CLIMAX INTERNATIONAL COMPANY LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 439)

ANNUAL REPORT

2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
WONG Hin Shek *(Chief Executive Officer)*
NG Man Chan

Non-executive Director
WONG Hung Ki

Independent Non-executive Directors
LAU Man Tak
MAN Kwok Leung
WONG Yun Kuen

COMPANY SECRETARY
CHAN Ming Kei

AUDIT COMMITTEE
LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

REMUNERATION COMMITTEE
LAU Man Tak *(Chairman)*
MAN Kwok Leung
WONG Yun Kuen

NOMINATION COMMITTEE
WONG Yun Kuen *(Chairman)*
LAU Man Tak
MAN Kwok Leung

AUDITOR
SHINEWING (HK) CPA Limited

REGISTERED OFFICE
Clarendon House
2 Church Street
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Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS
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REGISTRARS

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26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

Bermuda
Codan Services Limited
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS
Standard Chartered Bank (Hong Kong) Limited
Bank of Communications Company Limited

STOCK CODE
439

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I would like to present the annual results of Climax International Company Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 March 2014.

For the year ended 31 March 2014, the Group recorded turnover of approximately HK$113,433,000 and loss attributable to shareholders of approximately HK$37,908,000 as compared to a profit attributable to the shareholders for the corresponding year ended 31 March 2013 while loss per share is approximately 2.70 Hong Kong cents for the year. The loss was mainly caused by the drop of the operating profit and the recognition of significant impairment loss of goodwill for the Paper Business and the absence of the gain on changes in fair value of investment properties as compared to last corresponding year.

Subsequently on 29 May 2014, the Company and certain subscribers ("Subscribers") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares ("Subscription Share(s)"), comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares at an issue price of HK$0.08 per Subscription Share. Pursuant to the Subscription Agreement, an outsourcing technology development agreement ("OTDA") will also be entered into between a Group company and Kuang-Chi Innovative Technology Limited ("Kuang-Chi"), being a beneficial owner of one of the Subscribers, for the research and development of a near space civil flying apparatus which is intended to be used to carry devices relating to communication solutions for maritime, land-based and aeronautical uses.

Since Kuang-Chi has extensive experience, strong expertise and a wide business network in the innovative technology industry in the PRC, the Board considers that entering into the Subscription Agreement and the OTDA represent a good opportunity to provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunities as and when they arise as well as to develop a new business segment in the innovative technology sector in the PRC and to broaden its revenue base. The Board is confident that the Subscribers will bring in additional resources and investment opportunities to the Company which are beneficial to the Company and the Shareholders as a whole.

Finally, on behalf of the Board, I would like to take this opportunity to deliver my most sincere gratitude to the Board members and management team for their devoted commitments during the year and look forward to their continuous support in the years to come.

Wong Hin Shek
Executive Director

Hong Kong, 25 June 2014

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE AND BUSINESS REVIEW

During the year ended 31 March 2014, the Group has been principally engaged in the paper business segment including the manufacture and trading of paper packaging products and paper gift items and the printing of paper promotional materials ("Paper Business") and the property investment segment.

For the year ended 31 March 2014, the Group recorded a turnover of approximately HK$113,433,000 (2013: HK$81,178,000) and the Group's loss attributable to owners was approximately HK$37,908,000 (2013: profit attributable to owners of approximately HK$2,232,000). The significant loss was mainly caused by the drop of the operating profit and the recognition of significant impairment loss of goodwill for the Paper Business and the absence of the gain on changes in fair value of investment properties as compared to last corresponding year.

Paper Business

The Paper Business is the principal business of the Group. The major customers are primarily distributors, manufacturers of consumer products and advertising agencies based in the United States of America (the "U.S.A."), Europe, Hong Kong and the PRC.

For the year ended 31 March 2014, the turnover contributed by the Paper Business increased by 39.4% to approximately HK$112,648,000 (2013: HK$80,825,000). However, due to the weakening global demand and fierce competition in the printing and packaging industry, the order prices of our products were slightly decreased. On the other hand, the increase in minimum wage requirement in the PRC together with the effect of the appreciation of Renminbi ("RMB") to Hong Kong Dollar ("HKD") have significantly increased the labour costs and other production costs respectively. As a result, the profit margins of our products and overall performance of the Group were inevitably adversely affected. For the year ended 31 March 2014, the Paper Business recorded gross profit of approximately HK$18,911,000 (2013: HK$16,111,000), representing an increase of around 17.4% as compared with the corresponding period of last year but the gross profit margin was dropped to 16.8% for the year (2013: 19.9%). The directors are of the view that the profit margins of the products were deteriorating comparing with what the directors previously expected, the Group has revised its cash flow forecast for the Paper Business cash-generating unit ("CGU"). With reference to the valuation reports issued by an independent external valuer, the directors have made impairment loss of HK$36,393,000 in respect of the carrying amount of the goodwill, which was arising from the acquisition of the Paper Business during the year ended 31 March 2013. The impairment loss is recognised for the CGU for the amount which the recoverable amount is less than the carrying amount. The recoverable amount of the CGU is determined based on the value in use calculation. For further details of the assumptions and the calculation of the cash flow forecast, please refer to the note 18 to the Consolidated Financial Statements. As a result, the segment loss before finance costs and relevant tax expenses of approximately HK$29,687,000 was recorded (2013: segment profit of HK$7,653,000).

Property Investment

The Group intends to hold the properties for investment purpose with a view that it can establish an additional stream of recurring rental income, while capture any possible future capital appreciation. For the year ended 31 March 2014, leasing income of approximately HK$785,000 (2013: HK$353,000) was recognised. During the year, the Group has disposed an investment property ("Investment Property A") at its cost and carrying amount of approximately HK$1,800,000 to an independent third party. The Investment Property A was acquired in December 2012 from another independent third party.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The world economy continues to face exceptional uncertainties, in particular to the unresolved Europe debt crisis, the slow recovery in the U.S.A. as well as the expectation of a slower growth in China over the medium term than in the recent past, the market sentiments will most likely remain weak and unpredictable during the ensuring year. Despite the difficulties in the current operating environment, the Group will continue to improve the efficiency and output quality, maintain good relationships with existing customers and at the same time will promote its products and services to new customers to broaden its customer base. Looking ahead, the Group will closely monitor the conditions of paper product market and the property market and prepare to respond swiftly and take advantage of the market adversities to seize upon further suitable investment opportunities to provide tremendous value to shareholders.

EVENTS AFTER THE REPORTING PERIOD

On 29 May 2014, the Company and certain subscribers ("Subscribers") entered into a subscription agreement ("Subscription Agreement"), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares ("Subscription Share(s)"), comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares ("Preferred Shares") at an issue price of HK$0.08 per Subscription Share. The Subscription Shares (upon the conversion rights attaching to the Preferred Shares are fully exercised) represent approximately 300.1% of the issued share capital of the Company as at 31 March 2014 and the date of this report and approximately 75.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming the conversion rights attaching to the Preferred Shares are fully exercised). The aggregate gross subscription price amounts to approximately HK$348,000,000. The Subscription Shares and the ordinary shares of the Company to be allotted and issued upon conversion of the Preferred Shares will be issued pursuant to the specific mandate to be obtained at the special general meeting of the Company. Pursuant to the Subscription Agreement, an outsourcing technology development agreement ("OTDA") will be entered into between a wholly-foreign owned subsidiary of the Company ("WFOE") and Kuang-Chi Innovative Technology Limited ("Kuang-Chi"), being a beneficial owner of one of the Subscribers, at completion of the proposed subscription to research and develop a near space civil flying apparatus. The research results and related intellectual property rights arising from the development of the technologies as prescribed in the OTDA shall be owned exclusively by the WFOE. Such technologies will be intended to be applied to produce near space flying apparatus which can be used to carry devices relating to communication solutions for maritime, land-based and aeronautical uses. For the reasons for, the benefits of and further details of the proposed subscription, please refer to the announcement of the Company dated 13 June 2014.

On 20 June 2014, the Company entered into a sale and purchase agreement with an independent third party to dispose the entire issued capital of Miracle True Investment Limited (the "Disposed Group") at a consideration of approximately HK$12,000,000. The principal asset of the Disposal Group is the land use right of a parcel of land for industrial use with an area of approximately 18,246.00 square meters located in Huizhou City, Guangdong Province, the PRC. The Group intends to use the proceeds as general working capital. As at the date of this report, the disposal has not yet been completed.

CAPITAL STRUCTURE

On 5 June 2013, 241,580,000 shares of HK$0.01 each were issued at HK$0.1 per share pursuant to the general mandate which was passed at the annual general meeting held on 31 July 2012 and which represented approximately 16.67% of the then issued share capital of 1,449,501,125 shares as enlarged by the placing. The net proceed of approximately HK$23,474,000, after deducting related placing commission and other related expenses, was used as intended for working capital of the Group.

The Group had no other changes in capital structure during the year ended 31 March 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2014, the total shareholders' funds of the Group amounted to approximately HK$167,165,000 (31 March 2013: HK$181,222,000), total assets of approximately HK$189,715,000 (31 March 2013: HK$268,371,000) and total liabilities of approximately HK$22,550,000 (31 March 2013: HK$87,149,000).

As at 31 March 2014, the Group had cash and cash equivalents of approximately HK$44,324,000 (31 March 2013: HK$67,756,000). The gearing ratio as of 31 March 2014, defined as the percentage of the total interest bearing debt, including bank borrowings of approximately HK$5,754,000 (31 March 2013: HK$7,016,000) and obligations under finance lease of approximately HK$2,683,000 (31 March 2013: HK$4,412,000), to net asset value, was approximately 5.05% (31 March 2013: 6.31%).

The Group's business operations and investments are in Hong Kong and Mainland China. Most of the assets, liabilities and transactions of the Group are primarily denominated in Hong Kong dollar and Renminbi ("RMB"). The group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

INVESTMENT POSITION AND PLANNING

The Group had no change in composition during the year ended 31 March 2014.

The Group has invested in certain securities that are traded over the Stock Exchange. As at 31 March 2014, the Group held shares with fair value of approximately HK$4,260,000 (31 March 2013: HK$4,932,000).

During the year, the Group has disposed the Investment Property A at HK$1,800,000 as discussed in the previous section of Property Investment under the Performance and Business Review.

Saved as disclosed above, the Group did not have any other significant investment and there are no other material acquisition or disposal of subsidiaries and associated company during the year under review.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 March 2014, certain assets of the Group were pledged to secure banking facilities granted to the Group and obligation under finance lease as follows:

	2014 **HK$'000**
Investment properties	**13,000**
Plant and equipment under finance lease	**6,953**
	19,053

As at 31 March 2014, the Group had no significant contingent liabilities (31 March 2013: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2014, the Group had approximately 570 employees. The Group provides competitive remuneration packages to employees with attractive discretionary bonus payable to those with outstanding performance and contribution to the Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WONG Hin Shek, aged 44, joined the Group on 18 June 2007 as an executive director of the Company and was appointed as the chief executive officer of the Company on 17 June 2008. Mr. Wong is the director of certain subsidiaries of the Company. Mr. Wong has over 19 years of experience in investment banking industry. Mr. Wong holds a Master of Science (Financial Management) degree from University of London in United Kingdom and a Bachelor of Commerce degree from University of Toronto in Canada. Mr. Wong is also a responsible officer of Veda Capital Limited, a licensed corporation which carries out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. Mr. Wong is currently the chairman and an executive director of Guocang Group Limited (stock code: 559). Mr. Wong has been involved in management, business development and strategic investment in these companies. He was an executive director of Interchina Holdings Company Limited (stock code: 202) from October 2011 to August 2012 and Kingston Financial Group Limited (stock code: 1031) from February 2005 to April 2011.

Mr. NG Man Chan, aged 63, joined the Group as executive director on 16 May 2012. Mr. Ng commenced his career in the printing industry in 1960s and has extensive experience in printing operations and printing machinery. Mr. Ng is responsible for the overall management and development of corporate policy and strategy of the subsidiaries engaged in the Paper Business and liaison with various local government and authorities in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. WONG Hung Ki, aged 60, joined the Group as non-executive director on 16 May 2012. Mr. Wong Hung Ki has over 40 years of experience in printing industry. He has been responsible for the overall management and operation and is involved in the development of corporate strategy and liaison with customers and suppliers in his current and previous engagements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. WONG Yun Kuen, aged 56, joined the Group on 26 June 2007. Dr. Wong is the member of audit committee and remuneration committee and the chairman of nomination committee of the Company. Dr. Wong received his Ph.D. degree from Harvard University, and was ‘‘Distinguished Visiting Scholar’’ at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of the Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited (stock code: 768), and an independent non-executive director of Harmony Asset Limited (stock code: 428), Bauhaus International (Holdings) Limited (stock code: 483), Kaisun Energy Group Limited (stock code: 8203), China Yunnan Tin Minerals Group Company Limited (stock code: 263), Kong Sun Holdings Limited (stock code: 295), Kingston Financial Group Limited (stock code: 1031), Guocang Group Limited (stock code: 559), China Sandi Holdings Limited (stock code: 910), New Island Development Holdings Limited (formerly known as New Island Printing Holdings Limited) (stock code: 377) and Sincere Watch (Hong Kong) Limited (stock code: 444). Dr. Wong was an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from November 2009 to September 2012.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. LAU Man Tak, aged 44, joined the Group on 27 March 2008. Mr. Lau is the chairman of audit committee and remuneration committee and a member of nomination committee of the Company. Mr. Lau holds a bachelor degree in Accountancy from The Hong Kong Polytechnic University. Mr. Lau has more than 20 years in corporate finance, accounting and auditing. Mr. Lau is an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities and Investment Institute. Mr. Lau admitted as a fellow member of Hong Kong Institute of Directors in August 2012. Mr. Lau is currently the chairman and an executive director of Aurum Pacific (China) Group Limited (stock code: 8148), an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), AMCO United Holding Limited (stock code: 630) and Sincere Watch (Hong Kong) Limited (stock code: 444). Mr. Lau was an executive director and chief financial officer of China Sandi Holdings Limited (stock code:910) from April 2010 to September 2012, an independent non-executive director of Kong Sun Holdings Limited (Stock code: 295) from 1 September 2008 to 30 April 2014.

Mr. MAN Kwok Leung, aged 67, joined the Group on 13 May 2008. Mr. Man is the member of audit committee, remuneration committee and nomination committee of the Company. Mr. Man is a solicitor of the High Court of Hong Kong and a civil celebrant of marriages. Mr. Man has extensive experience in legal practice. He has been appointed by Xinhua News Agency as a district advisor from 1995 to 1997. Mr. Man is currently appointed as a director of Apleichau Kai Fong Primary School, the deputy chairman of Apleichau Kai Fong Welfare Association, the secretary of Apleichau Promotion of Tourism Association and the honorary legal advisor of Junior Police Officers' Association. Mr. Man is currently an independent non-executive director of Kong Sun Holdings Limited (stock code: 295), Guocang Group Limited (stock code: 559) and Noble Century Investment Holdings Limited (stock code: 2322). Mr. Man was an independent non-executive director of Hong Kong Life Sciences and Technologies Group Limited (stock code: 8085) from November 2009 to September 2012.

COMPANY SECRETARY

Mr. CHAN Ming Kei, aged 31, is the company secretary of the Company and is responsible for the accounts and company secretarial functions of the Group. Mr. Chan graduated from the Hong Kong University of Science and Technology with a bachelor degree in Business Administration in Accounting and is a member of the Hong Kong Institute of Certified Public Accountants. He joined the Group in June 2012 and has over 8 years of working experiences in the field of accounting, auditing and financial management.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of paper packaging products and paper gift items and the printing of paper promotional materials and property investment.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five large suppliers accounted for approximately 34.6% of the Group's total purchases. The largest supplier accounted for approximately 20.9% of the Group's purchases.

During the year, the Group's five largest customers accounted for approximately 35.9% of the Group's total sales. The largest customer accounted for approximately 68.2% of the Group's total sales.

At 31 March 2014, Mr. Ng Man Chan, an executive director of the Company, had beneficial interest in the largest customer of the Group. All transactions between the Group and the customer concerned were carried out on normal commercial terms. Details of the transactions are disclosed in the section of continuing connected transactions on page 11.

Save at disclosed above, none of the directors, their associates or any shareholders of the Company, which to the knowledge of the directors, own more than 5% of the Company's issued share capital has a beneficial interest in any of the Group's five largest suppliers and customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated financial statements on page 24.

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

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 27 and other details of the reserves of the Company are set out in note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2014, the Company had no reserves available for distribution. However, the Company's share premium account, in the amount of approximately HK$254,893,000, may be distributed in the form of fully paid bonus shares.

FIXED ASSETS

Details of movements in the Group's plant and equipment, investment properties and prepaid lease payments during the year are set out in notes 15, 16 and 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 92.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:
Mr. Wong Hin Shek *(Chief Executive Officer)*
Mr. Ng Man Chan

Non-executive Director:
Mr. Wong Hung Ki

Independent Non-executive Directors:
Mr. Lau Man Tak
Mr. Man Kwok Leung
Dr. Wong Yun Kuen

In accordance with Bye-law 87 of the Company's Bye-laws, Mr. Wong Hin Shek and Mr. Lau Man Tak will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the directors and senior management of the Company are set out on pages 7 to 8.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the section of "Continuing Connected Transactions", no contracts of significance in relation to the Group's business to which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, either directly or indirectly, subsisted during or at the end of the year.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2014, the Group had the following continuing connected transactions:

On 29 February 2012, a master agreement ("Master Agreement") was entered into between Sky Will Group and New Spring Label & Packaging Limited ("New Spring Label") for the provision of the printing and production of paper packaging and promotional products and materials ("Services") for the three years ending 31 March 2015. Since Mr. Ng Man Chan ("Mr. Ng") is an executive Director of the Company and New Spring Label is beneficially owned as to 20% by Mr. Ng and as to 30% by the spouse of Mr. Ng, the transactions contemplated under the Master Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the approval obtained at the special general meeting of the Company held on 28 March 2012, the previous annual caps for the provision of the Services for the years ending 31 March 2013, 2014 and 2015 were HK$24 million, HK$26 million and HK$28 million respectively ("Previous Annual Caps"). To cope with the increasing demand for the Services, the Previous Annual Caps were revised to the new caps for the years ending 31 March 2014 and 2015 to HK$50 million and HK$60 million respectively ("New Caps") at the special general meeting of the Company held on 6 December 2013. Details of the Master Agreement and the revision of the New Caps including the reasons for and benefit of the revision were set out in the Company's circular dated 5 March 2012 and 15 November 2013.

During the year, the Group provided Services to New Sprint Label amounted to approximately HK$40,842,000 (2013: HK$23,965,000).

In accordance with paragraph 14A.37 of the Listing Rules, the independent non-executive directors of the Company have reviewed the above continuing connected transactions and confirmed that the above continuing connected transactions:

(i) have been entered into in the ordinary and usual course of the Company's business;

(ii) have been entered into either:

   (a) on normal commercial terms; or

   (b) where there was no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than those available to or from independent third parties; and

(iii) have been entered into on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole, and in accordance with the terms of the agreements governing such transactions.

Based on work performed, the Company's independent auditor has confirmed in a letter to the Board to the effect that the above transactions:

(a) have received the approval of the Board;

(b) are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;

(c) have been entered into in accordance with the relevant agreement governing the transactions; and

(d) have not exceeded the caps disclosed in the previous announcements of the Company.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year ended 31 March 2014.

The other related party transactions as disclosed in note 36 to the consolidated financial statements are de minimis transactions that are exempted from announcement and shareholders' approval under Chapter 14A of the Listing Rules.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2014, the following director or chief executive of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO"), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Name of Director	Capacity in which the shares are held	Interest in ordinary shares held	Percentage of the issued share capital
Wong Hin Shek	Beneficial owner/ Interest of controlled corporation	638,981,013 (Note)	44.08%

Note: The 638,981,013 shares are beneficially owned by World Treasure Global Limited ("World Treasure"), a company incorporated in the British Virgin Islands, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the same shares held by World Treasure.

Save as disclosed above, as at 31 March 2014, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any director or chief executives or their respective associates in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2014, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholders	Capacity	Interest in ordinary shares held	Percentage of the issued share capital
World Treasure Global Limited ("World Treasure")	Beneficial owner	638,981,013 (Note 1)	44.08%
Mr. Wong Hin Shek	Interest of controlled corporation	638,981,013 (Note 1)	44.08%
Mr. Ruan Yuan	Beneficial owner	219,867,657	15.16%

Note:

1. The 638,981,013 shares are beneficially owned by World Treasure, whose entire issued share capital is wholly and beneficially owned by Mr. Wong Hin Shek. By virtue of the SFO, Mr. Wong Hin Shek is deemed to be interested in the same shares held by World Treasure.

Save as disclosed above, as at 31 March 2014, the Company was not aware of any other person (other than the directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme ("Share Option Scheme") was adopted by the Company.

The purpose of the Share Option Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the scheme on the basis of his or her contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme must not in aggregate exceed 10% of the shares in issue unless approval from the Company's shareholders has been obtained. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each individual in any twelve-month period up to and including the date of grant shall not exceed 1% of the shares in issue at the date of grant unless approval from Company's shareholders has been obtained.

The directors have discretion to set a minimum period for which an option has to be held and the option period shall not exceed 10 years from the date of acceptance of option. HK$1 is payable on acceptance of an option within 21 days from the date of grant.

The exercise price shall be determined by the directors of the Company, and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The Share Option Scheme will remain valid for a period of 10 years commencing on 31 July 2012.

As at the date of this report, the total number of option available for issue under the scheme is 144,950,112 shares. During the year ended 31 March 2014, no option was granted under the scheme.

Save as disclosed above, none of the directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme as mentioned above, at no time during the year was the Company or its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company. The Audit Committee has adopted terms of reference which are in line with the Corporate Governance Code. The Audit Committee has reviewed the audited results for the year ended 31 March 2014 and agreed with the accounting treatment adopted. The Audit Committee is satisfied with the Group's internal control procedure and financial reporting disclosures.

AUDITOR

A resolution for the re-appointment of SHINEWING (HK) CPA Limited as auditor of the Group will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Wong Hin Shek
Executive Director

Hong Kong, 25 June 2014

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this Corporate Governance Report of the Group for the year ended 31 March 2014.

CORPORATE GOVERNANCE PRACTICES

The Board acknowledges the importance of the highest standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasis an effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions with the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "CG Code"). During the year under review, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's code of conduct, and the Company's compliance with the Code Provision and disclosure in this Corporate Governance Report.

The Company has complied with the CG Code during the year under review, except for the deviations from code provisions A.2.1, A.4.1 and A.6.7 which are explained in the relevant paragraphs below.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "Chairman" since the resignation of the ex-chairman of the Company on 16 November 2011. Mr. Wong Hin Shek, who acts as the chief executive officer of the Company, also assumes the duties of the chairman during the year under review. The Board believes that vesting the roles of chairman and chief executive officer in the same individual provided the Group with strong and consistent leadership in the development and execution of long-term business strategies.

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election. However, one non-executive director of the Company, Mr. Wong Hung Ki, is not appointed for specific terms but he is subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company, which stipulates that one-third of the directors for the time being, or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire from the office by rotation at each annual general meeting. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code in this respect.

Under the code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Wong Hung Ki (non-executive director) did not attend the annual general meeting held on 6 August 2013 (the "AGM") and the special general meeting held on 6 December 2013 due to other work commitments, while Dr. Wong Yun Kuen (independent non-executive director) did not attend the AGM was also due to other work commitments. The Company will strengthen its general meeting planning process, by giving all directors sufficient time to arrange their work in advance and providing any necessary support for their presence and participation in the meeting, so as to facilitate all directors attending the Company's future general meetings.

CORPORATE GOVERNANCE REPORT

THE BOARD

Responsibilities

The Board is responsible for the leadership and control of the Company and oversees the Group's business, strategic decisions and performances. The senior management was delegated the authority and responsibilities by the Board of the day-to-day management and operations of the Group. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management.

All directors have full and timely access to all relevant information in relation to the Company as well as the advice and services of the company secretary, if and when required, with a view ensuring that the Board procedures and all applicable rules and regulations are followed.

There are established procedures for directors to seek independent professional advice for them to discharge their duties and responsibilities, where appropriate at the Company's expenses.

Composition

The Board currently comprises two executive directors, one non-executive director and three independent non-executive directors from different business and professional fields. The directors, including non-executive director and independent non-executive directors, have brought a wide spectrum of valuable business and professional expertise, experiences and independent judgement to the Board for its efficient and effective delivery of the Board function.

The Board currently comprises the following directors:

Executive Directors	Mr. Wong Hin Shek *(Chief Executive Officer)* Mr. Ng Man Chan
Non-executive Director	Mr. Wong Hung Ki
Independent Non-executive Directors	Mr. Lau Man Tak Mr. Man Kwok Leung Dr. Wong Yun Kuen

The profiles of each director are set out in the "Biographical Details of Directors and Senior Management" section on pages 7 to 8.

Throughout the year and up to the date of this report, the Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules. It requires that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each independent non-executive director of their independence pursuant to the requirements of rule 3.13 of the Listing Rules. The Company considers all independent non-executive directors to be independence in accordance with the independence guidelines set out in the Listing Rules.

The Company purchased the directors' and officers' liability insurance for members of the Board for the year to provide protection against claims arising from the lawful discharge of duties by the directors.

Induction for Directors

Each newly appointed director will receive comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Directors' continuous training and development

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution into the Board remains informed and relevant. The directors are committed to complying with the CG Code A6.5 which came into effect on 1 April 2012 on directors' training. All directors have participated in continuous professional development by attending seminars and/or studying materials relevant to director's duties and responsibility and provided a record of training they received for the financial year ended 31 March 2014 to the Company.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The Company has specified the terms of appointments for independent non-executive directors, but has not specified terms of appointment for non-executive director. This is a deviation from CG Code A.4.1 and has been mentioned in the section of "Corporate Governance Practices". The terms of appointments of Mr. Lau Man Tak, Mr. Man Kwok Leung and Dr. Wong Yun Kuen as independent non-executive directors are re-determined on 1 January of each year. They are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Bye-laws of the Company. None of the non-executive director and independent non-executive directors have entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

BOARD COMMITTEES

The Board has established three committees, namely the remuneration committee, audit committee and nomination committee. Each of which has specific written terms of reference.

Remuneration Committee

The remuneration committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members.

The principal responsibilities of the remuneration committee include making recommendations to the Board on the remuneration policy and structure and remuneration packages of the executive directors, non-executive directors and senior management. The remuneration committee is also responsible for recommending to the Board of transparent procedures for developing such remuneration policy and structure and ensuring no director or any of his associates will participate in deciding his own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

During the year under review, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration policy and structure of the Company, and determined the remuneration packages of the Directors and senior management. Details of the Directors' remuneration and five individuals with highest emoluments are set out in notes 12 to the consolidated financial statements.

In addition, pursuant to the code provision B.1.5, the annual remuneration of the member of the current senior management by band for the year ended 31 March 2014 is set out below:

Remuneration band (in HK$)	Number of individuals
HK$nil to 1,000,000	1

Audit Committee

The audit committee comprises three independent non-executive directors. The committee is chaired by Mr. Lau Man Tak with Dr. Wong Yun Kuen and Mr. Man Kwok Leung as members. None of the members of the audit committee is a former partner of the Company's existing external auditors.

The main duties of the audit committee include the followings:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any), internal auditor (if any) or external auditor before submission to the Board.

(b) to review the relationship with the external auditor by reference to the work performed, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor.

(c) to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The audit committee held four meetings during the year ended 31 March 2014 to review the financial results and reports of the Company with the external auditors.

Nomination Committee

The nomination committee comprises three independent non-executive directors. The committee is chaired by Dr. Wong Yun Kuen with Mr. Lau Man Tak and Mr. Man Kwok Leung as members.

The principal responsibilities of the nomination committee are regular review of the Board composition, identifying and nominating suitable candidates as Board members, assessment of the independence of the independent non-executive directors and Board evaluation. The nomination committee also reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

During the year under review, the Board adopted a board diversity policy (the "Board Diversity Policy") setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The diversity of the Board members should be assessed on a diversity of perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

Board, Board Committees and General Meetings

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Board met 5 times during the year ended 31 March 2014.

Agenda and Board papers together with all appropriate, complete and reliable information are normally sent to all directors before each Board meeting to keep the directors apprised to the latest developments and financial position of the Company and to enable them to make informed decisions. All directors are given the opportunity to include matters in the agenda for regular Board meetings. The Board and each director also have separate and independent access to senior management whenever necessary.

Minutes of all Board meetings, other Board Committee meetings and general meetings contain sufficient details of matters considered and decisions reached are kept by the secretary of the meetings and are open for inspection by the directors. The attendance of individual members of the Board meetings, other Board Committee meetings and general meetings during the year ended 31 March 2014 is set out in the table below:

	Meetings attended/Eligible to attend				
	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
Executive directors					
Mr. Wong Hin Shek	5/5	N/A	N/A	N/A	2/2
Mr. Ng Man Chan	5/5	N/A	N/A	N/A	0/2
Non-executive director					
Mr. Wong Hung Ki	5/5	N/A	N/A	N/A	0/2
Independent non-executive directors					
Mr. Lau Man Tak	4/5	4/4	1/1	3/3	2/2
Mr. Man Kwok Leung	5/5	4/4	1/1	3/3	2/2
Dr. Wong Yun Kuen	5/5	4/4	1/1	3/3	1/2

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the directors. All directors have confirmed, following specific enquiry by the Company, that they had complied with the required standard set out in the Model Code throughout the year.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The directors acknowledge their responsibility for preparing the financial statements of the Group and have adopted the accounting principles generally accepted in Hong Kong and compiled with the requirements of Hong Kong Financial Reporting Standards which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. As at 31 March 2014, directors 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 accounting systems and internal control of the Company are designed to prevent any misappropriation of the Company's assets, any unauthorised transactions as well as to ensure the accuracy of the accounting records and the true and fairness of the financial statements.

The Board also acknowledges its responsibility to present a balanced, clear and understandable assessment in the Company's financial reports, other inside information announcements and other financial disclosures required under Listing Rules, and reports to the regulators as well as to information required to be disclosed pursuant to statutory requirements. The reporting responsibilities of the Company's independent auditor are set out in the Independent Auditor's Report on pages 22 to 23.

COMPANY SECRETARY

The Company Secretary of the Company is Mr. Chan Ming Kei. The Company Secretary assists the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. Mr. Chan confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

INTERNAL CONTROLS

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Company and for reviewing its effectiveness, is committed to implement an effective and sound internal control system to safeguard the interests of shareholders and the assets of the Group.

The Board is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The internal control framework also provides for identification and management of risk. The Board has conducted a review of the effectiveness and adequacy of the internal control system of the Group and has reached the conclusion that the Group's internal control system was in place and effective.

EXTERNAL AUDITOR'S REMUNERATION AND REPORTING RESPONSIBILITIES

During the year, the remuneration in respect of the services rendered by the Group's external auditor is set out as follows:

Services rendered for the Group	**SHINEWING (HK) CPA Limited** HK$'000
Audit services — annual audit	800
Other non-audit services	180
Total	980

SHAREHOLDER RIGHTS

To safeguard shareholder interest and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

Enquiries of shareholders can be sent to the Company by post to the Company's Hong Kong head office at Unit 906, 9th Floor, Wings Building, 110–116 Queen's Road Central, Central, Hong Kong. Shareholders' enquiries and concerns, where appropriate, will be forwarded to and answered by the Board. In addition, shareholders can contact the share registrar of the Company, if they have any enquiries about their shareholdings. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Stock Exchange and the Company after each shareholder meeting.

Pursuant to the Bye-Laws of the Company, the Board may whenever it thinks fit call special general meetings, and the shareholders 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 for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Board recognises the importance of good communication with shareholders. The Company has established a shareholders communication policy to set out the Company's procedures in providing shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and the investment community to engage actively with the Company.

Information in relation to the Group is disseminated to shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information are also made available on the Company's website.

The Company regards the annual general meeting of the Company as an important event and all directors, senior management and external auditors make an effort to attend the annual general meeting of the Company to address shareholders' queries. Shareholders are encouraged to attend all general meetings of the Company, such as the annual general meeting for which at least 20 clear business days notice is given.

The Company has complied with the requirements concerning voting by poll under the Listing Rules. Details of the poll voting procedures and the rights of shareholders to demand a poll are included in circulars to shareholders of the Company dispatched by the Company where applicable.

During the year ended 31 March 2014, there has not been any change in the Company's constitutional documents. A consolidated version of the Company's constitutional documents is available on the Company's website and the website of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF CLIMAX INTERNATIONAL COMPANY LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Climax International Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 91, which comprise the consolidated statement of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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.

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 the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (Continued)

OPINION

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
25 June 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
Turnover	7	**113,433**	81,178
Cost of sales		**(93,755)**	(64,725)
Gross profit		**19,678**	16,453
Other operating income	7	**1,868**	3,641
Selling and distribution expenses		**(5,178)**	(2,862)
Administrative expenses		**(16,118)**	(13,030)
Impairment loss recognised in respect of goodwill	18	**(36,393)**	–
Loss on changes in fair value of held for trading investments		**(672)**	(195)
(Loss) gain on changes in fair value of investment properties		**(100)**	1,250
Finance costs	9	**(417)**	(1,777)
(Loss) profit before tax		**(37,332)**	3,480
Income tax expense	10	**(576)**	(1,248)
(Loss) profit for the year	11	**(37,908)**	2,232
Other comprehensive income			
Item may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating of foreign operations and total other comprehensive income for the year		**377**	1,350
Total comprehensive (expenses) income for the year		**(37,531)**	3,582
(LOSS) EARNINGS PER SHARE			
Basic and diluted (loss) earnings per share (in Hong Kong cents)	14	**(2.70)**	0.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current assets			
Plant and equipment	15	**28,932**	33,872
Investment properties	16	**25,600**	27,500
Prepaid lease payments	17	**8,733**	8,859
Goodwill	18	**47,661**	84,054
		110,926	154,285
Current assets			
Inventories	19	**16,835**	14,669
Trade receivables, deposits and other receivables	20	**13,007**	26,515
Prepaid lease payments	17	**216**	214
Income tax recoverable		**147**	–
Held for trading investments	21	**4,260**	4,932
Cash and cash equivalents	22	**44,324**	67,756
		78,789	114,086
Current liabilities			
Trade and other payables	23	**13,752**	16,877
Amount due to a related company	24	**170**	15
Promissory note	25	**–**	55,000
Obligations under finance lease			
— amount due within one year	26	**1,283**	1,438
Bank borrowings	27	**5,754**	7,016
Income tax payable		**34**	3,654
		20,993	84,000
Net current assets		**57,796**	30,086
Total assets less current liabilities		**168,722**	184,371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Obligations under finance lease			
— amount due after one year	26	**1,400**	2,974
Deferred tax liabilities	28	**157**	175
		1,557	3,149
		167,165	181,222
Capital and reserves			
Share capital	29	**14,495**	12,079
Reserves		**152,670**	169,143
Equity attributable to owners of the Company		**167,165**	181,222

The consolidated financial statements on pages 24 to 91 were approved and authorised for issue by the board of directors on 25 June 2014 and are signed on its behalf by:

Director *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company						
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000 (note a)	**Contributed surplus** HK$'000 (note b)	**Exchange translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 April 2012	574	131,205	17,900	103,941	–	(190,115)	63,505
Profit for the year	–	–	–	–	–	2,232	2,232
Other comprehensive income for the year							
Exchange differences arising on translating foreign operations and total other comprehensive income	–	–	–	–	1,350	–	1,350
Total comprehensive income for the year	–	–	–	–	1,350	2,232	3,582
Issue of consideration shares (note 29(a))	2,000	21,762	–	–	–	–	23,762
Issue of subscription shares (note 29(b))	4,500	40,500	–	–	–	–	45,000
Open offer (noted 29(c))	4,595	41,352	–	–	–	–	45,947
Transaction costs attributable to open offer	–	(574)	–	–	–	–	(574)
Bonus shares (note 29(d))	410	(410)	–	–	–	–	–
	11,505	102,630	–	–	–	–	114,135
At 31 March 2013	12,079	233,835	17,900	103,941	1,350	(187,883)	181,222
Loss for the year	–	–	–	–	–	(37,908)	(37,908)
Other comprehensive income for the year							
Exchange differences arising on translating foreign operations and total other comprehensive income	–	–	–	–	377	–	377
Total comprehensive expenses for the year	–	–	–	–	377	(37,908)	(37,531)
Placing of shares (note 29(e))	2,416	21,742	–	–	–	–	24,158
Transaction costs attributable to placing of shares	–	(684)	–	–	–	–	(684)
	2,416	21,058	–	–	–	–	23,474
At 31 March 2014	14,495	254,893	17,900	103,941	1,727	(225,791)	167,165

Notes:

(a) The balance of capital reserve represents the capital reserve arising from the group restructuring which took place in 1992.

(b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(37,332)**	3,480
Adjustments for:		
Amortisation of prepaid lease payments rights	**215**	159
Depreciation of plant and equipment	**4,821**	4,571
Dividend income	**(187)**	(182)
Finance costs	**417**	1,777
Impairment loss recognised in respect of goodwill	**36,393**	–
Interest income	**(310)**	(740)
Loss (gain) on changes in fair value of investment properties	**100**	(1,250)
Loss on changes in fair value of held for trading investments	**672**	195
Loss on disposal of investment properties	**6**	–
Loss on disposal of plant and equipment	**67**	5
Written-back of other payables	**–**	(760)
Operating cash flows before movements in working capital	**4,862**	7,255
(Increase) decrease in inventories	**(2,021)**	788
Decrease in trade receivables, deposits and other receivables	**13,526**	368
(Decrease) increase in trade and other payables	**(3,228)**	144
Cash from operations	**13,139**	8,555
Hong Kong Profits Tax paid	**(3,621)**	(29)
The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT") paid	**(740)**	(950)
NET CASH FROM OPERATING ACTIVITIES	**8,778**	7,576

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Proceeds from disposal of investment property		**1,794**	–
Proceeds from disposal of plant and equipment		**798**	111
Interest received		**310**	740
Dividend received		**187**	182
Purchase of plant and equipment		**(533)**	(2,570)
Net cash outflow on acquisition of assets through acquisition of subsidiaries	32	**–**	(21,090)
Net cash outflow on acquisition of a subsidiary	31	**–**	(17,585)
Purchase of investment property		**–**	(14,250)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**2,556**	(54,462)
FINANCING ACTIVITIES			
Proceeds from issue of shares	29e	**24,158**	–
Advanced from (repayment to) related companies		**155**	(10,802)
Repayment of promissory notes		**(55,000)**	–
Principal repayment for obligations under finance lease		**(1,729)**	(1,418)
Repayment of bank borrowings		**(1,262)**	(11,664)
Payment of transaction costs attributable to issue of new shares		**(684)**	(574)
Interest paid		**(417)**	(462)
Proceeds from open offer	29c	**–**	45,947
Proceeds from issue of subscription shares	29b	**–**	45,000
New bank borrowings raised		**–**	7,853
Repayment to a director		**–**	(6,028)
NET CASH (USED IN) FROM FINANCING ACTIVITIES		**(34,779)**	67,852
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(23,445)**	20,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**67,756**	46,760
Effect of foreign exchange rate changes		**13**	30
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**44,324**	67,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. GENERAL

Climax International Company Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporation Information" to the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company and those subsidiaries incorporated in Hong Kong and the British Virgin Islands (the "BVI"). The functional currency for those subsidiaries established in the PRC is Renminbi ("RMB"). The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are manufacturing and trading of packaging products and property investment. Details of the principal activities of the subsidiaries are set out in note 38.

2. 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 that issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

Except as described below, the application of the amendments to 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 the disclosures set out in these consolidated financial statements.

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

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact on the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC)-Int 12 Consolidation — Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor controls an investee when (a) it has power over an investee, (b) it is exposed, or has rights, to variable returns from its involvement with the investee and (c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 April 2013) as to whether or not the Group has control over its investees in accordance with the new definition of control and the related guidance set out in HKFRS 10. The directors of the Company concluded that the initial application of HKFRS 10 has no material impact on the consolidated financial statements.

Impact on the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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

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

HKFRS 13 Fair Value Measurement

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

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

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 6c and 16 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

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

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle[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 Acquisitions of Interests in Joint Operations[4]
Amendments to HKAS 19	Defined Benefit Plans — Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptance Methods of Depreciation and Amortisation[4]
HK(IFRIC)-Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

[2] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[3] HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

[4] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Annual Improvements to HKFRSs 2010–2012 Cycle

The *Annual Improvements to HKFRSs 2010–2012 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2010–2012 Cycle will have a material effect on the Group's consolidated financial statements.

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

New and revised HKFRSs issued but not yet effective (Continued)

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2011–2013 Cycle will have a material effect on the Group's consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

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

New and revised HKFRSs issued but not yet effective (Continued)

HKFRS 9 Financial Instruments (Continued)

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future will not have significant impact on amounts currently reported in respect of the Group's financial assets and financial liabilities.

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

New and revised HKFRSs issued but not yet effective (Continued)

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted.

The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

The directors of the Company anticipated that the application of other new and revised standards, amendments or interpretation would have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

All intra-group transactions, balances, income and expenses are eliminated on combination.

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 value.

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 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.

When 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.

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its 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 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.

Investments in subsidiaries

Investments in subsidiaries are carried on the statement of financial position of the Company at cost less accumulated impairment losses, if any.

Plant and equipment

Plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate amounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Prepaid lease payments

Prepaid lease payments represent the up-front operating lease payments to lease medium-term leasehold land interests in the PRC and are charged to the profit or loss in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the term of relevant leases.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into one of the two categories, including fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL represent financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'loss on changes in fair value of held for trading investments' line item. Fair value is determined in the manner described in note 6.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of ranged from 30 to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity 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 evidences a residual interest in the assets of the Group after deducting all of their liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, amount due to a related company, promissory note, obligations under finance lease and bank borrowings 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 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.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition (Continued)

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand and deposits in other financial institutions that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a shorter maturity of generally within three months when acquired.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on tangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

— the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

— the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

— the amount of revenue can be measured reliably;

— it is probable that the economic benefits associated with the transaction will flow to the Group; and

— the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue recognition for rental income is set out in the section headed “Leasing” below.

Management fee income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from investments is recognised when shareholder’s right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "(loss) profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that all of the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred tax on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

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

Key sources of estimation uncertainty

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

Estimated impairment loss in respect of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit to which goodwill has been allocated. The directors of the company estimate the recoverable amount based on a value-in-use calculation. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the carrying amount of goodwill is approximately HK$47,661,000 (2013: HK$84,054,000), net of impairment loss of approximately HK$36,393,000 (2013: nil). Details of the recoverable amount calculation are disclosed in note 18.

Estimated impairment loss in respect of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2014, the carrying amount of trade receivable is approximately HK$12,114,000 (2013: HK$25,005,000). No impairment loss has been recognised for both years.

Depreciation of plant and equipment

Plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of the plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss on plant and equipment

The impairment loss on plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. In determining the recoverable amount, use of estimates such as the future cash flows and discount rates is required. As at 31 March 2014, the carrying amount of plant and equipment was approximately HK$28,932,000 (2013: HK$33,872,000). No impairment loss has been recognised for both years.

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

Key sources of estimation uncertainty (Continued)

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in the valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 March 2014 was approximately HK$25,600,000 (2013: HK$27,500,000).

Estimated allowance for inventories and write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for finished goods based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. As at 31 March 2014, the carrying amounts of inventories were approximately HK$16,835,000 (2013: HK$14,669,000). No impairment losses has been recognised for both years.

Recognition of deferred tax on undistributed profits of subsidiaries in the PRC

As at 31 March 2014 and 31 March 2013, no deferred tax liabilities have been recognised on the undistributed profits of the group companies in the PRC as the Group plans to retain those profits in the respective entities for their daily operations and future developments. In case there is a change in such plan, additional tax liabilities will arise, which will be recognised in the profit or loss for the period in which the management intends to declare such profits in the foreseeable future or the Group's future development plan is amended, whichever is earlier.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt which includes cash and cash equivalents, bank borrowings, obligations under finance lease, promissory note and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares, raising of new debts or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
FVTPL		
— held for trading investments	**4,260**	4,932
Loans and receivables (including cash and cash equivalents)	**57,077**	93,906
	61,337	98,838
Financial liabilities		
Other financial liabilities measured at amortised cost	**22,089**	83,220

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, held for trading investments, cash and cash equivalents, trade and other payables, amount due to a related company, promissory note, obligations under finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain financial assets are denominated in currencies other than the functional currency of the respective entities in the Group, which expose the Group to foreign currency risk. The Group did not have a foreign currency hedging policy as at the end of the reporting period. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's financial assets denominated in foreign currencies other than functional currencies of respective entities in the Group at the reporting date are as follows:

Financial assets	2014 HK$'000	2013 HK$'000
HK$	**–**	5,120

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to RMB and HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. The percentages in the table are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates.

A positive number below indicates a increase in loss (2013: decrease in profit) for the year where the respective functional currencies strengthen 5% against the relevant foreign currencies. For the same percentages weakening of the respective functional currencies against the relevant foreign currencies, there would be an equal and opposite impact on the loss (2013: profit) for the year and accumulated losses, and the balances below would be positive.

	Effect on profit or loss	
	2014	2013
	HK$'000	HK$'000
Respective functional currencies strengthen against		
— HK$ by 5%	**–**	192

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk primarily in relation to variable-rate cash and cash equivalents and bank borrowings. It is also exposed to fair value interest rate risk in relation to the fixed-rate obligations under finance lease. The Group currently does not have an interest rate risk hedging policy. However, the management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rate arising from the Group's cash and cash equivalents and bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments. The analysis is prepared assuming the financial instruments held at the end of the reporting period were held for the whole year. A 100 basis points (2013: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2013: 100 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2014 (2013: profit) would decrease/increase (2013: increase/decrease) by approximately HK$320,000 (2013: HK$506,000).

(iii) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities in Hong Kong. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments operating in telecommunication industry sector quoted in The Stock Exchange of Hong Kong Limited. The management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 10% (2013: 10%) higher/lower, loss for the year ended 31 March 2014 (2013: profit) would decrease/increase (2013: increase/decrease) by approximately HK$426,000 (2013: HK$493,000) as a result of the changes in fair value of held for trading investments.

Credit risk

As at 31 March 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit quality of the counterparties in respect of trade receivables is assessed by taking into account their financial position, credit history and other factors. The directors of the Company are of the opinion that the risk of default by these counterparties is low.

The Group trades only with recognised and creditworthy customers. The Group's trading terms with its customers are mainly on credit. The normal credit period is generally for a period of 30 days to 60 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned measures and the fact that the Group's trade receivables relate to the customers with good creditworthiness, there is no significant credit risk.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 61% (2013: 84%) of the total trade receivables as at 31 March 2014.

Besides, the Group has concentration of credit risk as 25% (2013: 72%) and 79% (2013: 86%) of the total trade receivables were due from the Group's largest customer and the five largest customers respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and financial institutions with good reputations in Hong Kong.

In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowing with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

Liquidity risk table

	On demand or within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
At 31 March 2014					
Non-derivative financial liabilities					
Trade and other payables	**13,482**	**–**	**–**	**13,482**	**13,482**
Amount due to a related company	**170**	**–**	**–**	**170**	**170**
Obligations under finance leases	**1,476**	**1,610**	**–**	**3,086**	**2,683**
Bank borrowings	**5,754**	**–**	**–**	**5,754**	**5,754**
	20,882	**1,610**	**–**	**22,492**	**22,089**
At 31 March 2013					
Non-derivative financial liabilities					
Trade and other payables	16,777	–	–	16,777	16,777
Amount due to a related company	15	–	–	15	15
Promissory note	55,000	–	–	55,000	55,000
Obligations under finance leases	1,643	1,643	1,756	5,042	4,412
Bank borrowings	7,016	–	–	7,016	7,016
	80,451	1,643	1,756	83,850	83,220

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 March 2014, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$5,575,000 (2013: HK$5,754,000) respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid more than one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$7,399,000 (2013: HK$7,727,000).

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial instruments.

Some of the Group's financial assets are measured at fair value at the end of each reporting period on a recurring basis. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique
	31/3/2014 HK$'000	31/3/2013 HK$'000		
Held for trading non-derivative financial assets:				
Listed equity securities in Hong Kong — telecommunications service industry	**4,260**	4,932	Level 1	Quoted bid prices in an active market

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

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

The directors of the Company consider the fair value of the non-current portion of other financial liabilities approximates to their carrying amounts as they are carried at amortised cost using the effective interest method.

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7. TURNOVER AND OTHER OPERATING INCOME

Turnover represents amount received and receivable from sales of paper packaging products, paper gift items and paper promotional materials, net of discounts allowed and sales related taxes, and gross rental income received during the year. An analysis of the Group's turnover and other operating income recognised during the year is as follows:

Continuing operations	**2014 HK$'000**	2013 HK$'000
Turnover		
Sales of goods	**112,648**	80,825
Gross rental income (note a)	**785**	353
	113,433	81,178
Other operating income		
Interest income	**310**	740
Dividend income	**187**	182
Sale of scrap materials	**524**	436
Management fee income (note b)	**720**	660
Net exchange gain	**–**	774
Other rental income (note c)	**–**	66
Written-back of other payables	**–**	760
Others	**127**	23
	1,868	3,641
	115,301	84,819

Notes:

(a) An analysis of the Group's net rental income from investment properties is as follows:

	2014 HK$'000	2013 HK$'000
Gross rental income	**785**	353
Less: Outgoings (included in cost of sales)	**(18)**	(11)
Net rental income	**767**	342

(b) For the years ended 31 March 2014 and 2013, the amount represented income from administrative services provided to a related company, New Spring Label & Packaging Limited ("New Spring Label"), of which Mr. Ng Man Chan ("Mr. Ng"), a director of the Company, and Ms. Li Mi Lai ("Ms. Li"), a close family member of Mr. Ng, are shareholders (note 36(ii)(b)).

(c) For the year ended 31 March 2013, the amount represented income from leasing a motor vehicle to a related company, New Pearl Hot Stamping & Packing Limited ("New Pearl"), of which Mr. Ng and Ms. Li are the directors and key management personnel (note 36(ii)(d)).

8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision-makers (the "CODMs"), for the purpose of resources allocation and performance assessment focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

1. Paper business — manufacturing and trading of paper packaging products, paper gift items and paper promotional materials

2. Property investment — leasing of property

Segment revenue and results

The following is an analysis of the Group's turnover and results by reportable and operating segment for the year under review:

For the year ended 31 March

	Paper business		Property investment		Total	
	2014	2013	**2014**	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	**112,648**	80,825	**785**	353	**113,433**	81,178
Segment (loss) profit	**(29,687)**	7,653	**667**	1,562	**(29,020)**	9,215
Unallocated corporate income					**1,344**	3,205
Unallocated corporate expenses					**(9,239)**	(7,163)
Finance costs					**(417)**	(1,777)
(Loss) profit before tax					**(37,332)**	3,480

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit reported earned by each segment without allocation of central corporate income and expense, directors' remuneration, certain other income, dividend income and finance costs. This is the measure reported to the executive directors for the purposes of resource allocation and performance assessment.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

Segment assets

	2014 HK$'000	2013 HK$'000
Paper business	**114,766**	167,419
Property investment	**25,895**	27,841
Total segment assets	**140,661**	195,260
Unallocated corporate assets	**49,054**	73,111
Consolidated assets	**189,715**	268,371

Segment liabilities

	2014 HK$'000	2013 HK$'000
Paper business	**11,853**	14,749
Property investment	**125**	255
Total segment liabilities	**11,978**	15,004
Unallocated corporate liabilities	**10,572**	72,145
Consolidated liabilities	**22,550**	87,149

For the purposes of monitoring segment performance and allocating resources between segments:

— all assets are allocated to operating segments other than income tax recoverable, held for trading investment, cash and cash equivalents and other assets for corporate use including certain plant and equipment, deposits and other receivables; and

— all liabilities are allocated to operating segments other than promissory note, bank borrowings, income tax payable, deferred tax liabilities, obligations under finance lease and certain other payables.

8. SEGMENT INFORMATION (Continued)

Other segment information

2014

	Paper business HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to plant and equipment	498	35	–	533
Depreciation and amortisation	4,953	83	–	5,036
Changes in fair value of investment properties	–	100	–	100
Loss on disposal of investment properties	–	6	–	6
Loss on disposal of plant and equipment	67	–	–	67
Amounts regularly provided to the CODMs but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	568	8	–	576
Interest expense on bank borrowings	19	154	–	173
Interest expense on obligations under finance leases	243	–	1	244
Loss on changes in fair value of held for trading investments	–	–	672	672
Dividend income	–	–	(187)	(187)
Interest income	–	–	(310)	(310)
Net exchange loss	–	–	1,119	1,119

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2014

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

2013

	Paper business HK$'000	Property investment HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or segment assets:				
Addition to investment properties	–	14,250	–	14,250
Addition to investment properties through acquisition of a subsidiary	–	12,000	–	12,000
Addition to plant and equipment	2,246	324	–	2,570
Addition to plant and equipment through acquisition of a subsidiary	34,051	–	–	34,051
Addition to prepaid lease payments through acquisition of a subsidiary	9,174	–	–	9,174
Depreciation and amortisation	4,201	17	512	4,730
Gain on changes in fair value of investment properties	–	(1,250)	–	(1,250)
Loss on disposal of plant and equipment	5	–	–	5
Amounts regularly provided to the CODMs but not included in the measure of segment profit or loss or segment assets:				
Income tax expense	1,228	20	–	1,248
Interest expense on bank borrowings	186	65	–	251
Interest expense on obligations under finance leases	210	–	1	211
Interest expense on promissory note	–	–	1,315	1,315
Changes in fair value of held for trading investments	–	–	195	195
Dividend income	–	–	(182)	(182)
Interest income	–	–	(740)	(740)
Net exchange gain	–	–	(774)	(774)
Written-back of other payables	–	–	(760)	(760)

8. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in Hong Kong ("HK") and the PRC.

Information about the Group's turnover from external customers by geographical location of shipment is presented based below. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Turnover from external customers		Non-current assets	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK (Country of domicile)	**81,316**	54,578	**70,016**	121,464
PRC	**13,457**	11,339	**40,910**	32,821
Europe	**18,660**	15,182	**–**	–
Others	**–**	79	**–**	–
Total	**113,433**	81,178	**110,926**	154,285

Information about major customers

Turnover from customer of the corresponding years contributing over 10% of the total turnover of the Group is as follows:

	2014	2013
	HK$'000	HK$'000
Customer A[1,2]	**40,842**	23,965
Customer B[1]	**11,353**	8,861

1 Both turnover from paper business segment.

2 The customer represented one of the related parties, details of which were disclosed in note 36(ii)(a).

9. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interest expenses on:		
— Bank borrowings not wholly repayable within five years	**173**	251
— Obligations under finance lease	**244**	211
Imputed interest on promissory note	**–**	1,315
Total finance costs	**417**	1,777

10. INCOME TAX EXPENSE

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong Profits Tax	**566**	598
Overprovision of Hong Kong Profits Tax in prior years	**–**	(175)
PRC EIT	**28**	745
	594	1,168
Deferred tax (note 28)	**(18)**	80
	576	1,248

During the years ended 31 March 2014 and 2013, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the year ended 31 March 2014, certain PRC subsidiaries were in loss-making position and accordingly did not make any provision for PRC EIT.

10. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the (loss) profit before tax per the consolidated statement of comprehensive income as follows:

	2014 HK$'000	2013 HK$'000
(Loss) profit before tax	**(37,332)**	3,480
Tax calculated at rates applicable to profits in the respective tax jurisdiction concerned	**(6,430)**	806
Tax effect of income not taxable for tax purpose	**(201)**	(677)
Tax effect of expenses not deductible for tax purpose	**7,261**	1,048
Tax effect of tax losses not recognised	**–**	246
Utilisation of tax losses previously not recognised	**(54)**	–
Overprovision in prior years	**–**	(175)
Income tax expense for the year	**576**	1,248

Details of deferred tax are set out in note 28.

11. (LOSS) PROFIT FOR THE YEAR

(Loss) profit for the year has been arrived at after charging:

	2014 HK$'000	2013 HK$'000
Directors' emoluments (note 12)	**791**	720
Other staff costs	**35,965**	25,071
Retirement benefits scheme contributions for staff	**991**	471
Total staff costs	**37,747**	26,262
Cost of inventories recognised as an expense	**93,737**	64,714
Amortisation of prepaid lease payment	**215**	159
Auditor's remuneration	**800**	780
Depreciation for plant and equipment	**4,821**	4,571
Net exchange loss	**1,119**	–
Loss on disposal of investment properties	**6**	–
Loss on disposal of plant and equipment	**67**	5
Operating lease rental on land and buildings	**1,728**	1,688

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(i) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the six (2013: six) directors and the chief executive were as follows:

	Fees HK$'000	Salaries and other benefit HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2014				
Executive directors				
Wong Hin Shek	–	–	–	–
Ng Man Chan	360	–	11	371
Non-executive directors				
Wong Hung Ki	120	–	–	120
Independent non-executive directors				
Lau Man Tak	100	–	–	100
Man Kwok Leung	100	–	–	100
Wong Yun Kuen	100	–	–	100
	780	–	11	791

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(i) Directors' and chief executive's emoluments (Continued)

	Fees HK$'000	Salaries and other benefits HK$'000	Contributions to retirement benefits scheme HK$'000	Total HK$'000
Year ended 31 March 2013				
Executive directors				
Wong Hin Shek	–	–	–	–
Ng Man Chan (appointed on 16 May 2012)	315	–	–	315
Non-executive directors				
Wong Hung Ki (appointed on 16 May 2012)	105	–	–	105
Independent non-executive directors				
Lau Man Tak	100	–	–	100
Man Kwok Leung	100	–	–	100
Wong Yun Kuen	100	–	–	100
	720	–	–	720

During the years ended 31 March 2014 and 2013, no amount was paid in respect of Mr. Wong Hin Shek's directorship. He is also the chief executive of the Company.

Neither the chief executive nor any of the directors waived or agreed to waive any emoluments during the years ended 31 March 2014 and 2013.

(ii) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2013: one) was director of the Company whose emoluments are included in the disclosures in note 12(i) above. The emoluments of the remaining four (2013: four) individuals were as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefits	**2,340**	1,265
Post-employment benefits	**60**	57
	2,400	1,322

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

(ii) Employees' emoluments (Continued)

Their emoluments were within the following bands:

	2014 Number of Individuals	2013 Number of Individuals
Nil to HK$1,000,000	**4**	4

No emoluments have been paid by the Group to any of the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2014 and 2013.

13. DIVIDEND

No dividend was paid, declared or proposed during the years ended 31 March 2014 and 2013, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS) EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
(Loss) earnings		
(Loss) earnings for the purpose of basic (loss) earnings per share	**(37,908)**	2,232

	2014	2013
Number of shares		
Weighted average number ordinary shares for the purpose of basic (loss) earnings per share	**1,406,480,029**	1,110,653,008

The diluted (loss) earnings per share is equal to the basic (loss) earnings per share as there were no dilutive potential ordinary shares during the years ended 31 March 2014 and 2013.

15. PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Furniture and fixture HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Motor vehicle HK$'000	Total HK$'000
COST						
At 1 April 2012	–	76	1,000	–	–	1,076
Acquisition of a subsidiary (note 31)	31,884	353	528	–	1,286	34,051
Additions	1,850	82	–	324	314	2,570
Disposal	–	–	–	–	(128)	(128)
Exchange realignment	1,238	32	–	–	104	1,374
At 31 March 2013	34,972	543	1,528	324	1,576	38,943
Additions	363	21	7	35	107	533
Disposal	(583)	(30)	–	–	(586)	(1,199)
Exchange realignment	276	2	–	–	17	295
At 31 March 2014	35,028	536	1,535	359	1,114	38,572
DEPRECIATION						
At 31 March 2013	–	32	417	–	–	449
Provided for the year	3,596	94	501	17	363	4,571
Eliminate on disposal	–	–	–	–	(12)	(12)
Exchange realignment	46	1	–	–	16	63
At 31 March 2013	3,642	127	918	17	367	5,071
Provided for the year	4,234	33	176	21	357	4,821
Eliminate on disposal	(101)	(25)	–	–	(208)	(334)
Exchange realignment	75	1	–	–	6	82
At 31 March 2014	7,850	136	1,094	38	522	9,640
CARRYING VALUES						
At 31 March 2014	27,178	400	441	321	592	28,932
At 31 March 2013	31,330	416	610	307	1,209	33,872

15. PLANT AND EQUIPMENT (Continued)

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Plant and machinery	6.6 – 20%
Furniture and fixtures	8 – 33%
Office equipment	10 – 50%
Leasehold improvements	Over the shorter of the term of the lease or 5 years
Motor vehicle	10 – 20%

As at 31 March 2014, the carrying value of plant and machinery in respect of assets held under finance lease was approximately HK$6,053,000. As at 31 March 2013, the carrying values of plant and machinery, furniture and fixtures and motor vehicle in respect of assets held under finance lease were approximately HK$6,980,000, HK$11,000 and HK$407,000 respectively.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2012	–
Additions	14,250
Acquisition of assets through acquisition of subsidiaries (note 32(ii))	12,000
Gain on changes in fair value recognised in profit or loss	1,250
At 31 March 2013	27,500
Disposals	(1,800)
Loss on changes in fair value recognised in profit or loss	(100)
At 31 March 2014	25,600

Notes:

(a) The fair value of the investment properties of the Group as at 31 March 2014 and 31 March 2013 has been arrived at on the basis of a valuation carried out on that date by an independent qualified professional valuer not connected with the Group. The valuer is a member of the Institute of Valuers (who had among its staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued). The fair value was determined based on direct comparison method that reflects recent transaction prices for similar properties, adjusted for differences in nature, location and condition of the properties under review.

As the end of each reporting period, the Group's management decides to appoint external valuer to be responsible for the valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuer on the valuation assumptions and valuation results every year when the valuation is performed for annual financial reporting.

(b) All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes were measured using the fair value model and were classified and accounted for as investment properties.

16. INVESTMENT PROPERTIES (Continued)

Notes: (Continued)

(c) At 31 March 2014, the fair value of the Group's investment properties pledged as security for the banking facilities granted to the Group amounts to approximately HK$13,000,000 (2013: HK$15,000,000).

(d) The carrying amounts of investment properties shown above comprise:

	2014 **HK$'000**	2013 HK$'000
Land in Hong Kong:		
Long-term lease	**12,600**	12,500
Medium-term lease	**13,000**	15,000
	25,600	27,500

(e) The fair value measurements for all of the Group's investment properties are categorised as level 3 (see note 3). The following table gives information about how the fair values of these investment properties as at 31 March 2014 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised level 3 based on the degree to which the inputs to the fair value measurements is observable.

Properties	**Fair value hierarchy**	**Valuation technique & key input**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
Property 1 — located in Sai Kung, Hong Kong	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$6,190 per square feet	A slight increase in the price per square feet will increase significantly the fair value
Property 2 — located in North Point, Hong Kong	Level 3	Direct comparison method The key input is price per square feet	Price per square feet, using market direct comparable and taking into account of location and other individual factors such as age and location of the property, of HK$13,534 per square feet	A slight increase in the price per square feet will increase significantly the fair value

(f) 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.

17. PREPAID LEASE PAYMENTS

	2014	2013
	HK$'000	HK$'000
Prepaid lease payments comprises of leasehold land held in the PRC under medium-term leases and are analysed for reporting purposes as:		
Current asset	**216**	214
Non-current asset	**8,733**	8,859
	8,949	9,073

The prepaid lease payments consist of cost of land use rights in respect of land located in the PRC held under medium term leases.

18. GOODWILL

	HK$'000
COST	
At 1 April 2012	–
Arising on acquisition of a subsidiary (note 31)	84,054
At 31 March 2013 and 2014	84,054
IMPAIRMENT	
At 1 April 2012 and 31 March 2013	–
Impairment loss recognised in the year	36,393
At 31 March 2014	36,393
CARRYING VALUES	
At 31 March 2014	47,661
At 31 March 2013	84,054

For the purposes of impairment testing, goodwill has been allocated to an individual cash generating unit ("CGU"), being the subsidiaries operating in paper business segment.

18. GOODWILL (Continued)

The Group conducted impairment review on goodwill attributable to the paper business segment at the end of the reporting period by reference to the estimated recoverable amounts. The recoverable amount of the paper business segment has been determined based on a value-in-use calculation and determined that impairment loss recognised in respect of the CGU of approximately HK$36,393,000 during the year ended 31 March 2014 (2013: nil) due to the unfavorable performance of the industry. The recoverable amount of the CGU, determined by using value in use, was approximately HK$93,724,000. Accordingly, the excess of the carrying amount of the assets and liabilities, including goodwill of the CGU over the recoverable amount recognising as an impairment loss, amounted to approximately HK$36,393,000.

That calculation used cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, with discount rate of 10.04% (2013: 9.01%). The cash flows beyond the five-year period were extrapolated using a steady growth rate of 3% (2013: 3%). The growth rate was based on the relevant industry growth rate forecast and does not exceed the average long-term growth rate for the relevant industry. The key assumptions for the value-in-use calculation related to the estimation of cash flows included gross margin and discount rate. Gross margin represents budgeted gross margin, which is based on past performance and the management's expectation for the market development. The discount rate used is pre-tax rates that reflect current market assessments of the risks specific to the relevant industry. Management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying values of paper business segment to exceed its aggregate recoverable amount.

An impairment loss was recognised during the year because the profit margins of the CGU had been lower than expected. Any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

19. INVENTORIES

	2014	2013
	HK$'000	HK$'000
Raw materials	**5,630**	8,115
Work in progress	**9,031**	5,596
Finished goods	**2,174**	958
	16,835	14,669

20. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	HK$'000
Trade receivables	**12,114**	25,005
Deposits and other receivables	**639**	1,203
Prepayments	**254**	307
	13,007	26,515

20. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES (Continued)

The Group did not hold any collateral over these balances.

Amounts due from related companies included in the above trade receivables and disclosed pursuant to section 161B of the Companies Ordinance are as follows:

Name of related companies	Maximum amount outstanding during the year	2014	2013
	HK$'000	HK$'000	HK$'000
New Spring Label	18,025	1,840	18,025
New Pearl	6	–	6
		1,840	18,031

The amounts due from related companies are unsecured, non-interest bearing, and trading in nature with credit period of 60 days.

For the years ended 31 March 2014 and 2013, the Group allowed an average credit period of 30 to 60 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date which approximates the respective revenue recognition date, at the end of the reporting period.

Ageing of trade receivables

	2014	2013
	HK$'000	HK$'000
0–30 days	7,034	13,850
31–60 days	1,584	2,774
61–90 days	3,184	4,906
91–120 days	288	1,480
121–365 days	24	1,995
	12,114	25,005

20. TRADE RECEIVABLES, DEPOSITS AND OTHER RECEIVABLES (Continued)

Ageing of trade receivables which are past due but not impaired based on due date

	2014	2013
	HK$'000	HK$'000
0–30 days	**3,184**	4,906
31–60 days	**288**	1,480
61–365 days	**24**	1,995
	3,496	8,381

Trade receivables which are past due but not impaired related to customers that had good track records with the Group. There has not been a significant change in the credit quality and the balances were still considered fully recoverable.

At 31 March 2013, the carrying amount of the Group's trade receivables pledged as security for the banking facilities granted to the Group amounted to approximately HK$1,092,000 (2014: nil).

21. HELD FOR TRADING INVESTMENTS

The held for trading investments comprise equity securities listed in Hong Kong and are stated at fair values which are based on the quoted market bid prices on the Stock Exchange.

22. CASH AND CASH EQUIVALENTS

	2014	2013
	HK$'000	HK$'000
Deposits in other financial institutions (note a)	**33,354**	44,950
Bank balances and cash (note b)	**10,970**	22,806
Total cash and cash equivalents	**44,324**	67,756

22. CASH AND CASH EQUIVALENTS (Continued)

Notes:

(a) The amounts represented deposits placed with securities brokers in Hong Kong and it is repayable on demand and carried interest at prevailing market rates as at 31 March 2014 and 2013.

(b) Bank balances and cash comprise bank balances carrying interest at market rates which range from 0.01% to 0.35% (2013: 0.01% to 0.35%) per annum. As at 31 March 2014, bank balances and cash of approximately HK$1,260,000 (2013: approximately HK$1,328,000) were denominated in RMB, which is not freely convertible currency in the international market and its exchange rate is determined by the government of the PRC.

Included in bank balances and cash in the consolidated statement of financial position are the following amounts denominated in currencies other than the functional currency to the entity to which they related:

	2014 **HK$'000**	2013 HK$'000
HK$	**–**	5,120

23. TRADE AND OTHER PAYABLES

	2014 **HK$'000**	2013 HK$'000
Trade payables	**8,044**	11,377
Other payables and accruals	**5,438**	5,400
Deposit received from customers	**270**	86
Receipt in advance	**–**	14
	13,752	16,877

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2014 **HK$'000**	2013 HK$'000
Within 30 days	**2,074**	5,290
31–60 days	**865**	2,263
61–90 days	**1,046**	1,880
Over 90 days	**4,059**	1,944
	8,044	11,377

The average credit period on purchases of goods was 30 to 60 days. The Group had financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

24. AMOUNT DUE TO A RELATED COMPANY

The amount is due to Beautiking Investments Limited ("Beautiking"), of which, Mr. Ng and Ms. Li are the directors and key management personnel. The amount is unsecured, non-interest bearing and repayable on demand.

25. PROMISSORY NOTE

On 30 November 2012, the Company issued unsecured promissory note with face value of HK$55,000,000 as part of consideration for the acquisition of Sky Will Printing & Packaging (Holdings) Limited ("Sky Will Holdings") and its subsidiary ("Sky Will Group") (note 31). At initial recognition, the promissory note was stated at its fair value of HK$53,685,000 which was determined by the directors of the Company with reference to a valuation performed by an independent valuer.

The promissory note was freely transferable, non-interest bearing with maturity of 2 years but can be repaid at the discretion of the Company at any time since date of issuance. The interest free promissory note resulted in discounting effect of the promissory note with an effective interest rate of 2.23% per annum. The promissory note was fully repaid during the year ended 31 March 2014.

26. OBLIGATIONS UNDER FINANCE LEASE

	2014 **HK$'000**	2013 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**1,283**	1,438
Non-current liabilities	**1,400**	2,974
	2,683	4,412

26. OBLIGATIONS UNDER FINANCE LEASE (Continued)

It is the Group's policy to lease certain of its plant and machinery, furniture and fixtures and motor vehicles under finance lease. The average contracted lease term is 4 to 5 years. Interest rates are fixed at the contract date. For the year ended 31 March 2014, the average effective borrowing rate (which was also equal to contracted interest rates) range from 3% to 7.68% (2013: 7.68%) per annum. The leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance lease				
Within one year	**1,476**	1,643	**1,283**	1,438
In more than one year but not more than two years	**1,610**	1,643	**1,400**	1,395
In more than two years but not more than five years	**–**	1,756	**–**	1,579
	3,086	5,042	**2,683**	4,412
Less: Future finance charges	**(403)**	(630)	**N/A**	N/A
Present value of lease obligations	**2,683**	4,412	**2,683**	4,412
Less: Amount due for settlement within one year shown under current liabilities			**(1,283)**	(1,438)
Amount due for settlement after one year			**1,400**	2,974

The Group's obligations under finance lease are secured by the lessors' charge over the leased asset (note 15).

27. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Secured mortgage loan	**5,754**	5,928
Secured trade financing loan	**–**	1,088
	5,754	7,016
Carrying amount repayable*		
Within one year	**179**	1,262
More than one year, but not exceeding two years	**183**	179
More than two years but not more than five years	**580**	564
More than five years	**4,812**	5,011
	5,754	7,016
Less: Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(5,575)**	(5,754)
Less: Amounts due with one year shown under current liabilities	**(179)**	(1,262)
Amounts shown under non-current liabilities	**–**	–

* The amounts due are based on scheduled repayment dates as set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's mortgage loan and trade financing loan are ranged from 2.625% to 8.1% (2013: 2.625% to 8.1%) per annum.

During the year ended 31 March 2013, the Group obtained new loans in the amount of approximately HK$7,853,000 (2014: Nil). The loans bear interest at market rates. The proceeds were used to finance the purchasing of raw materials and the acquisition of an investment property.

The secured mortgage loan and trade financing loan are secured by certain assets of the Group as set out in note 33 as at 31 March 2014 and 2013.

The secured bank borrowing and mortgage loan were guaranteed and indemnified by Mr. Ng, for approximately HK$1,875,000 as at 31 March 2014 and 2013.

27. BANK BORROWINGS (Continued)

The amounts of banking facilities not utilised at the end of each reporting period are set out as follows:

	2014	2013
	HK$'000	HK$'000
Facilities amount not utilised	**–**	788

28. DEFERRED TAX LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 April 2012	86	(86)	–
Addition through acquisition of a subsidiary (note 31)	95	–	95
Deferred tax charged during the year	48	32	80
At 31 March 2013	229	(54)	175
Deferred tax (credited) charged during the year	(44)	26	(18)
At 31 March 2014	185	(28)	157

At the end of the reporting period, the Group had unused tax losses of approximately HK$21,580,000 (2013: approximately HK$22,065,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$170,000 (2013: HK$328,000) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of approximately HK$21,410,000 (2013: approximately HK$21,737,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$7,099,000 (2013: HK$9,720,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. SHARE CAPITAL

	Number of ordinary shares	Par value per ordinary share HK$	Share Capital HK$'000
Authorised:			
At 1 April 2012, 31 March 2013 and 31 March 2014	10,000,000,000	0.01	100,000
Issued and fully paid:			
At 1 April 2012	57,433,057	0.01	574
Issue of consideration shares (note (a))	200,000,000	0.01	2,000
Issue of subscription shares (note (b))	450,000,000	0.01	4,500
Open offer (note (c))	459,464,456	0.01	4,595
Bonus shares (note (d))	41,023,612	0.01	410
At 31 March 2013	1,207,921,125		12,079
Placing of shares (note e)	24,158,000	0.01	2,416
At 31 March 2014	1,449,501,125		14,495

Notes:

(a) Pursuant to the sale and purchase agreement ("S&P Agreement") entered into between the Company and Sky Will Printing & Packaging (BVI) Limited (the "Vendor"), 200,000,000 consideration shares ("Consideration Shares") were issued at an issue price of HK$0.10 per Consideration Share, credited as fully paid, as part of the consideration for the acquisition of equity interest in Sky Will Group (note 31). The fair value of the Consideration Shares was approximately HK$23,762,000 as at 3 May 2012 which was determined by the directors of the Company with reference to valuation carried out by an independent valuer. The share capital and share premium of the Company increased by HK$2,000,000 and HK$21,762,000 respectively.

(b) On 29 February 2012, the Company entered into a subscription agreement (the "Subscription Agreement") with World Treasure Global Limited ("World Treasure"), in which a director of the Company has beneficial interest. Pursuant to the Subscription Agreement, the Company issued 450,000,000 subscription shares ("Subscription Shares") to World Treasure at the subscription price of HK$0.10 per subscription share. The gross proceed of the subscription is HK$45,000,000. Details of the subscription were set out in the circular dated 5 March 2012. The subscription was completed on 3 May 2012.

(c) On 29 February 2012, the Company entered into an agreement with World Treasure and Kingston Securities Limited as underwriters, whereby the Company proposed to raise gross proceeds of approximately HK$45,947,000 before expenses, by way of open offer of 459,464,456 shares at the offer price of HK$0.10 per offer share, on the basis of eight offer shares for every share ("Open Offer"). A sum of net amount approximately HK$45,373,000, after deducting related expenses of approximately HK$574,000, was raised and used as working capital of the Group. Details of the Open Offer were set out in the circular dated 5 March 2012. The Open Offer was completed on 3 May 2012.

(d) On 3 May 2012, the Company has issued bonus shares ("Bonus Issue") to the existing shareholders on the basis of five bonus shares for every seven shares, as a results, 41,023,612 ordinary shares were issued and share premium decreased by approximately HK$410,000. Details of the Bonus Issue were set out in the circular of the Company dated 5 March 2012. The Bonus Issue was completed on 3 May 2012.

(e) On 13 May 2013, the Company entered into a placing agreement with a placing agent pursuant to which the Company has conditionally agreed to place aggregate maximum of 241,580,000 placing shares at the placing price of HK$0.1 per share to not fewer than six placees who and whose ultimate beneficial owners will not be connected persons of the Company and its connected persons. The placing of shares was completed on 5 June 2013.

All the new shares issued during the years ended 31 March 2014 and 2013 ranked pari passu with the existing shares in all respects.

30. SHARE OPTIONS

On 31 July 2012, the Company terminated the original share option scheme adopted on 29 August 2002 (the "Old Share Option Scheme") and adopted a new share option scheme (the "New Share Option Scheme") as replacement. The purpose of the New Share Option Scheme is to provide the Company with a flexible and effective means of incentivising, rewarding, remunerating, compensating and/or providing benefits to employees, directors, any advisers, consultants, agents, contractors, customers and suppliers of any members of the Group.

There were no options outstanding under the Old Share Option Scheme during the period from 1 April 2012 up to the date of its termination. The New Share Option Scheme became effective on 31 July 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from the date.

During the year ended 31 March 2014 and 2013, there were no options granted under the New Share Option Scheme entitling the holders thereof to subscribe for the shares of the Company. There were no options outstanding as at 31 March 2014 and 2013.

31. ACQUISITION OF A SUBSIDIARY

On 3 May 2012, the Company acquired the entire issued capital of Sky Will Group which is engaged in the manufacture and trading of paper packaging products, paper gift items and paper promotional materials. The aggregate consideration for the acquisition was approximately HK$112,447,000 ("Consideration") and was satisfied in the forms of (i) cash of HK$35,000,000; (ii) issuance of the Consideration Shares (note 29(a)); and (iii) issuance of a promissory note (note 25). The acquisition has been accounted for using acquisition method. The amount of goodwill arising as a result of the acquisition was approximately HK$84,054,000.

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

	HK$'000
Plant and equipment	34,051
Inventories	15,244
Trade receivables, deposits and other receivables	26,595
Bank balances and cash	2,415
Trade and other payables	(13,000)
Amounts due to related companies (note a)	(10,817)
Amount due to a director (note a)	(6,028)
Obligations under finance leases	(5,812)
Bank borrowings	(10,814)
Deferred tax liabilities	(95)
Income tax payables	(3,346)
Net identifiable assets	28,393

31. ACQUISITION OF A SUBSIDIARY (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred:	
— Cash	35,000
— Fair value of Consideration Shares	23,762
— Fair value of promissory note (note 25)	53,685
	112,447
Less: Net assets acquired	(28,393)
Goodwill arising on acquisition	84,054

Note:

(a) The amounts were unsecured, non-interest bearing, repayable on demand and had been repaid by the Group subsequent to the date of acquisition during the year ended 31 March 2013.

Analysis of net outflow of cash and cash equivalents in respect of the acquisition:

	HK$'000
Cash consideration paid	35,000
Less: Deposit paid for acquisition of a subsidiary in previous years	(15,000)
Less: Bank balances and cash acquired	(2,415)
Net cash outflow in respect of the acquisition for the year ended 31 March 2013	17,585

As part of the consideration for the acquisition of Sky Will Group, 200,000,000 ordinary share of the Company with par value of HK$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the valuation carried out by an independent valuer at the date of the acquisition, amounted to HK$23,762,000.

Acquisition-related costs amounting to approximately HK$359,000 have been excluded from the consideration transferred and have been recognised as an expense for the year ended 31 March 2013, within the administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

The fair value of trade receivables, deposits and other receivables at the date of acquisition amounted to approximately HK$26,595,000. The gross contractual amounts of those trade receivables, deposits and other receivables acquired amounted to approximately HK$26,595,000 at the date of acquisition.

31. ACQUISITION OF A SUBSIDIARY (Continued)

Pursuant to the S&P Agreement, the Vendor has undertaken to the Company that the net profit of Sky Will Group for the year ended 31 March 2012 would not be less than HK$16,000,000 ("Profit Guarantee"). For any shortfall from HK$16,000,000, the Consideration would be adjusted downward by an amount equal to the shortfall multiplied by 6.875 and would be offset against the promissory note on a dollar for dollar basis and limited to HK$55,000,000. Upon the receipt of the audited accounts of Sky Will Group for the year ended 31 March 2012, the Profit Guarantee was met, hence, no consideration adjustment was made.

The directors of the Company considered the Vendor and its beneficial owners were independent third parties to the Company before the acquisition. Upon the issuance of Consideration Shares, the Vendor became a substantial shareholder of the Company.

Since its acquisition by the Group, the acquired business contributed turnover of approximately HK$80,825,000 and a profit of approximately HK$6,274,000 to the Group's turnover and profit for the year ended 31 March 2013 respectively.

Had the acquisition been completed on 1 April 2012, total Group's turnover for the year ended 31 March 2013 would have been approximately HK$84,188,000, and the Group's profit for the year ended 31 March 2013 would have been approximately HK$2,188,000.

Goodwill arose on acquisition represents the control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the anticipated profitability from the continued expansion of the Group's business, future market development and the knowledgeable and experienced key management personnel of Sky Will Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

(i) Miracle True Investments Limited ("Miracle True") and its subsidiary ("Miracle True Group")

On 5 July 2012, Sky Will Holdings, the Company's subsidiary, has entered into a contract with a related company, Glory Wing Investments Limited ("Glory Wing"), in which Mr. Ng has the beneficial interest, to acquire the entire equity interest of Miracle True Group. The aggregate consideration for the acquisition was approximately HK$9,400,000 and was satisfied in the form of cash.

Miracle True Group is principally engaged in investment holding of a land located in Huizhou (note 17). At the time of the acquisition, Miracle True Group had not actively engaged in any business. In the opinion of the directors of the Company, the acquisition of Miracle True Group does not constitute a business combination but an acquisition of assets and liabilities through acquisition of subsidiaries. The effect of the acquisition was summarised as follows:

	HK$'000
Prepaid lease payments	9,174
Bank balances	226
	9,400

Analysis of net cash outflow of cash and cash equivalents arising on acquisition of assets through acquisition of subsidiaries was as follow:

	HK$'000
Consideration paid in cash	9,400
Less: Bank balances acquired	(226)
Net cash outflow	9,174

32. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Fanda Pacific Limited ("Fanda") and its subsidiary ("Fanda Group")

On 26 October 2012, the Company entered into a contract with an independent third party to acquire the entire equity interest of Fanda Group. The aggregate consideration for the acquisition was approximately HK$12,066,000 and to be satisfied in the form of cash.

Fanda Group is principally engaged in property investment in Hong Kong for rental income. At the time of the acquisition, the business activities performed by Fanda Group were not significant. In the opinion of the directors, the acquisition of Fanda Group does not constitute a business combination but an acquisition of assets and liabilities through acquisition of subsidiaries. The effect of the acquisition was summarised as follows:

	HK$'000
Investment properties	12,000
Other receivables	29
Bank balances and cash	150
Other payables	(64)
Income tax payables	(49)
Net assets	12,066

Analysis of net cash outflow of cash and cash equivalents arising on acquisition of assets through acquisition of subsidiaries was as follow:

	HK$'000
Consideration paid in cash	12,066
Less: Bank balances acquired	(150)
Net cash outflow	11,916

33. PLEDGE OF ASSETS

At the end of the reporting period, certain assets of the Group were pledged to secure banking facilities and obligations under finance lease granted to the Group as follows:

	2014 HK$'000	2013 HK$'000
Investment properties (note 16c)	13,000	15,000
Plant and equipment under finance lease (note 15)	6,053	7,398
Trade receivables (note 20)	–	1,092
	19,053	23,490

34. OPERATING LEASES

The Group as lessor

Property rental income earned during the year was approximately HK$785,000 (2013: 353,000) with the expected rental yield ranged from 2.5% to 3.1%. The investment properties held had committed tenants for the next one to two years.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK$'000	2013 HK$'000
Within one year	433	362
In the second to fifth year inclusive	1	94
	434	456

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease which fall due as follow:

	2014 HK$'000	2013 HK$'000
Within one year	2,657	454
In the second to fifth year inclusive	722	–
	3,379	454

Operating lease payments represent rentals payable by the Group for its factory and office premises. Leases are negotiated for an average term of one to three years and rentals are fixed for the year ended 31 March 2014 (2013: one to three years).

35. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme. The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$105,000 for the year ended 31 March 2014 (2013: HK$81,000) represent retirement benefit contributions payable to the MPF scheme by the Group during the year.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions. The total costs charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$897,000 for the year ended 31 March 2014 (2013: HK$390,000) represent retirement benefit contributions payable to this scheme by the Group during the year.

36. RELATED PARTY TRANSACTIONS

(i) Related party balances are set out in notes 20 and 24 to the consolidated financial statements.

(ii) During the year, the Group entered into the following transactions with its related companies:

Name of related companies	Nature	Notes	2014 HK$'000	2013 HK$'000
New Spring Label	Sales of packaging products	(a)	**40,842**	23,965
New Spring Label	Management fee income	(b)	**720**	660
Beautiking	Rental expense	(c)	**180**	165
New Pearl	Rental income	(d)	**–**	66

Notes:

(a) The sale of packaging products was mutually agreed by the Group and the related company. The outstanding balance included in note 20 is trading in nature with credit period of 60 days.

(b) The management fee income was charged on a monthly fixed amount mutually agreed by the Group and the related company.

(c) The rental expenses paid were charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.

(d) The rental income was charged on a monthly fixed amount basis as mutually agreed by the Group and the related company.

36. RELATED PARTY TRANSACTIONS (Continued)

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were follows:

	2014 HK$'000	2013 HK$'000
Short-term benefits	**1,339**	1,685
Post-employment benefits	**26**	57
	1,365	1,742

(iv) Mr. Ng has provided guarantee on secured bank trade financing loan as detailed in note 27.

37. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Plant and equipment		**–**	83
Investments in subsidiaries (unlisted)		**83,447**	119,840
		83,447	119,923
Current assets			
Amounts due from subsidiaries	(a)	**77,964**	109,147
Deposits and prepayments		**252**	252
		78,216	109,399
Current liabilities			
Other payables and accruals		**1,944**	1,874
Promissory note		**–**	55,000
		1,944	56,874
Net current assets		**76,272**	52,525
Total assets less current liabilities		**159,719**	172,448
Capital and reserves			
Share capital		**14,495**	12,079
Reserves	(b)	**145,224**	160,369
Total equity		**159,719**	172,448

37. THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

(a) The amounts are unsecured, non-interest bearing and repayable on demand.

(b) The movement of reserves of the Company is as follows:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2012	131,205	103,941	(173,024)	62,122
Loss and total comprehensive expense for the year	–	–	(4,383)	(4,383)
Issue of Consideration Shares (note 29(a))	21,762	–	–	21,762
Issue of Subscription Shares (note 29(b))	40,500	–	–	40,500
Open offer (note 29(c))	41,352	–	–	41,352
Transaction cost attributable to open offer	(574)	–	–	(574)
Bonus shares (note 29(d))	(410)	–	–	(410)
At 31 March 2013	233,835	103,941	(177,407)	160,369
Placing of shares	21,742	–	–	21,742
Transaction cost attributable to placing of shares	(684)	–	–	(684)
Loss and total comprehensive expense for the year	–	–	(36,203)	(36,203)
At 31 March 2014	254,893	103,941	(213,610)	145,224

38. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 March 2014 and 2013 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid share/ registered capital	Percentage of nominal value of issued share/registered capital directly held by the Company 2014	2013	Principal activities
Direct subsidiaries					
Advance Summit Limited	BVI	US$1	**100%**	100%	Inactive
Fanda	BVI	US$1	**100%**	100%	Investment holding
New Able Investments Limited	BVI	US$1	**100%**	100%	Investment holding
New Able Trading Limited	Hong Kong	HK$1	**100%**	100%	Inactive
Instant Up Limited	Hong Kong	HK$1	**100%**	100%	Provision of administrative services

38. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Issued and fully paid share/ registered capital	Percentage of nominal value of issued share/registered capital directly held by the Company 2014	2013	Principal activities
Direct subsidiaries (Continued)					
Sky Will Holdings	BVI	US$100	**100%**	100%	Investment holding
Indirect subsidiaries					
Get Billion Investment Limited	Hong Kong	HK$1	**100%**	100%	Property investment
Kingdom Wealthy Limited	Hong Kong	HK$2	**100%**	100%	Property investment
Miracle True	Hong Kong	HK$10,000	**100%**	100%	Investment holding
* New Spring Offset Printing (Shenzhen) Limited * 新高準柯式印刷(深圳)有限公司	PRC	HK$12,000,000	**100%**	100%	Manufacture and trading of packaging products
New Spring (SW) Printing & Packaging Limited 新高準(天安)印刷包裝有限公司	Hong Kong	HK$10,000	**100%**	100%	Trading of packaging products
Sky Will Printing & Packaging Limited	Hong Kong	HK$10,000	**100%**	100%	Investment holding and trading of packaging products
* 新博包裝製品(惠州)有限公司	PRC	HK$10,000,000	**100%**	100%	Inactive

* A wholly-foreign-owned enterprise established under the PRC law. The English name is for identification purpose only.

Notes:

(a) None of the subsidiaries had any debt securities outstanding as at the end of the reporting period or at any time during the reporting period.

39. EVENTS AFTER THE REPORTING PERIOD

(i) On 29 May 2014, the Company and six independent third parties (the "Subscribers") entered into a subscription agreement pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,350,000,000 subscription shares, comprising 1,666,666,668 new ordinary shares and 2,683,333,332 new preferred shares, at an issue price of HK$0.08 per subscription share. Details of which are set out in the Company's announcement dated 13 June 2014. The subscription has not yet been completed up to the date of this report.

(ii) On 20 June 2014, the Company entered into a sales and purchase agreement with an independent third party to dispose of the entire issued capital of Miracle True at consideration of approximately HK$12,000,000. The principal asset of Miracle True is the land use right of a parcel of land for industrial use located in Huizhou City, Guangdong Province, the PRC. The Group intends to use the proceeds as general working capital. The disposal has not yet been completed up to the date of this report.

FIVE-YEAR FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	Year ended 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note 1)	(Note 1)	(Note 1)
Revenue	**113,433**	81,178	–	87,366	179,695
(Loss)/profit before tax	**(37,332)**	3,480	(4,790)	(4,367)	21,396
Income tax expense	**(576)**	(1,248)	–	(4)	76
(Loss)/profit for the year	**(37,908)**	2,232	(4,790)	(4,371)	21,472
Attributable to:					
Owners of the Company	**(37,908)**	2,232	(4,790)	(4,371)	21,473
Non-controlling interests	**–**	–	–	–	(1)
	(37,908)	2,232	(4,790)	(4,371)	21,472

Note 1: The consolidated results for the respective year ends included the results from continuing and discontinued operations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 March				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**189,715**	268,371	67,739	70,849	114,495
Total liabilities	**(22,550)**	(87,149)	(4,234)	(2,554)	(41,829)
	167,165	181,222	63,505	68,295	72,666
Share capital	**14,495**	12,079	574	11,486	11,486
Reserves	**152,670**	169,143	62,931	56,809	61,180
Total equity attributable to owners of the Company	**167,165**	181,222	63,505	68,295	72,666