b) A loan with principal amount of RMB440,000 from a related party, Mr. Zhou Hong Tao, senior management of the company, is unsecured, bears interest at 6.73% per annum and is repayable by 36 instalments from January 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of RMB40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

36. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated statement of profit or loss represents contributions payable to the MPF scheme by the group at 5% specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

37. EVENT AFTER THE REPORTING PERIOD

(i) BUSINESS COMBINATION

On 4 April 2014, the company entered into a sale and purchase agreement with Mr. Wong Yat On, an independent third party, for the acquisition of the 90% equity interests in Able Up Investment Limited ("Able Up") and its wholly-owned subsidiary, Global Education Group Limited ("Global Education"), for a consideration of HK$10,000,000 (equivalent to approximately RMB7,962,000) of which HK$1,000,000 (equivalent to approximately RMB796,000) was settled by cash and HK$9,000,000 (equivalent to approximately RMB7,166,000 was settled by issuance of promissory note. The promissory note bears interest at 8% per annum on the outstanding principal amount, payable in arrears on maturity or redemption. The promissory note will mature on 16 April 2015. Able Up is principally engaged in investment holding. Global Education is principally engaged in the provision of student referral services, overseas education counseling services and services relating to enrolment on overseas tertiary education institutes. The group takes the view that the steady growth of the needs and demands of the provision of such services from both local students and students from the PRC, which provides a prime opportunity for the group to diversify its revenue stream which, in turn, would increase the shareholders' value and benefit the company and the shareholders as a whole. The acquisition was completed on 16 April 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. EVENT AFTER THE REPORTING PERIOD (Continued)

(i) BUSINESS COMBINATION (Continued)

Had the business combination been effected on 1 April 2013, the revenue of the group and loss for the year would have been RMB5,792,000 and RMB130,648,000 respectively. The directors consider these 'pro forma' numbers to represent an approximate measure of the performance of the combined group on an annualized basis and to provide a reference point for comparison in future periods. Acquisition related costs amounting to approximately RMB 56,000 have been excluded from the consideration transferred.

As at the date of this report, the group has not finalised the fair value assessment of assets and liabilities acquired through the acquisition as at the date of acquisition. Due to the short time frame, the group had not yet collected all the books and records for valuation, and the assessment of carrying amount of assets and liabilities of the acquiree is still in progress.

(ii) TERMINATION OF THE POSSIBLE ACQUISITION

Subsequent to the end of the reporting period, the deposit for acquisition of subsidiaries of RMB97,845,000 (the "Deposit") was settled by the PN issued by an issuer which nominated by vendors. The PN carry interest of 8% per annum and repayable in 1 year from its issue date. On 29 April 2014, all conditions set out in the Deed of Termination have been fulfilled, the Deed of Termination has become effective and the company has received the PN. The details were set out in note 20 to the consolidated financial statements.

(iii) ISSUANCE AND CONVERSION OF CONVERTIBLE BONDS/WARRANTS

On 19 June 2014, the company issued convertible bonds with total principal amount of HK$135,000,000 (equivalent to approximately RMB107,296,000), which bore interest at 1 % per annum payable annually in arrears. The company may redeem the principal amount of the outstanding convertible bonds in whole or in part at 103% of the face value of such outstanding convertible bonds at any time before maturity date by serving on each holder of those convertible bonds a notice of the exercise of such option. The bondholder has option to convert the bonds into fully paid 900,000,000 shares at HK$0.15 at any time within two years from the date of issue. In addition, 225,000,000 bonus warrants will be issued to the registered holders of the convertible bonds on the basis of one bonus warrant for every four conversion shares upon the exercise of the conversion rights attaching to the convertible bonds. The subscription price per warrant share is HK$0.3 at any time within 24 months commencing from the date of exercise of the conversion right attaching to the convertible bonds.

On 25 June 2014, the holder of the convertible bonds in the principal amount of HK$4,150,000 has exercised its rights to convert the convertible bonds into 27,666,666 conversion shares. The aggregate principal amount of the convertible bonds remaining outstanding following the conversion of convertible bonds is HK$130,850,000. Moreover, 6,916,666 bonus warrants were issued to the holder of the 27,666,666 conversion shares on the basis of one bonus warrant for every four conversion shares, entitling it to subscribe for 6,916,666 warrant shares at HK$0.3.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

37. EVENT AFTER THE REPORTING PERIOD (Continued)

(iii) ISSUANCE AND CONVERSION OF CONVERTIBLE BONDS/WARRANTS (CONTINUED)

On 26 June 2014, another holder of the convertible bonds in the principal amount of HK$30,000,000 has exercised its rights to convert the convertible bonds into 200,000,000 conversion shares, representing 24.46% of the issued share capital of the company as enlarged by the allotment and issue of the conversion shares. The aggregate principal amount of the convertible bonds remaining outstanding following the conversion of convertible bonds is HK$100,850,000. Moreover, 50,000,000 bonus warrants were issued to the holder of the 200,000,000 conversion shares on the basis of one bonus warrant for every four conversion shares, entitling it to subscribe for 50,000,000 warrant shares at HK$0.3.

(iv) LITIGATION

By the end of June 2013, a tenant was moved out without notice regarding the tenancy of an investment property located in Shanghai, the PRC. Since the tenant was moved out without notice, the rental agreement was unilaterally terminated by the tenant.

On 5 May 2014, the company filed a litigation application to Shanghai Jing An District People's Court to sue the tenant regarding the compensation for early termination of tenancy agreement and currently under a legal proceeding, including rental fee, 6 months' rent free period, building management fee, fuel and electricity of RMB8.9 million.

In the opinion of directors, the amount for the outcome of compensation about the litigation is uncertain.

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2014 and which have not been adopted in these financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the company's first financial year commencing after 3 March 2014 (i.e. the company's financial year which began on 1 April 2014) in accordance with section 358 of the Ordinance. The group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

38. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2014 (Continued)

The group has not early applied any of the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[4]
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 and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contrbutions[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 with limited exceptions.
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.
5 Effective for annual periods beginning on or after 1 January 2016.

The group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**4,596**	9,416	7,243	3,735	7,750
Loss before tax	**(131,335)**	(132,546)	(329,180)	(35,005)	(10,613)
Income tax	**328**	4,508	165	(3,049)	(8,688)
Loss for the year	**(131,007)**	(128,038)	(329,015)	(38,054)	(19,301)

ASSETS AND LIABILITIES

	As at 31 March				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**428,531**	526,271	660,800	845,228	766,556
Total Liabilities	**(94,332)**	(73,406)	(87,044)	(240,908)	(148,337)
Net assets	**334,199**	452,865	573,756	604,320	618,219

PROPERTIES HELD BY THE GROUP FOR INVESTMENT

As at 31 March 2014

	Location	Existing Use	Term of Lease
1.	Unit Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	Commercial	Medium term
2.	Whole of Levels 1 and 2, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term
3.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term