THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Jinhai International Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer, registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China Jinhai International Group Limited and it must not be used for purpose of offering or inviting offers for any securities.

CHINA JINHAI INTERNATIONAL GROUP LIMITED

中國金海國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

(Stock Code of Warrants: 1436)

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER
PROPOSED ELECTION OR RE-ELECTION OF DIRECTORS
AND
NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

A letter of advice from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages IBC-1 to IBC-2 of this circular. A letter of advice from the Independent Financial Adviser, Guotai Junan Capital Limited, containing its opinion and advice to the Independent Board Committee and the Independent Shareholders is set out on pages IFA-1 to IFA-27 of this circular.

A notice convening the SGM to be held on Thursday, 23 July 2015 at 9:30 a.m. at Falcon Room 1, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong is set out on pages N-1 to N-3 of this circular. A form of proxy for use at the SGM is also enclosed with this circular.

Whether or not you are able to attend the SGM, you are advised to read the notice of SGM and complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

* *For identification purpose only*

7 July 2015

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than information relating to the Subscriber) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by the Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the Subscriber contained in this circular has been supplied by the Subscriber. The Subscriber accepts full responsibility for the accuracy of the information (other than information relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed by the Subscriber in this circular have been arrived at after due and careful consideration, and there are no other facts not contained in this circular, the omission of which would make any statement in relation to the Subscriber misleading.

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings unless the context requires otherwise.

"acting in concert"	has the meaning ascribed to it by the Takeovers Code and the expression "concert party(ies)" shall be construed accordingly
"Announcement"	the announcement dated 27 May 2015 of the Company regarding, among other things, the proposed Subscription under the Subscription Agreement and the application for Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day"	means a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are open for business
"Bye-laws"	the bye-laws of the Company, as amended from time to time
"Company"	China Jinhai International Group Limited, a company incorporated in Bermuda, the issued Shares and the Warrants (stock code of Warrants: 1436) are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
"Completion Date"	the date of Completion, which shall be the seventh Business Day after the Unconditional Date, or on such other date as the parties may agree
"Conditions"	the conditions precedent to Completion as summarised in the paragraph headed "*Conditions of the Subscription*" in this announcement
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"Disclosed"	means disclosed fully and fairly in (i) the Subscription Agreement; (ii) the audited accounts and management accounts of the Company; (iii) the announcements, circulars and reports issued by the Company and information or documents of the Company published on the website of the Stock Exchange prior to signing of the Subscription Agreement; and (iv) the disclosure letter to be delivered by the Company to the Subscriber upon Completion, and/or any written disclosure by the Company and/or its adviser(s) pursuant to the signing of the Subscription Agreement
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"Group"	the Company and each of its subsidiaries from time to time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Branch Share Registrar"	Tricor Tengis Limited, the branch share registrar and transfer office of the Company in Hong Kong, whose address is at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
"Independent Board Committee"	an independent committee of the Board (comprising all the independent non-executive Directors, namely Mr. Li Chi Ming, Mr. Kwok Chi Kwong, Mr. Chen Youchun, Mr. Frank H. Miu and Mr. Tsang Wing Ki) to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Subscription Agreement and the Whitewash Waiver and as to voting
"Independent Financial Adviser"	Guotai Junan Capital Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders for giving advice as to whether the Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver are, or are not, fair and reasonable and as to voting
"Independent Shareholders"	Shareholders, other than the Subscriber, his associates and the parties acting in concert with him, and other Shareholders who are involved or interested in the Subscription Agreement together with the transactions contemplated thereunder, the grant of the Specific Mandate and/or the Whitewash Waiver

"Last Trading Day"	19 May 2015, being the last trading day for the Shares and the Warrants before the entering into of the Subscription Agreement
"Latest Practicable Date"	3 July 2015, being the latest practicable date for ascertaining certain information contained in this circular
"Listing Committee"	the listing sub-committee of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longstop Date"	30 August 2015 (or such other date as may be agreed by the Subscriber and the Company)
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers, being Appendix 10 to the Listing Rules
"Options"	the share options granted by the Company to subscribe for new Shares under its share option scheme(s)
"PRC"	the People's Republic of China
"Relevant Period"	the period commencing from 27 November 2014, being six months prior to the date of the Announcement (that is, 27 May 2015), and up to and including the Latest Practicable Date
"Relevant Securities"	securities as defined in Note 4 to Rule 22 of the Takeovers Code (which include (a) securities of the Company which are being subscribed for pursuant to the Subscription or which carry voting rights; (b) equity share capital of the Company and the Subscriber; (c) securities of the Subscriber which carry the same or substantially the same rights or any to be issued as consideration for the Subscription; (d) securities carrying conversion or subscription rights into any of the foregoing; and (e) options and derivatives in respect of any of the foregoing)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
"SGM" or "Special General Meeting"	the special general meeting of the Company to be convened and held to approve, among other things, the SGM Matters

"SGM Matters"	the matters to be put forward to the Independent Shareholders for consideration and, if thought fit, approval at the SGM which include (i) the Subscription contemplated under and pursuant to the terms and conditions of the Subscription Agreement; (ii) the grant of the Specific Mandate; (iii) the Whitewash Waiver; (iv) the appointment of the Subscriber's nominees as executive Directors to the Board; and (v) the re-election of existing Director
"Share(s)"	ordinary share(s) with a par value of HK$0.01 each in the capital of the Company (which include the Shares listed on the Stock Exchange) or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those Shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company)
"Shareholder(s)"	holder(s) of the Share(s)
"Specific Mandate"	a specific mandate to allot, issue or otherwise deal in additional Shares to be sought from the Shareholders at the SGM to satisfy the allotment and issue of the Subscription Shares upon Completion
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscriber"	Mr. Wei Zhenyu (韋振宇), the subscriber under the Subscription Agreement
"Subscription"	the subscription of the Subscription Shares subject to and upon the terms and conditions of the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 20 May 2015 entered into between the Company and the Subscriber in respect of the Subscription
"Subscription Price"	the subscription price of HK$0.25 per Subscription Share of the subscription for the Subscription Shares by the Subscriber
"Subscription Shares"	subject to the fulfillment of the Conditions and the terms of the Subscription Agreement, a total of 4,000,000,000 new Shares to be subscribed for by the Subscriber at Completion
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules

"Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC
"Unconditional Date"	the date on which all the Conditions have been satisfied or waived (as the case may be) in accordance with the Subscription Agreement
"Warrants"	the warrant(s) issued by the Company and listed on the Main Board of the Stock Exchange (stock code: 1436) conferring right(s) in its/their registered form to the holder(s) thereof to subscribe for Share(s) at the exercise price of HK$0.10 per Share during the subscription period commencing on 8 April 2015 and expiring on 7 April 2016 (both days inclusive)
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code in respect of the obligations of the Subscriber to make a mandatory general offer for all of the Shares not already owned or agreed to be acquired by the Subscriber or parties acting in concert with him which would, if the Subscription proceeds, otherwise arise as a result of the issue of the Subscription Shares to the Subscriber upon Completion
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent

Certain amounts and percentage figures included in this circular have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

CHINA JINHAI INTERNATIONAL GROUP LIMITED
中國金海國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)
(Stock Code of Warrants: 1436)

Executive Directors:
Mr. Wang Haixiong *(Chairman)*
Mr. Wong Howard
Mr. Wong Yat Fai
Ms. Chen Wei
Mr. Zhan Jianzhou

Independent non-executive Directors:
Mr. Li Chi Ming
Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Frank H. Miu
Mr. Tsang Wing Ki

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1603–05
Harcourt House
39 Gloucester Road
Wanchai
Hong Kong

7 July 2015

To the Shareholders

Dear Sir or Madam

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
APPLICATION FOR WHITEWASH WAIVER
PROPOSED ELECTION OR RE-ELECTION OF DIRECTORS
AND
NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in which it was disclosed that the Company had on 20 May 2015 entered into the Subscription Agreement pursuant to which the Subscriber agreed to subscribe for in cash, and the Company agreed to allot and issue 4,000,000,000 Subscription Shares at the Subscription Price of HK$0.25 each, subject to and upon the terms and conditions of the Subscription Agreement.

The primary purpose of this circular is to provide you with, among other matters, (i) further details of the Subscription contemplated under the Subscription Agreement, the grant of the Specific Mandate and the Whitewash Waiver; (ii) the recommendations of the Independent

* *For identification purpose only*

Board Committee to the Independent Shareholders in relation to the Subscription and the Whitewash Waiver; (iii) the letter of advice from the Independent Financial Adviser (that is, Guotai Junan Capital Limited) to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Subscription and the Whitewash Waiver; and (iv) the notice of the SGM.

THE SUBSCRIPTION AGREEMENT

Date

20 May 2015

Parties

Issuer : the Company

Subscriber : Mr. Wei Zhenyu (韋振宇)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries:

(i) the Subscriber is a third party independent of the Company and its connected persons and is not a party acting in concert with any of them; and

(ii) save as the contractual relationship arising from the entering into of the Subscription Agreement, the Subscriber has no prior business or other relationship with the Company and its connected persons.

Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 4,000,000,000 Subscription Shares.

The aggregate nominal value of the Subscription Shares (with a par value of HK$0.01 each) is HK$40,000,000.

Subscription Price

HK$0.25 per Subscription Share.

The aggregate consideration for the Subscription, being HK$1,000,000,000, shall be payable by the Subscriber in cash on Completion.

The Subscription Price of HK$0.25 per Subscription Share represents:

(i) a discount of approximately 73.96% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on 19 May 2015 (being the Last Trading Day);

(ii) a discount of approximately 67.36% to the average of the closing price per Share of approximately HK$0.766 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iii) a discount of approximately 64.74% to the average of the closing price per Share of approximately HK$0.709 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a premium of approximately 296.83% over the audited consolidated net asset value per Share as at 31 March 2014 of HK$0.063;

(v) a premium of approximately 212.50% over the unaudited consolidated net asset value per Share as at 30 September 2014 of HK$0.08;

(vi) a discount of approximately 6.37% to the audited consolidated net asset value per Share as at 31 March 2015 of HK$0.267; and

(vii) a discount of approximately 63.77% to the closing price of HK$0.690 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the net asset value of the Company, as well as the business performance and the financial position of the Company.

As shown in Appendix I to the Circular, the Group recorded a loss for each of the three financial years ended 31 March 2015. The overall business performance and financial position of the Company for the past years were not at a satisfactory level. When compared with the net asset value of the Company, the Subscription Price represents a premium of approximately 296.83% over the audited consolidated net asset value per Share of HK$0.063 as at 31 March 2014, a premium of approximately 212.50% over the unaudited consolidated net asset value per Share as at 30 September 2014 of HK$0.08 and a discount of approximately 6.37% to the audited consolidated net asset value per share of HK$0.267 as at 31 March 2015.

Notwithstanding that the determination of the Subscription Price was not based on the historical price performance of the Shares, the Board had nevertheless reviewed the historical price performance of the Shares. In this regard, the Board had reviewed the daily closing price of the Shares (the "**Closing Price**") for the period from **19 November 2014** (being the 6-month period prior to the entering into the Subscription Agreement on 20 May 2015) and up to the Last Trading Day (that is, 19 May 2015) (the "**Review Period**"). The Board considered that a period of six months was long enough to capture the recent price movements of the Shares so as to make a reasonable comparison between the Closing Price and the Subscription Price. The Board noted that the Closing Price was decreased since November 2014 and remained relatively steady from December 2014 to April 2015 and reached the highest of

HK$1.07 on 20 April 2015. During the Review Period, the Closing Price ranged from HK$0.169 on 9 April 2015 to HK$1.07 on 20 April 2015. The Subscription Price of HK$0.25 represents a premium of approximately 47.9% over the lowest Closing Price and a discount of approximately 76.6% to the highest Closing Price during the Review Period. Out of an aggregate of 121 trading days during the Review Period, the Subscription Price of HK$0.25 represents a premium of the Closing Price for 74 trading days, representing approximately 61% of the trading days during the Review Period.

Accordingly, the Directors consider it fair and reasonable and in the interests of the Company and the Shareholders as a whole to determine the Subscription Price with reference to the net asset value of the Company, as well as the business performance and the financial position of the Company, and the Subscriber considers it commercially acceptable to him to determine the Subscription Price on such basis.

Conditions of the Subscription

Completion is conditional upon satisfaction or waiver (as the case may be) of the following Conditions:

(i) the Subscriber shall have completed his due diligence on the Group's financial position, business, operation, taxation aspects and assets to his satisfaction within 30 days after the date of signing of the Subscription Agreement;

(ii) the passing by the Independent Shareholders at the SGM of all resolutions necessary to give effect to the transactions contemplated under the Subscription Agreement, including but not limited to approving:

(a) the signing, delivery and performance of the Subscription Agreement and the transactions contemplated thereunder;

(b) the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares;

(c) the election of person(s) nominated by the Subscriber as Director(s) with effect from the Completion; and

(d) the grant of the Whitewash Waiver by the Executive.

(iii) the Executive shall have granted the Whitewash Waiver;

(iv) the Listing Committee of the Stock Exchange shall have granted the approval (either unconditionally or subject to conditions which would neither be objected to by the Company nor the Subscriber) for the listing of, and permission to deal in, the Subscription Shares;

(v) the Company shall have complied with the reporting requirements under the Listing Rules and obtained the required approval(s) from the Stock Exchange;

(vi) (if applicable) all other requisite approvals, permissions, consents, authorisations, undertakings, confirmations and certificates (if any) from any governmental, administrative, supervisory, regulatory, judicial, decisional, disciplinary, enforcement or tax authorities, authorised or agency institutions, committees, departments, courts or arbitral institutions (including the Stock Exchange, the SFC or any other relevant stock exchanges) pursuant to the Subscription Agreement and the contemplated transactions shall have been obtained by each party to the Subscription Agreement;

(vii) (a) the representations and warranties given by the Company under the Subscription Agreement shall be true, accurate and correct in all material respects, without any material omission, and not misleading in any material respect as at the Unconditional Date;

(b) the Company shall have fulfilled its obligations and undertakings under the Subscription Agreement; and

(c) save as Disclosed, there shall exist no material adverse change on the Group's businesses, assets, financial position, performance, operation, properties or conditions (financial or otherwise);

(viii) the Subscription Agreement shall have been signed by both the Company and the Subscriber;

(ix) the Board shall have approved and authorised the entering into and signing of the Subscription Agreement and the Subscription; and

(x) save as Disclosed, the representations and warranties given by the Company under the Subscription Agreement shall continue to be true and accurate as at the Completion Date.

Save for the above Conditions (i), (vii) and (x) which can be waived by the Subscriber, the Conditions are not waivable by any party to the Subscription Agreement.

In the event that the Conditions are not satisfied or waived (as the case may be) by the Longstop Date, the Subscription Agreement will be terminated and no party to the Subscription Agreement shall have any claim against the others (except for any antecedent breaches under the Subscription Agreement).

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank equally in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Disposal and lock-up restrictions

The Subscription Shares are not subject to any lock-up or other disposal restrictions under the terms of the Subscription Agreement.

Undertaking by the Company

The Company undertakes to the Subscriber that, from the date of the Subscription Agreement to the date of Completion, without first having obtained the prior written consent of the Subscriber, it will not allot or issue (or agree to allot or issue) any new Shares or other securities of the Company or grant any rights (or agree to grant any rights to subscribe for or exchangeable or convertible into Shares or enter into any arrangement which would have the same economic consequences (other than the Subscription Shares or any Shares which may fall to be allotted and issued pursuant to any exercise of the outstanding Options or outstanding Warrants in issue at the date of the Subscription Agreement).

Completion of the Subscription

Completion will take place on the seventh Business Day following the Unconditional Date, or on such other date as the parties to the Subscription Agreement may agree.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company comprise:

(i) 4,399,897,387 Shares;

(ii) the outstanding Options entitling the holders thereof to subscribe for a total of 9,351,427 Shares; and;

(iii) the outstanding Warrants entitling the holders thereof to subscribe for a total of 389,584,013 Shares.

Save as disclosed above, the Company has no other outstanding securities convertible or exchangeable into Shares.

EFFECT OF THE SUBSCRIPTION ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the shareholding structure of the Company immediately upon (i) completion of the Subscription; (ii) full exercise of the subscription rights attaching to the outstanding Options (involving the allotment and issue of an aggregate of 9,351,427 new Shares); and (iii) full exercise of the subscription rights attaching to the outstanding Warrants (involving the allotment and issue of an aggregate of 389,584,013 new Shares) (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement and up to Completion).

Shareholders	As at the Latest Practicable Date		Assuming (i) completion of the Subscription and (ii) the subscription rights attaching to the outstanding Options or the outstanding Warrants were not exercised at all		Assuming (i) completion of the Subscription and (ii) full exercise of the subscription rights attaching to the outstanding Options (*Note 3*) but the subscription rights attaching to the outstanding Warrants were not exercised at all		Assuming (i) completion of the Subscription and (ii) full exercise of the subscription rights attaching to the outstanding Options (*Note 3*) and the outstanding Warrants (*Note 4*)	
	(No. of Shares)	*(%)*	*(No. of Shares)*	*(%)*	*(No. of Shares)*	*(%)*	*(No. of Shares)*	*(%)*
Joyous Keen Limited *(Note 1)*	605,000,000	13.75	605,000,000	7.20	605,000,000	7.19	605,000,000	6.88
Subscriber and parties acting in concert with him *(Note 2)*	—	—	4,000,000,000	47.62	4,000,000,000	47.57	4,000,000,000	45.46
Directors								
Wang Haixiong	460,000,000	10.45	460,000,000	5.48	460,000,000	5.47	460,000,000	5.23
Wong Howard	1,277,940	0.03	1,277,940	0.02	3,936,079	0.05	3,936,079	0.04
Wong Yat Fai	1,277,940	0.03	1,277,940	0.02	4,162,300	0.05	4,162,300	0.05
Sub-total of non-public Shareholders:	1,067,555,880	24.26	5,067,555,880	60.34	5,073,098,379	60.33	5,073,098,379	57.66
Public Shareholders	3,332,341,507	75.74	3,332,341,507	39.66	3,336,150,435	39.67	3,725,734,448	42.34
TOTAL:	**4,399,897,387**	**100**	**8,399,897,387**	**100**	**8,409,248,814**	**100**	**8,798,832,827**	**100**

Notes:

(1) Joyous Keen Limited is a company incorporated in Hong Kong and owned as to 50% by Chen Anfeng and Chong In Peng.

(2) As at the Latest Practicable Date, save for the Subscription (which, if successfully completed, will involve the allotment and issue of 4,000,000,000 new Shares to the Subscriber), the Subscriber and parties acting in concert with him do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities of the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

(3) As at the Latest Practicable Date, full exercise of the outstanding Options would involve the allotment and issue of an aggregate of 9,351,427 new Shares.

(4) As at the Latest Practicable Date, full exercise of the outstanding Options would involve the allotment and issue of an aggregate of 389,584,013 new Shares.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) trading and distribution of electronic products and other merchandise; (ii) securities investment and trading; (iii) the research and development of integrated circuit technology; and (iv) money lending business.

INFORMATION ON THE SUBSCRIBER

Mr. Wei Zhenyu (韋振宇), aged 30, is a professional investor. He holds an EMBA degree of the Business School of Nankai University* (南開大學商學院). Since November 2014, Mr. Wei has been appointed and still serves as the executive director and general manager of Shenzhen De Ze Shi Jia Technology Investment Company Limited* (深圳德澤世家科技投資有限公司). Since December 2014, Mr. Wei has been appointed and still serves as the executive director and manager of Lan Ding Industry (Hubei) Company Limited* (藍鼎實業(湖北)有限公司). Since December 2014, Mr. Wei has been appointed and still serves as the director and chairman of Hubei Lan Ding Holding Company Limited* (湖北藍鼎控股股份有限公司), a Shenzhen-listed company (stock code: 971).

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

As at the Latest Practicable Date, save for the Subscription:

(i) the Subscriber and parties acting in concert with him do not hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(ii) the Subscriber and parties acting in concert with him have not borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(iii) there is no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or the Subscriber, which might be material to the Subscription and the Whitewash Waiver, with any other persons;

(iv) there is no agreement or arrangement to which the Subscriber or any party acting in concert with him is a party which relates to circumstances in which he may or may not invoke or seek to invoke a pre-condition or a condition to the Subscription and the Whitewash Waiver; and

(v) none of the Subscriber or any party acting in concert with him have received any irrevocable commitment to vote for or against the Subscription or the Whitewash Waiver.

Except for the entering into of the Subscription Agreement, none of the Subscriber and parties acting in concert with him, has dealt in the Shares, outstanding options, derivatives, warrants or other securities convertible or exchangeable into Shares, during the six months prior to the date of the Announcement.

FUTURE INTENTION OF THE SUBSCRIBER REGARDING THE GROUP

Following the Completion, the Subscriber intends to continue the existing business of the Group. The Subscriber will provide such resources within his means to support the development of the existing business of the Group. The Subscriber has no intention to introduce any change to the existing business of the Group including any redeployment of the fixed assets of the Group or terminate the continued employment of the employees of the Group.

Save for the proposed investment in the Company made via the Subscription, the Subscriber does not have any plans at present to inject any further assets/business into the Company upon completion of the Subscription.

The Subscriber has no intention to terminate any employment of the employees of the Group or to make significant changes to any employment (except for the proposed nomination of the individuals whose biographical and other details are set out in Appendix II-A to this circular as the candidates for election as executive Directors for consideration and, if thought fit, approval by the Independent Shareholders at the SGM). If the candidates nominated by the Subscriber are approved by the Independent Shareholders at the SGM, their appointment as executive Directors will take effect from the Completion. An announcement will be made by the Company upon the appointment of those candidates (if approved by the Independent Shareholders at the SGM) in compliance with the applicable Listing Rules.

BACKGROUND LEADING TO AND REASONS FOR THE SUBSCRIPTION

Mr. Wang Haixiong, the Chairman of the Company, has extensive experience in professional investment and corporate management. Prior to joining the Group, he had held key positions in asset management and investment management companies for many years and has been keeping abreast of investment activities in the PRC.

From a business standpoint, he and other members of the Board are of the view that bringing in the right strategic investor(s) can provide strategic advantages to the long-term development of the Group. For instance, access to additional source of funding or other connections that the strategic investor(s) may have, and to certain extent give the Company instant credibility because of its ability of bringing in strategic investor(s). This, in turn, will help attract other new investor(s).

In or around 2015, Mr. Wang became aware of the Subscriber and his investment activities in the PRC through information published on Hubei Landing Holding Company Limited, a PRC company listed on the Shenzhen Stock Exchange (SHE: 000971). After his joining the Group in April 2015, Mr. Wang initiated contact with the Subscriber to explore his interest in investing in the Company. Through the ensuing negotiations, the Subscriber agreed to invest in the Company through the Subscription and entered into the Subscription Agreement on 20 May 2015.

The Directors are of the view that the Subscription represents a valuable opportunity for the Group to bring in a solid investor with the financial capability to invest in the Company.

The Directors consider that entering into the Subscription Agreement represents a good opportunity to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

Furthermore, aside from the capital which the Subscriber will invest into the Company through the Subscription, the Subscriber has extensive experience in investing in technology companies in the PRC, including such companies as Beijing Ding Jiu Information Engineering Institute Company Limited* (北京鼎九信息工程研究院有限公司), Shenzhen De Ze Shi Jia Technology Investment Company Limited* (深圳德澤世家科技投資有限公司), and Hubei Lan Ding Holding Company Limited* (湖北藍鼎控股股份有限公司). The Directors are confident that the Subscriber's extensive investment experience in technology companies, coupled with his contacts or connections within the PRC, may provide valuable insight or bring in additional resources to the Company, or assist the Company in exploring and identifying investment opportunities in such fields with high growth potential (including companies which engage in the businesses of TMT (technology, media, telecom), information technology, digital technology, etc.), which are beneficial to the Company and the Shareholders as a whole.

The Board keeps an open mind in exploring and identifying potential investment opportunities for the Group. The selection criteria of potential investment opportunities, in broad terms, will be such opportunities that can provide synergy or is complementary to the businesses of the Group, allow sustainable development of the Group and create enduring value for the Shareholders.

The Company has been taking proactive steps in exploring and identifying business opportunities for the Group. Having said that, there was no concrete plan or any identified potential investment target(s) under negotiation and the Group has not entered into any agreements with any parties as at the Latest Practicable Date.

The Board has considered various fund raising methods apart from the Subscription such as debt financing as well as rights issue or open offer. As regards debt financing, having considered that it would increase the gearing level of the Group and the interest expenses incurred which would impose additional financial burden to the Group's future cash flows, the Board considers that such fund raising method is currently not the most appropriate method to the Group.

As regards the viability of a rights issue or an open offer, the Board is of the view that the Subscription is comparatively more feasible, desirable and predictable in the circumstance because:

(i) no underwriting commission is required for the Subscription while the payment of underwriting commission is an industry norm in the case of rights issue or open offer. The amount of underwriting commission involved could be huge if the size of the fund raising is as high as HK$1,000 million. Depending on, among other things, the market conditions and based on the enquiries made by the Company, the underwriting commission would range from 3% to 6%;

(ii) the Company completed a rights issue in March this year. Given the unsatisfactory historical business and financial performance of the Group as disclosed in the Circular, the Company had tried but did not find it easy to identify underwriter(s) to undertake another round of rights issue (or open offer) for the Company;

(iii) given the recent completion of the rights issue mentioned above, the outcome of another round of rights issue (or open offer) (if conducted) is expected to be far less predictable. Besides, an unsatisfactory outcome would effectively produce similar dilution effect on the shareholding of the Company if the existing shareholders choose to forgo their rights to subscribe for the rights shares (or offer shares); and

(iv) the lesser documentation involved in the Subscription (which does not require the preparation of a prospectus and other underwriting documents) means that it is less cumbersome and administratively easier to arrange.

In light of the above, the Board is of the view that equity financing by way of the Subscription is the most appropriate mean of raising additional capital as (i) it is more practicable and direct under a volatile market and the prevailing uncertain market conditions; (ii) it is less costly and no interest burden is imposed; and (iii) it is less time consuming.

The Directors have considered the dilution effect on the shareholding of the Company before proceeding with the Subscription. Nevertheless, the introduction of the Subscriber (who has the financial capability and is willing to subscribe for the Subscription Shares at a premium over the Company's net asset value) will provide confidence to the Shareholders and the investing public in the Company. Further, with the additional funds from the Subscription to finance its business development, expansion and/or innovations, the Company will be put in a better position to grow. The Directors consider that, the potential for future earnings and the chance to increase the value for the Company will, to a certain extent, outweigh the dilution effect that will occur following completion of the Subscription.

The Directors (excluding the members of the Independent Board Committee, who will express their views after considering the advice of the Independent Financial Adviser as to the fairness and reasonableness of the terms of the Subscription and the Whitewash Waiver) are of the view that the terms of the Subscription Agreement (including the Subscription Price) are fair and reasonable and the Subscription is in the interest of the Company and the Shareholders as a whole.

SPECIFIC MANDATE

In contemplation of the proposed allotment and issue of the Subscription Shares, the Company proposes to seek the grant of the Specific Mandate from the Shareholders at the SGM.

APPLICATION FOR LISTING

An application will be made by the Company to the Listing Committee for the grant of the listing of, and permission to deal in, the Subscription Shares.

USE OF PROCEEDS

The gross proceeds from the Subscription would amount to HK$1,000,000,000. The net proceeds of the Subscription, after deducting professional fees and other related expenses, are estimated to be approximately HK$998,000,000, representing a net price of approximately HK$0.2495 per Subscription Share.

For illustration purposes only, assuming completion of the Subscription and based on the unaudited management account of the Group as at 31 May 2015, the Group's cash position would increase from approximately HK$58 million to approximately HK$1,056 million. The percentage of cash and short-term securities investment to total assets and net assets of the Group would be approximately 55% and 56% respectively.

As at the Latest Practicable Date, the Company has three principal operating segments, namely (i) the financial investments and services segment which comprises financial investment and trading; debt and equity investments and money lending business; (ii) the electronic and accessory products segment which trades electronic and accessory products; (iii) the corporate and other segments which comprise income and expenses items; research and development of integrated circuit technology and property investment.

Please refer to Appendix I to the Circular for the financial results of the three principal operating segments of the Group for the year ended 31 March 2015.

The Company intends to use the net proceeds to be raised from the Subscription as below:

(i) approximately 90% for the Group's existing money lending business and long-term and short-term securities investment and trading business; and

(ii) approximately 10% for the research, development and innovations of electronic chip technology and the general working capital of the Group.

Capital commitment or working capital requirement

The Board expects that the Company requires:

(i) approximately HK$698.6 million for the existing business segment of long-term and short-term securities investment and trading business;

(ii) approximately HK$199.6 million for the existing business segment of money lending business; and

(iii) approximately HK$92.6 million for the existing business segment of research, development and innovations of electronic chip technology and the general working capital of the Group.

The aforesaid amount of usage is based on the historical amount used in each of the existing business segments in the past year/month and the Company's plan to further develop the existing business segment of long-term and short-term securities investment and trading business; money lending business and the business segment of research, development and innovations of electronic chip technology and the general working capital of the Group.

The Company will constantly evaluate and monitor the business and financial performance of each of the three principal operating segments of the Group. It is the Company's current intention to optimise the revenue stream of each of the three principal operating segments to the extent practicable.

Financial investments and services operating segment

The Group has been intensifying its efforts searching for suitable investment opportunities which strategically into its diversification moves and generate a steady source of income. Following the launch of Shanghai and Hong Kong Stock Connect program, coupled with the bull rally of A-Share of China stock market, has added support to the local stock market. With a view to capture this opportunity and maximize returns to the Shareholders, the Group has expanded its securities investment and trading, and money lending business under its financial investments and services segment and accelerated its momentum moving into new business areas with high growth potential and profit prospects, in particular, the financial service and products business.

As the close of business on 31 May 2015, the dollar value of (i) the Group's securities portfolio was approximately HK$1,326 million, which included investment in both long-term and short-term securities on the Stock Exchange and (ii) the Group's loan portfolio of money lending business was nil as all loans were fully settled.

The securities investment and trading business is mainly correlated to the securities market conditions, while and the money lending business (or the demand for mortgage loans) is mainly correlated to customer/consumer sentiment on expenditure and/or individual investment plans (for the purchase of real estate or other assets for residential and/or investment purposes). The Board considers that customer/consumer sentiments and market conditions are, overall, in an upward trend but is ever-changing. Due to the unique nature of these businesses, it is not commercially sensible or practicable for the Company to raise funds only after any agreements are entered into by the Company. It is therefore crucial that the Company is flexible enough and well-equipped financially to meet its business needs so as to grasp the business opportunities at the opportune moment(s) in order to maintain its competitiveness in the relevant industry.

Electronic and accessory products operating segment and the related research and development

As regards the electronic and accessory products operating segment and the related research and development, the Group has continued to place its efforts on research and development of System-on-chip (SoC) technology. The core architecture in development is a Multi-thread Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is a new core architecture for computation performance based on multi-processing and parallel computing. The MVP is an independently developed "China Core" featuring the versatility of a unified processor, combining the capabilities of central processing unit (CPU) and graphics processing unit (GPU) in one solution for Mainland China's vast consumer electronics market. The Group's development of this new processing architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independently Instruction-Set-Architecture with optimized complier, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

The Group has continued to put its efforts in rolling out the MVP based SoC products and introducing its technology into the product applications in the market. With a view to bring in and popularize the finger multi-touch functionality in the huge consumer electronics and home appliances market, the Group has continued to cooperate with reputable electrical and home appliance leaders to jointly develop smart touch control screen used in a range of electrical and home appliance products. In order to secure sales orders from potential customers in the highly competitive consumer electronic market, the Group has put a great deal of product design and engineering efforts in the areas of qualifications for production and demo trials. Amid the uncertain economic condition and weak customer sentiment in European and United States markets, the sales demand for electronic and accessory products in export markets remained slow and flat. Given the continued keen price competition in the local consumer electronic market, the local sales orders for the electronic accessories were weak and slow.

Business outlook

In line with the Company's policy to broaden the revenue base of the Group, the Board is of the view that (i) the securities investment and trading business and (ii) the money lending business can provide a stable income stream to the Group.

According to the "Monthly Statistical Bulletin (June 2015 — Issue No. 250)" published by Hong Kong Monetary Authority, the management of the Company understand that the total amount of loans and advances made available or disbursed in Hong Kong is amounted to approximately HK$84,663 billion in 2014 whereas that for 2013 is amounted to approximately HK$73,060 billion, representing an increase of approximately 15.8%. Based on such information, the Board noted that the growth of the money lending industry in Hong Kong poses a more favorable outlook than the electronic product trading business which the Company experienced a decline of approximately 40% in sales of electronic product for the financial year ended 2014 compared with financial year ended 2013.

In order to understand the recent securities market in Hong Kong, the Board had studied the stock market over the full year of 2014 and the first quarter of 2015. In the first half of 2014, the stock market was adversely affected by the rumours on the Federal Reserve System's withdrawal of stimulus policies. In the second half of 2014, the stock market rose on an improved global economic outlook and robust performances in major overseas market. In the late 2014, significant amount of capital invested in the Hong Kong stock market following the Shanghai-Hong Kong stock connect launched in November 2014. The activeness of the Hong Kong stock market has gained momentum.

In the first quarter of 2015, the HSI fluctuated in a narrow range of 23,717 points and 24,900 points. Nonetheless, the HSI started to surge significantly in April with high daily turnover. At one point in April 2015, the HSI rose to a seven-year high above 28,000 points. In April 2015 and up until the Latest Practicable Date, the HSI fluctuated between the range of 27,060 points and 28,249 points.

In order to evaluate the investment outlook of the second half of 2015, the Board studied the "2Q 2015 Investment outlook" published by Hang Seng Investment on 13 April 2015. The Hang Seng Investment expected there will be further interest rate cut in the PRC in 2015 in order to lower the funding cost of borrowers in addition to the previous interest rate cuts in November 2014 and March 2015. The Hong Kong investment environments are expected to be benefited by the stimulating monetary policies and the increase in liquidity in the PRC.

In addition, the A-share valuation premium over H-share continues to narrow following the approval from China Securities Regulatory Commission on 27 March 2015 to allow China funds to invest through Shanghai-Hong Kong stock connect and the expected launch of Shenzhen-Hong Kong stock connect in the second half of 2015. It is believed that the policy will support the HSI for mid to long-term favorable performance.

Based on the above, the Board is of the view that the outlook of the securities investment and trading business and the money lending business is overall positive.

Added benefits derived from the Subscription

The Subscription will, therefore allow the Company to be well equipped with the necessary financial flexibility and capability to timely grasp any business opportunities (or cope with any contingencies) as and when they arise. This is crucial for financial and/or risk management of the Group.

Barring unforeseen circumstances and based on the capital commitment or working capital requirement as currently envisaged by the Company and disclosed above, the Board is of the view that the proceeds from the Subscription can satisfy the Company's expected funding needs for the next 12 months.

If any material changes occur in the Company's funding needs which are beyond the Company's reasonable contemplation, appropriate announcement(s) will be made by the Company in accordance with the applicable Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

Save for the Subscription and save as disclosed below, the Company has not undertaken any fund raising activities on any issue of equity securities in the past twelve months before the Latest Practicable Date:

Event	Net proceeds raised/Intended use of net proceeds	Amount utilised as at the Latest Practicable Date and actual use of net proceeds
Placing of a total of 406,747,565 new Shares at HK$0.125 each under general mandate completed on 24 July 2014 (the details of which are disclosed in, among others, the Company's announcement dated 8 July 2014)	Approximately HK$49 million was raised to fund the general working capital of the Group.	Fully utilised, as to: (i) approximately HK$39 million was utilised for securities investment; and (ii) approximately HK$10 million was utilised for general working capital (including electronic trading and other expenses such as salary, rental, entertainment and other miscellaneous expenses) of the Group.
Placing of a total of 495,192,763 new Shares at HK$0.175 each under general mandate completed on 7 November 2014 (the details of which are disclosed in the Company's announcements dated 31 October 2014 and 7 November 2014)	Approximately HK$84.2 million was raised to fund the general working capital of the Group.	Fully utilised, as to: (i) approximately HK$81.1 million was utilised for securities investment and trading; (ii) approximately HK$2.4 million was utilised for administrative expenses; and (iii) the balance of approximately HK$0.7 million was utilised to fund the general working capital (including electronic trading) of the Group.

Event	Net proceeds raised/Intended use of net proceeds	Amount utilised as at the Latest Practicable Date and actual use of net proceeds
Placing of a total of 921,141,959 new Shares at HK$0.15 each under general mandate completed on 21 November 2014 (the details of which are disclosed in the Company's announcement dated 14 November 2014)	Approximately HK$133 million was raised, as to: (i) approximately HK$125 million to pursue expansion of the money lending business of the Group; and (ii) the remaining net proceeds of approximately HK$8 million, and to the extent that the net proceeds as stated in (i) above are not applied for expansion purposes, to fund the general working capital of the Group.	Fully utilised, as to: (i) approximately HK$125 million was utilised for expanding the money lending business of the Group; and (ii) the balance of approximately HK$8 million was utilised for general working capital (including salary, rental, entertainment and other miscellaneous expenses) of the Group.
Rights issue of a total of 3,592,111,050 rights shares at HK$0.15 each on the basis of six (6) rights shares for every share held on the record date (the details of which are disclosed in, among others, the Company's prospectus dated 11 March 2015 and its announcements dated 8 December 2014, 31 March 2015 and 10 April 2015)	Approximately HK$519.56 million was raised, as to: (i) HK$82.8 million towards the acquisition of King Place Investments Limited and certain shareholder loan (as announced by the Company in its announcements dated 28 November 2014, 27 February 2015 and 1 April 2015) (the "**Acquisition**"); (ii) HK$30 million to fund the general working capital of the Group; and (iii) HK$406.76 million for the Group's financial businesses, including (a) HK$286.76 million to be applied towards investment and trading in both long-term and short-term securities and (b) HK$120 million towards the Group's money lending business comprising both long-term and short-term loans.	Partially utilised, as to: (i) approximately HK$82.8 million was fully applied towards the Acquisition; (ii) approximately HK$14.9 million was utilised for the general working capital (administrative expenses) of the Group; and (iii) approximately HK$406.76 million was utilised for the Group's financial businesses, including (a) HK$286.76 million being applied towards investment and trading in both long-term and short-term securities and (b) HK$120 million being applied towards the Group's money lending business comprising both long-term and short-term loans. The remaining balance of approximately HK$15.1 million allocated for general working capital of the Group (which is intended to be used for payment of overheads, rental, entertainment and other miscellaneous expenses) remained unused as at the Latest Practicable Date.

IMPLICATIONS UNDER THE TAKEOVERS CODE

Immediately after Completion, the Subscriber (together with parties acting in concert with him) will in aggregate be interested in 4,000,000,000 Shares, representing approximately 90.91% of the issued share capital of the Company as at the Latest Practicable Date and approximately 47.62% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares).

Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him and any parties acting in concert with him, unless the Whitewash Waiver is obtained from the Executive.

In this regard, the Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the issue of the Subscription Shares. The Executive has agreed, subject to approval by Independent Shareholders at the SGM by way of poll, to grant the Whitewash Waiver.

The Subscription contemplated under the Subscription Agreement will not proceed if the Whitewash Waiver is not granted to the Subscriber.

ADJUSTMENTS TO THE OUTSTANDING WARRANTS

Pursuant to the terms of the instrument governing the issue of the Warrants in April 2015, it is stipulated that, if and whenever the Company shall issue wholly for cash any Shares at a price which is less than 90 per cent of the market price on the date of the announcement of the terms of such issue, the subscription price of each Warrant (the "**Warrant Subscription Price**") shall be adjusted by multiplying the Warrant Subscription Price in force immediately prior to the date of such announcement by the following fraction:

$$\frac{P + Q}{P + R}$$

where:

P = the number of Shares in issue immediately before the date of such announcement;

Q = the number of Shares which the aggregate amount payable for the Shares allotted pursuant to such issue would purchase at such market price (exclusive of expenses); and

R = the number of Shares allotted pursuant to such issue.

Such adjustment shall become effective (if appropriate retroactively) on the date of issue of such Shares.

Accordingly, the allotment and issue of the Subscription Shares may cause adjustment to the exercise price and/or the number of Shares to be allotted and issued upon exercise of the outstanding Warrants. The Company will instruct its auditors or financial adviser to review and certify the basis of such adjustment as soon as possible. Further announcement will be made by the Company in respect of such adjustments as and when appropriate.

RE-ELECTION OF EXISTING DIRECTOR

Reference is made to the announcement of the Company dated 23 April 2015 in relation to, among others, the appointment of Mr. Wang Haixiong (王海雄) ("**Mr. Wang**") as an executive Director, Chairman of the Board and the chairman of the Nomination Committee of the Company with effect from 23 April 2015. Pursuant to the Bye-laws, any director who is appointed either to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office only until the first general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting. Accordingly, Mr. Wang shall retire and, being eligible, has offered himself for re-election at the SGM.

The biographical details and other information of Mr. Wang are set out in Appendix II-B to this circular.

SGM

A notice convening the SGM to be held at Falcon Room 1, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong on Thursday, 23 July 2015 at 9:30 a.m. is set out on pages N-1 to N-3 of this circular. The voting in relation to the Subscription and the Whitewash Waiver at the SGM will be conducted by way of a poll whereby the Subscriber and each of its associates and other Shareholders who are interested or involved in the Subscription and the Whitewash Waiver shall abstain from voting on the relevant ordinary resolutions to be proposed at the SGM to approve the Subscription and the Whitewash Waiver.

Mr. Wang is currently holding a total of 460,000,000 Shares (representing approximately 10.45% of the issued share capital of the Company as at the Latest Practicable Date). As Mr. Wang was involved in the negotiation of the Subscription, he will abstain from voting on all the resolutions at the SGM.

The Subscriber and parties acting in concert with it do not currently hold any Shares and accordingly will not vote on any of the resolutions at the SGM.

Whether or not you are able to attend the SGM, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and deposit the same at the office of the Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not prevent you from attending and voting at the SGM if you so wish.

RECOMMENDATION

The Independent Board Committee has been established to advise the Independent Shareholders regarding the Subscription and the Whitewash Waiver. The Independent Board Committee comprises all the independent non-executive Directors (namely Mr. Li Chi Ming, Mr. Kwok Chi Kwong, Mr. Chen Youchun, Mr. Frank H. Miu and Mr. Tsang Wing Ki), all of whom are not directly or indirectly interested or involved in the Subscription and the Whitewash Waiver.

Guotai Junan Capital Limited has been appointed as Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription and Whitewash Waiver. The Independent Board Committee has approved the appointment of China Galaxy.

Your attention is drawn to (i) the letter from the Independent Board Committee which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolutions to approve the Subscription and the Whitewash Waiver, and (ii) the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders regarding the terms of the Subscription and the Whitewash Waiver. The Board (including the Independent Board Committee after taking the advice of the Independent Financial Adviser) considers that (i) the Subscription contemplated under and pursuant to the terms and conditions of the Subscription Agreement; (ii) the grant of the Specific Mandate; (iii) the Whitewash Waiver, (iv) the appointment of the Subscriber's nominees as executive Directors to the Board; and (v) the election of existing Director are in the interests of the Company and the Shareholders as a whole, and recommends that the Shareholders vote in favour of the resolutions relating to the SGM Matters at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the information set out in the appendices to this circular.

Shareholders and potential investors should note that the Subscription is subject to the satisfaction (or, if applicable, waiver) of a number of Conditions as set out in this circular and, accordingly, the Subscription may or may not proceed and are possibilities only. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

Yours faithfully
For and on behalf of
China Jinhai International Group Limited
Wang Haixiong
Chairman

* *For identification purposes only*

The following is the text of a letter of advice from the Independent Board Committee setting out its recommendation to the Independent Shareholders for the purpose of inclusion in this circular.

CHINA JINHAI INTERNATIONAL GROUP LIMITED

中國金海國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

(Stock Code of Warrants: 1436)

7 July 2015

To the Independent Shareholders

Dear Sir or Madam

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

We refer to the circular dated 7 July 2015 of the Company (the "**Circular**") of which this letter forms part.

Capitalized terms used in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you in connection with the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board in the Circular.

We wish to draw your attention to the letter from the Board, as set out on pages 6 to 25 of the Circular, and the letter of advice from the Independent Financial Adviser, as set out on pages IFA-1 to IFA-27 of the Circular. Having considered the terms of the Subscription Agreement, the Whitewash Waiver and the advice given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the Subscription and the Whitewash Waiver are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

* *For identification purpose only*

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve, among other things, the Subscription and the Whitewash Waiver.

Yours faithfully
Independent Board Committee
Mr. Li Chi Ming **Mr. Kwok Chi Kwong** **Mr. Chen Youchun**
Mr. Frank H. Miu **Mr. Tsang Wing Ki**
Independent non-executive Directors

The following is the text of a letter of advice from Guotai Junan Capital Limited to the Independent Board Committee, which has been prepared for the purpose of inclusion in this circular.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

27th Floor, Lower Block,
Grand Millennium Plaza,
181 Queen's Road Central
Hong Kong

7 July 2015

To the Independent Board Committee and
the Independent Shareholders of
China Jinhai International Group Limited

Dear Sirs,

PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter**") contained in the circular of the Company to the Shareholders dated 7 July 2015 (the "**Circular**"), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Board announced that on 20 May 2015, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to allot and issue to the Subscriber, and the Subscriber has conditionally agreed to subscribe for in cash an aggregate of 4,000,000,000 Subscription Shares at the Subscription Price of HK$0.25 each (with a total subscription consideration of HK$1,000,000,000).

Immediately after the Completion, the Subscriber will be interested in 4,000,000,000 Shares, representing approximately 90.91% of the existing issued share capital of the Company, and approximately 47.62% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date). Under Rule 26.1 of the Takeovers Code, the Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by him, unless the Whitewash Waiver is obtained from the Executive. The Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the Subscription. The Whitewash Waiver, if granted by the Executive, will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll.

The Independent Board Committee, comprising all independent non-executive directors of the Company namely Mr. Li Chi Ming, Mr. Kwok Chi Kwong, Mr. Chen Youchun, Mr. Frank H. Miu and Mr. Tsang Wing Ki, has been established to advise the Independent Shareholders as to whether the terms and conditions of the Subscription were agreed on normal commercial terms and, along with the Whitewash Waiver, are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and the voting action that should be taken by the Independent Shareholders. We, Guotai Junan Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee on these matters. Our appointment has been approved by the Independent Board Committee.

We are not associated or connected with the Company, the Subscriber, or any of their respective substantial shareholder(s) or any party acting, or presumed to be acting, in concert with any of them and, accordingly, are considered eligible to give independent advice on the Subscription and Whitewash Waiver. Apart from a normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company, the Subscriber, or any of their respective substantial shareholder(s) or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have assumed that all information, facts, opinions and representations contained in the Circular and all information, statements and representations provided to us by the Directors and/or the management of the Company, which we have relied on, are true, complete and accurate in all material respects as of the date hereof. We have reviewed, among other things, (i) the Subscription Agreement; (ii) the annual report of the Group for the financial year ended 31 March 2014 (the "**2014 Annual Report**"); (iii) the annual result announcement of the Group for the financial year ended 31 March 2015 (the "**2015 Result Announcement**"); and (iv) other publicly available information of the Company as disclosed on the website of the Stock Exchange. We have also reviewed the trading performance of the Shares on the Stock Exchange.

We have sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed by them. The Independent Shareholders will be notified of any material changes as soon as practicable. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information asset out in the Circular and of the information and representations provided to us by the Directors and/or management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted any independent verification of the information supplied to us, nor have we conducted any independent investigation into the business and affairs of the Group. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Subscription and the Whitewash Waiver, we have considered the following principal factors and reasons:

1. Information of the Company

1.1 Business of the Group

The Group has three principal operating segments, namely (i) the financial investments and services segment which comprises financial investment and trading, debt and equity investments and money lending business; (ii) the electronic and accessory products segment which trades electronic and accessory products; and (iii) the corporate and others segment which comprises income and expense items, research and development of integrated circuit technology and property investment.

1.2 Financial results of the Group

The table below shows the financial results of the Group for each of the two years ended 31 March 2014 and 2015 as extracted from the 2014 Annual Report and the 2015 Result Announcement respectively:

	For the year ended 31 March 2015 *HK$'000*	For the year ended 31 March 2014 *HK$'000*
Revenue		
— Electronic and accessory products	10,743	9,456
— Financial investments and services	(4,195)	26,663
— Corporate and others	—	—
Total	6,548	36,119
Segment results		
— Electronic and accessory products	(5,519)	(3,996)
— Financial investments and services	9,133	57,670
— Corporate and others	(63,796)	(54,812)
Total	(60,182)	(1,138)
— Bank interest income	16	18
— Fair value gain/(loss) on derivative component of issued convertible bonds	(206,579)	10,271
— Loss arising from modification of issued convertible bonds	(1,000,815)	—
— Unallocated expenses	(122)	(99)
— Finance costs	(7,291)	(16,958)
Loss before tax	(1,274,973)	(7,906)
— Income tax expense	(166)	—
Loss for the year	(1,275,139)	(7,906)
Earnings/(loss) per Share attributable to ordinary equity holders of the parent		(Restated)
— Basic	HK$(1.10)	HK$1.28 cents
— Diluted	HK$(1.10)	HK$0.60 cent

As stated in the 2015 Result Announcement, the revenue of the Group decreased from approximately HK$36.1 million for the year ended 31 March 2014 ("**FY2014**") to approximately HK$6.5 million for the year ended 31 March 2015 ("**FY2015**"). The decrease was mainly due to the decrease in revenue in the financial investments and services segment from approximately HK$26.7 million to a negative revenue of approximately HK$4.2 million, which was mainly attributable to the realised loss on the disposal of equity investments of approximately HK$11.1 million in FY2015. Shareholders should note that given the ordinary and usual course of the Group's business includes securities investment and trading, the gain or loss on disposal of equity investments could fluctuate significantly over different financial years.

As shown in the 2015 Result Announcement, the net loss for FY2015 was approximately HK$1,275.1 million, compared to the net loss of approximately HK$7.9 million for FY2014. The Group's net loss for FY2015 was primarily attributable to the fair value losses on revaluation of derivative component of convertible bonds of approximately HK$206.6 million and the loss arising from modification of the terms of the convertible bonds of approximately HK$1,000.8 million. Such losses are non-cash in nature and have no effect on the cash flow of the Group.

According to the 2015 Result Announcement, the Group's electronic and accessory products segment recorded a loss of approximately HK$5.5 million for FY2015 compared to a loss of approximately HK$4.0 million for FY2014, while the Group's financial investments and services segment recorded a profit of approximately HK$9.1 million for FY2015 compared to a profit of approximately HK$57.7 million for FY2014. The decrease in profit for FY2015 was mainly due to the HK$11.1 million loss realised upon the disposal of equity investments as compared to the gain of HK$25.9 million for FY2014.

According to the 2015 Result Announcement, the Group's corporate and others segment recorded a loss of approximately HK$63.8 million for FY2015 and a loss of approximately HK$54.8 million for FY2014. According to the information provided by the management of the Company, the losses were mainly attributable to the administrative costs in running the Group and the research and development expenses devoted to the SoC technology as discussed in section headed "3.4 Prospects of the research, development and innovations of electronic chip technology" of this letter.

Based on the aforesaid analysis, we understand that the financial performance of the Group's electronic and accessory products segment was not satisfactory for FY2014 and FY2015 by incurring losses for two consecutive years. On the other hand, the Group's financial investments and services segment (representing its financial investments and trading activities and money lending business) recorded profits over the same corresponding period. As stated in the 2015 Result Announcement, the Group will continue to consolidate its existing business and diversify into the new solid business with a view to maximise returns to the Shareholders. In this respect, the Group, from time to time, explores possibilities of expansion of business operations and scope of businesses, including the financial services and money lending businesses. In September 2014, the Group subscribed for certain shares in each of Freeman Corporation Limited ("**FCL**") and HEC Capital Limited for an aggregate consideration of HK$153 million. FCL is an indirect non-wholly-owned subsidiary of Freeman (Stock code: 279.HK) and principally engages in the financial services sector while HEC Capital Limited is an investment holding company which engages in business of investment advisory and financial services through its subsidiaries. Further details of such transactions are stated in the Company's announcements dated 21 September 2014 and 22 September 2014. Furthermore, the Group expanded its money lending business by granting two revolving loan facilities of an aggregate amount of HK$150 million to FCL. For further details on such transactions, please refer to the Company's announcements dated 3 December 2014 and 10 April 2015.

1.3 Financial position of the Group

Set out below is the extract of the consolidated statements of financial position of the Group as at 31 March 2014 and 2015 as extracted from the 2014 Annual Report and the 2015 Result Announcement respectively:

	As at 31 March 2015 (audited) *HK$'000*	**As at 31 March 2014** (audited) *HK$'000*
Non-current assets		
— Property, plant and equipment	2,135	1,722
— Investment property	92,000	—
— Available-for-sale equity investments	153,000	14,461
— Debt component of acquired convertible bonds	15,529	—
Current assets		
— Derivative component of acquired convertible bonds	4,034	—
— Equity investments at fair value through profit or loss	338,722	176,617
— Loan receivables	165,000	—
— Prepayments, deposits and other receivables	10,242	3,232
— Other current assets	1,465	15,912
— Restricted bank balances	3,726	546
— Cash and bank balances	529,660	83,223
Total assets	1,315,513	295,713
Current liabilities	195,375	12,815
Non-current liabilities	1,411	154,209
Total liabilities	196,786	167,024
Total equity	1,118,727	128,689

As at 31 March 2015, total assets of the Group amounted to approximately HK$1,315.5 million whilst total liabilities of the Group amounted to approximately HK$196.8 million. The total assets increased from approximately HK$295.7 million as at 31 March 2014 to approximately HK$1,315.5 million as at 31 March 2015. As stated in the 2015 Result Announcement, the increase mainly represented (i) the increase in cash and bank balances of approximately HK$446.4 million obtained primarily from the proceeds of the rights issue completed earlier this year; (ii) the increase in loan receivables of approximately HK$165.0 million as a result of the expansion of the money lending business; (iii) the increase of approximately HK$300.6 million in the equity investments; and (iv) the acquisition of investment property interests with a valuation of HK$92 million as at 31 March 2015. On the other hand, the total liabilities increased from approximately HK$167.0 million as at 31 March 2014 to approximately HK$196.8 million as at 31 March 2015. The increase was mainly attributable to the increase in other payables and accruals of approximately HK$182.4 million which is offset by the decrease in the issued bonds and convertible bonds of approximately HK$152.8 million.

According to the 2014 Annual Report, the Group's gearing ratio (being bonds, convertible bonds payable and promissory note payable to net worth plus bonds, convertible bonds payable and promissory note payable) was approximately 54.3% as at 31 March 2014. The Group was at a net cash position as at 31 March 2015 as a result of the increase in cash and bank balances due to the net proceeds from rights issue completed earlier this year. We also noted from the unaudited management account of the Group as at 31 May 2015 that the Group's cash position is at approximately HK$58 million, representing a decrease by HK$471.7 million from that of HK$529.7 million as at 31 March 2015. According to the management of the Company, such decrease was mainly attributable to the increase in investment in Hong Kong listed securities.

2. Reasons for the Subscription

2.1 Reasons for the Subscription

As stated in the Letter, the Directors consider that the entering into the Subscription Agreement represents a valuable opportunity for the Group to (i) raise a substantial amount of additional funds for the Company; (ii) improve the financial position and liquidity of the Group; and (iii) provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises.

Based on the estimation provided by the management of the Company, the net proceeds from the Subscription is estimated to amount to approximately HK$998.0 million, which is considered to be substantial compared to a cash and bank balance (excluding restricted bank balances) of the Group of approximately HK$58 million of the Group as at 31 May 2015 and would provide the Company with the financial flexibility to expand its existing business as stated in the section headed "Use of

Proceeds" of the Letter. The proceeds from Subscription would also improve the financial position and liquidity of the Group as further explained in the section headed "5. Financial impact of the Subscription" in this letter.

As stated in the Letter, the Board has considered various fund raising methods apart from the Subscription such as debt financing as well as a rights issue or an open offer. If debt financing is to be adopted, an additional loan of HK$1,000.0 million would significantly increase the gearing level of the Group and the interest expenses on the amount would impose additional financial burden on the Group's future cash flows. On the other hand, if a rights issue or an open offer is to be adopted, the Board is of the view that the Subscription is comparatively more feasible, desirable and predictable in the circumstance because:

(i) no underwriting commission is required for the Subscription while the payment of underwriting commission is an industry norm in the case of a rights issue or an open offer. The amount of underwriting commission involved could be huge if the size of the fund raising is as high as HK$1,000 million. Depending on, among other things, the market conditions and based on the enquiries made by the Company, the underwriting commission would range from 3% to 6%;

(ii) the Company completed a rights issue in March this year. Given the unsatisfactory historical business and financial performance of the Group as disclosed in the Circular, the Company had tried but did not find it easy to identify underwriter(s) to undertake another round of rights issue (or open offer) for the Company;

(iii) given the recent completion of the rights issue mentioned above, the outcome of another round of rights issue (or open offer) (if conducted) is expected to be far less predictable. Besides, an unsatisfactory outcome would effectively produce similar dilution effect on the shareholding of the Company if the existing shareholders choose to forgo their rights to subscribe for the rights shares (or offer shares); and

(iv) the lesser documentation involved in the Subscription (which does not require the preparation of a prospectus and other underwriting documents) means that it is less cumbersome and administratively easier to arrange.

In relation to the above statements, we have reviewed the prospectus of the Company dated 11 March 2015 published in relation to a rights issue completed earlier this year, the total expenses in relation to such rights issue amounted to approximately 3.0% of the gross proceeds raised, while the Subscription is expected to incur expenses of approximately HK$2.0 million, or 0.2% of the gross proceeds raised, as estimated by the management of the Company. We also noted that the aforesaid rights issues process, even when the underwriter had been identified, had spanned over approximately four months since the initial announcement dated 8 December 2014 until the commencement of dealings of the fully-paid rights Shares, while the Subscriber is immediately available and the estimated time span from the date of the Subscription Agreement to the Completion Date is expected to be less than three months.

In light of the above, we concur with the view of the Board that equity financing by way of the Subscription is the most appropriate mean of raising additional capital as (i) it is less costly and no interest expense is expected to be incurred in the future; and (ii) it is expected to take much less time to be completed.

2.2 Background of the Subscriber

We noted from the Letter that, Mr. Wei Zhenyu (韋振宇), aged 30, is a professional investor. He holds an EMBA degree of the Business School of Nankai University* (南開大學商學院). Since November 2014, Mr. Wei has been appointed and still serves as the executive director and general manager of Shenzhen De Ze Shi Jia Technology Investment Company Limited (深圳德澤世家科技投資有限公司). Since December 2014, Mr. Wei has been appointed and still serves as the executive director and manager of Lan Ding Industry (Hubei) Company Limited (藍鼎實業(湖北)有限公司). Since December 2014 and up to the Latest Practicable Date, Mr. Wei has been appointed and still serves as the director and chairman of Hubei Lan Ding Holding Company Limited* (湖北藍鼎控股股份有限公司), a Shenzhen-listed company (stock code: 000971.SZ). Hubei Lan Ding Holding Company Limited is principally engaged in manufacturing and distribution of textile products in the PRC and overseas. In particular, we noted from the Letter that the Subscriber has experience in investing in technology companies in the PRC, including Beijing Ding Jiu Information Engineering Institute Company Limited* (北京鼎九信息工程研究院有限公司). We also noted from the public information available from the Shenzhen Stock Exchange that the Subscriber together with his party acting in concert acquired significant equity interests in Hubei Lan Ding Holding Company Limited and conducted an investment in a technology company during the year.

In view of the above, we considered that the Subscriber has certain experience in the capital operation of a listed company on the Shenzhen Stock Exchange and also in exploring, identifying and making investments in technology companies as well as contacts or connections in the PRC. Taking into consideration of the significant amount of capital that the Subscriber is willing to contribute immediately to the Company, we concur with the view of the Directors that the Subscription represents a valuable opportunity for the Group to bring in a solid investor with the financial capability to invest in the Company and that the Subscriber may provide insight or bring in additional resources to the Company, or assist the Company in exploring and identifying investment opportunities in information technology business.

* *For identification purposes only*

3. Use of proceeds and future prospects

3.1 Use of proceeds

As stated in the Letter, the net proceeds from the Subscription, after deduction of all professional fees and other related expenses, are estimated to be approximately HK$998.0 million. The Company intends to use (i) approximately HK$698.6 million for the existing business segment of long-term and short-term securities investment and trading business, (ii) approximately HK$199.6 million for the existing business segment of money lending business, and (iii) approximately HK$92.6 million for the existing business segment of research, development and innovations of electronic chip technology and the general working capital of the Group.

3.2 Prospects of the money lending business

As disclosed in the Company's announcement dated 10 April 2015, the Directors are of the view that the business of money lending is expected to be one of the potential business sectors for the future development of the Group's business. As stated in the Letter, the money lending business is mainly correlated to customer/consumer sentiment on expenditure which the Board considers that is overall in an upward trend but is ever-changing. The Directors will explore further business opportunities in the money lending sector and develop the Group's customer's base as and when appropriate.

As stated in the 2015 Result Announcement, the Group's money lending business comprises a loan portfolio in aggregate of approximately HK$165 million as at 31 March 2015 which bore interest rates ranging from 6% to 8% per annum. Based on the loan receivables summary as at 31 March 2015 provided by the Company, we noted that a majority of the loans were priced based on the Prime Rate[*]. Given the Prime Rate has remained unchanged at 5.0% since 10 November 2008 and up to the Latest Practicable Date, it is expected that the money lending business would be able to generate a relatively stable interest income to the Group.

According to the "Monthly Statistical Bulletin (June 2015 — Issue No. 250)" published by the Hong Kong Monetary Authority, we understand that the total amount of loans and advances made available or disbursed in Hong Kong is approximately HK$84,663 billion in 2014 where that in 2013 is approximately HK$73,060 billion, representing an increase of approximately 15.8%. Based on the "Report on Monthly Survey of Retail Sales" as prepared by the Census and Statistics Department of Hong Kong, the value of retail sales of electronic goods and photographic equipment[†] increased slightly by approximately 0.6% to HK$35,408 million from the period of May 2014 to April 2015 from HK$35,192 million from the period of May 2013 to April 2014. Based on such information, we noted that the growth of the money lending industry in Hong Kong poses a more favorable outlook than the electronic product trading business.

* The prime rate ("**Prime Rate**") refers to the rate announced from time to time by the Hongkong and Shanghai Banking Corporation Limited as its prime rate for lending in Hong Kong dollar loans.

† The statistics do not have further breakdown on the figure solely for the electronic goods.

In respect of the technical expertise of the management of the Group in the money lending business, we noted from the circular of the Company dated 22 January 2015 that Mr. Wong Yat Fai ("**Mr. Wong**") had over 13 years of working experience in an international banking group and Ms. Chen Wei ("**Ms. Chen**") had prior working experience in a number of financial institutions which are considered relevant to the Group's money lending business. For further details on the academic background and work experience of Mr. Wong and Ms. Chen, please refer to the aforesaid circular.

Based on (i) the historical financial performance and net losses of the Group as stated in the section headed "1.2 Financial results of the Group" above; (ii) the money lending business is expected to provide a relatively stable income stream to the Group as explained in the above; (iii) the growing money lending market trend as stated above; and (iv) the money lending business can broaden the revenue and profit base of the Group which is in line with the Company's business policy as stated in the section headed "1.2 Financial results of the Group" above, we concur with the view of the Directors that the allocation of proceeds from the Subscription into the money lending business is in the interest of the Company and Shareholders as a whole.

Nevertheless, Shareholders should note that the profitability of the money lending business is based on the assumptions that loans will be fully repaid together with the accrued interest on a timely basis. Such business is subject to risks that customers may fail to perform their contractual obligations and default on payment of interest and/or the principal. Various factors could affect the borrowing customers' repayment ability such as their cash flow liquidity, their financial and operational performance, and factors affecting their cash receipts. In addition, factors such as economic uncertainties, the political and social conditions in Hong Kong, the business environment and its development would have impacts on the payment of interest and/or the principal or the recoverability of the loans. There is no assurance that any changes in the world economy or the economic, political, social and business environment in Hong Kong will not have a material adverse effect on the Group's money lending business and its overall financial position and liquidity in the future.

3.3 Prospects of the long term and short term securities investments and trading business

We noted from the 2014 Annual Report and the 2015 Result Announcement that the Group's financial investments and services segment recorded a segment profit of HK$57.7 million and HK$9.1 million for FY2014 and FY2015, respectively. As stated in the 2015 Result Announcement, the Group has been intensifying its efforts searching for suitable investment opportunities which strategically fit into its diversification moves and generate a steady source of income. As stated in the Letter, the securities investment and trading business is mainly correlated to the securities conditions, which the Board considers are overall in an upward trend but is ever-changing. Due to the unique nature of the business, the Board considers it not commercially sensible or practicable for the Company to raise funds only after any agreements are entered into by the Company and it is crucial that the Company is flexible enough and well-equipped financially to meet its business needs so as to grasp the business opportunities at the opportune moment(s). Based on our discussion with the management of the Group, we understand that the Company will utilise the proceeds from the Subscription in investing in both long term and short term securities investments. The management of the Group has confirmed that the Group would mainly make investments and trading in listed securities in Hong Kong as they consider such kind of securities to be highly liquid and require relatively low overhead and transaction cost to maintain.

In order to understand the recent securities market in Hong Kong, we have studied the stock market over the full year of 2014 and the first quarter of 2015. In first half of 2014, the stock market was adversely affected by the rumours on the Federal Reserve System's withdrawal of stimulus policies. In second half of 2014, the stock market rose on an improved global economic outlook and robust performances in major overseas markets. In late 2014, significant amount of capital invested in the Hong Kong stock market following the Shanghai-Hong Kong stock connect launched in November 2014. The activeness of the Hong Kong stock market has gained pace.

In the first quarter of 2015, the HSI fluctuated in a narrow range of 23,312 points and 25,113 points. Nonetheless, the HSI started to surge significantly in April with high daily turnover. At one point in April 2015, the HSI rose to a seven-year high above 28,000 points. In April 2015 and up until the Latest Practicable Date, the HSI fluctuated between the range of 24,926 and 28,548.

In order to evaluate the investment outlook of the second half year of 2015, we studied the "2Q 2015 Investment outlook" published by Hang Seng Investment on 13 April 2015. The Hang Seng Investment expected there will be further interest rate cut in the PRC in 2015 in order to lower the funding cost of borrowers in addition to the previous interest rate cuts in November 2014 and March 2015. The Hong Kong investment environments are expected to be benefited by the stimulating monetary policies and the increase in liquidity in the PRC.

In addition, the A-share valuation premium over H-share continues to narrow following the approval from China Securities Regulatory Commission on 27 March 2015 to allow China funds to invest through Shanghai-Hong Kong stock connect and the Shenzhen-Hong Kong stock connect is in the pipeline of being launched. It is believed that the policies will support the HSI for mid to long-term favorable performance.

As stated in the Company's circular dated 22 January 2015, an investment committee has been established to handle the Group's daily securities investment trading activities from time to time. After the resignation of Dr. Kwong Kai Sing, Benny as an executive director and the managing director of the Company on 20 April 2015, the investment committee consists of Mr. Wong Howard, Mr. Wong and

Ms. Chen, all being the executive Directors, and Mr. Szeto Pui Tong, Patrick ("**Mr. Szeto**"), the financial controller and the company secretary of the Company. For further details on the operation and risk management procedures of the investment committee as well as the investment management experience of the members of the committee, please refer to the Company's circular dated 22 January 2015.

Nevertheless, Shareholders and investors of the Company should note that, should there be any change in government policies or significant decrease in the PRC or overseas stock markets, the prospect of the long term and short term securities investment may be materially and adversely affected. The performance of the stock market will also depend on a number of factors (including but not limited to economic changes in Hong Kong) which may be out of the Group's control. In addition, the HSI had risen approximately 10% since the beginning of January 2015 to the Latest Practicable Date and it may reverse in direction if there is hard-landing in the PRC economy or other causes leading to a large scale money outflows. All such risks and uncertainties may or may not adversely affect Company's ability to sustain the profitability of the Group's securities investment and trading business in the future.

Despite the risks and uncertainties as discussed above, we consider that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to utilise the available funds from proceeds from the Subscription in long term and short term securities investment after having considered the followings:

(i) the Group recorded consecutive overall losses over the years as discussed under the section headed "1.2 Financial results the Group" above. According to the management of the Company, the Group is proactively seeking growth opportunities in order to maximise returns to the Shareholders. The Group's plan to utilise its available funds in securities investment is in line with its business strategy to broaden the Group's income and return;

(ii) the positive segment results recorded by the Group's financial investments and services segment for FY2014 and FY2015; and

(iii) the positive outlook of the Hong Kong stock market in the second half of 2015 as at the Latest Practicable Date as analysed in the above.

As stated above, the HSI has fluctuated between the range of 24,926 and 28,548, or 3,622 points, since April 2015 and up to the Latest Practicable Date. For the whole year of 2014, the HSI fluctuated within a range of 4,225 points. Given the volatility of the Hong Kong stock market in the current few months, we concur with the view of the Board that it is crucial for the Company to be flexible enough and well-equipped financially to meet its business needs so as to grasp the business opportunities at the opportune moment(s) and that the Subscription enables the Company to achieve such objective.

3.4 Prospects of the research, development and innovations of electronic chip technology

As stated in this letter, the Company intends to use approximately 10% of the net proceeds for the research, development and innovations of electronic chip technology and the general working capital of the Group.

As stated in the 2015 Result Announcement, the Group has continued to place strong research and development efforts on its system-on-chip ("**SoC**") technology. The core architecture in development is a multi-thread virtual pipeline ("**MVP**") on a scalable and programmable stream processor core, which is a new core architecture for computation performance based on multi-processing and parallel computing. The Company's MVP is being developed to feature the versatility of a unified processor, combining the capabilities of central processing unit and graphics processing unit in one solution for the PRC's vast consumer electronics market. As stated in the website[‡] of ICube Corporation Limited, a subsidiary of the Group, since 2010 the Group has devoted resources into the research and development on the electronic chips technology projects.

As stated in the 2015 Result Announcement, the Group continues to put its efforts in rolling out the MVP based SoC products and introducing its technology into the product applications in the market. With a view to bring in and popularise the finger multi-touch functionality in the huge consumer electronics and home appliances market, the Group has continued cooperation with reputable electrical and home appliance leaders to jointly develop smart touch control screen used in a range of electrical and home appliance products. The management of the Company has provided several letters of intent from certain third party electronic appliance suppliers. For the FY2014 and FY2015, the Group had invested an aggregate of approximately HK$32.5 million to research and development in relation to these projects. Despite the respective home appliance suppliers have not launched any products incorporating the Group's SoC technology, the management of the Company considered that the Group is in its best endeavor to work with the respective home appliance suppliers to commercialise a product by first half of 2016.

Taking into consideration of the above information, we concur with the view of the Directors that the intended use of net proceeds in the research, development and innovations of electronic chip technology is in line with the business strategy of the Group and in the interests of the Company and the Shareholders as a whole.

[‡] The website of ICube Corporation Limited is http://icubecorp.com/

3.5 Prospects of the electronic products sales business

Trading and distribution of electronic products and other merchandise is one of the principal businesses of the Group. Products traded and distributed by the Group included card readers, optical mouses, headsets with microphone and memory cards. Amid the uncertain economic condition and weak customer sentiment in overseas markets, the sales demand for electronic products in export markets remained slow and flat. As stated in the section headed "1.2 Financial results of the Group", the operating loss for the trading segment for FY2015 was approximately HK$5.5 million, which was HK$1.5 million or 37.5% more than the operating loss for FY2014 of approximately HK$4.0 million.

Given the loss position, we noted from the Letter that the Directors do not intend to allocate any proceeds from the Subscription to the business segment of the electronic products sales.

Based on the above, we concur with the view of the Directors that the intended use of net proceeds (i) for the Group's existing money lending business and long-term and short-term securities investment and trading business, and (ii) for the research, development and innovations of electronic chip technology and the general working capital of the Group, is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Subscription Agreement

4.1 Issue of Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, 4,000,000,000 Subscription Shares. The aggregate nominal value of the Subscription Shares (with a par value of HK$0.01 each) is HK$40,000,000.

4.2 The Subscription Price

As stated in the Letter, the Subscription Price is HK$0.25 per Subscription Share.

The aggregate consideration for the Subscription, being HK$1,000,000,000, shall be payable by the Subscriber in cash on Completion.

The Subscription Price of HK$0.25 per Subscription Share represents:

(i) a discount of approximately 73.96% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on 19 May 2015 (being the Last Trading Day);

(ii) a discount of approximately 67.36% to the average of the closing price per Share of approximately HK$0.766 for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iii) a discount of approximately 64.74% to the average of the closing price per Share of approximately HK$0.709 for the last 10 trading days as quoted on the Stock Exchange up to and including the Last Trading Day;

(iv) a discount of approximately 63.77% to the closing price of HK$0.69 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

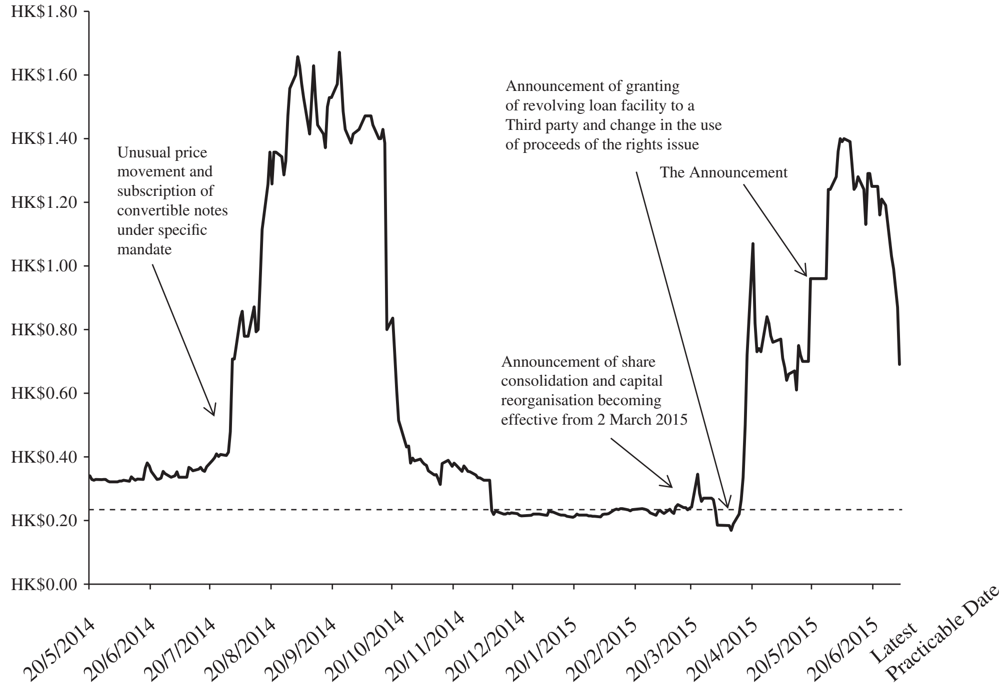
(v) a discount of approximately 6.37% to the unaudited consolidated net asset value of the Company ("**NAV**") per Share as at 31 March 2015 of HK$0.267.

The Subscription Price was determined after arm's length negotiations between the Company and the Subscriber with reference to the NAV, as well as the business performance and the financial position of the Company.

4.3 Historical Share price performance

Set out below is a chart reflecting movements in the closing prices of the Shares (the "**Closing Price**") (as adjusted by the consolidation of Share as described in the announcement of the Company dated 8 December 2014) from 20 May 2014 (being 12 months prior to the Last Trading Day) up to and include the Latest Practicable Date. In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily Closing Price for the period from 20 May 2014 up to and include 19 May 2015 (being the Last Trading Day) (the "**Pre-announcement Period**") and from 20 May 2015 further up to and include the Latest Practicable Date (the "**Review Period**").

Historical Adjusted Closing Price Performance



Source: The website of the Stock Exchange (www.hkex.com.hk) and Bloomberg

From the chart above, the Closing Prices ranged from HK$0.169 to HK$1.671 per Share during the Pre-Announcement Period, with an average of HK$0.572 per Share.

During the Pre-announcement Period, the Closing Price surged significantly after the announcement of subscription of convertible notes under specific mandate on 30 July 2014. The Closing Price reached its peak at HK$1.671 after market close on 23 September 2014. The Closing Price then started to drop sharply since mid of October 2014. On 29 October 2014, after trading hours, the Company announced that the Board was not aware of any reasons for the decrease in Share price. The Closing Price showed a flat trend during November 2014 until the early April 2015. The Shares were traded in the range between HK$0.169 and HK$1.07 each during the period between 1 April 2015 and 30 April 2015. On 16 April 2015, the Company announced that the Board was not aware of any reasons for the Share price fluctuation. During the Pre-announcement Period, the Subscription Price represents (i) a premium of approximately 47.93% over the lowest Closing Price of HK$0.169 and (ii) a discount of approximately 85.04% to the highest Closing Price of HK$1.671.

Following the release of the Announcement and the resumption of trading in Shares on 28 May 2015, the Closing Price surged from HK$0.96 on the Last Trading Day to HK$1.24 on 28 May 2015. During the Review Period, the highest Closing Price of HK$1.40 was recorded on 3 June 2015. During the Review Period, the Subscription Price represents (i) a discount of approximately 63.77% times over the lowest Closing Price of HK$0.69 and (ii) a discount of approximately 82.14% to the highest Closing Price of HK$1.40.

Taking into consideration that the Share price only went up significantly subsequent to the announcement in relation to the Subscription, we are of the view that the significant increase in Share price after the resumption of trading of the Shares might be attributable to, among others, the public expectation on the Subscription, the intended use of the proceeds from the Subscription and the future prospects of the Company with the introduction of the Subscriber to the Company.

4.4 Comparable analysis

To further assess the fairness and reasonableness of the issue of Subscription Shares, we conducted an analysis through reviewing all the comparable issues (the "**Comparables**") initially announced within six months prior to 20 May 2015 (being the date of the Subscription Agreement) by companies listed on the Main Board of the Stock Exchange involving (i) subscription of the respective new shares to be listed on the Stock Exchange; (ii) change in control of the respective listed company upon the completion of the shares subscription; and (iii) application of whitewash waivers made by the subscriber(s). We have identified an exhaustive list of seven Comparables.

We consider that the purpose of limiting a review period of six calendar months prior and up to the date of the Subscription Agreement is to compare the Subscription Price with those of the comparable companies in the recent stock market environment and with the similar market sentiment. During the aforesaid six months period, no subscription or issuance of shares of listed company engaged in the business of trading electronic parts and securities investment could be identified and all the Comparables are of different financial performance. However, given that this analysis is aiming at comparing the respective subscription prices towards their prevailing market price in order to take a market general reference for the recent market practice in relation to the average discount rate of other proposed issues of new shares which would trigger mandatory general offers and with whitewash waivers, we consider that our comparable analysis on the Subscription Price is useful for the Independent Shareholders' information and reference.

Set out below are the details of the Comparables.

Date of announcement	Stock code	Company	Premium/ (discount) over/to the closing price of the shares on the last trading day	Premium/ (discount) over/to the average closing price of the shares for the last 5 consecutive trading days	Premium/ (discount) over/to the net asset value per share
7/1/2015	873	China Taifeng Beddings Holdings Limited	(26.83%)	(25.86%)	(69.53%)[1]
29/1/2015	109	Good Fellow Resources Holdings Limited	(31.41%)	(20.76%)	57.91%[2]
3/2/2015	1250	Jin Cai Holdings Company Limited	(43.57%)	(41.91%)	3.95%[3]
9/3/2015	726	South East Group Limited	(42.86%)	(35.06%)	Not applicable[4]
24/3/2015	993	Simsen International Corporation Limited	(83.92%)	(83.73%)	(69.54%)[5]
27/3/2015	976	Chiho-Tiande Group Limited	33.88%	55.88%	1,369.71%[6]
13/5/2015	1003	21 Holdings Limited	(79.17%)	(70.37%)	(31.32%)[7]
		Average	(39.13%)	(31.69%)	210.20%
		Minimum	(83.92%)	(83.73%)	(69.54%)
		Maximum	33.88%	55.88%	1,369.71%
		The Company	(73.96%)	(67.36%)	(6.37%)

Source: Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. Calculated using unaudited net asset value as at 30 June 2014 as disclosed in the interim report of China Taifeng Beddings Holdings Limited for the six months ended 30 June 2014.

2. Calculated using the unaudited net asset value as at 30 June 2014 as disclosed in the annual report of Good Fellow Resources Holdings Limited for the year ended 30 June 2014.

3. Extracted from the announcement of Jin Cai Holdings Company Limited dated on 3 February 2015 regarding the issue of new ordinary shares and preference shares.

4. Not applicable because the company had net liabilities position as disclosed in the interim report of South East Group Limited for the six months ended 30 September 2014.

5. Calculated using the unaudited net asset value as at 31 October 2014 as disclosed in the interim report of Simsen International Corporation Limited for the six months ended 31 October 2014.

6. Calculated using the audited net asset value as at 31 December 2014 as disclosed in the announcement of audited annual results of Chiho-Tiande Group Limited for the year ended 31 December 2014.

7. Calculated using the audited net asset value as at 31 December 2014 as disclosed in the annual report of 21 Holdings Limited for the year ended 31 December 2014.

As shown in the table above, the subscription prices of 6 of the 7 Comparables were set at discounts to the respective market price. The Comparables show on average (i) a discount of approximately 39.13% to the closing price on the last trading day prior to the date of the corresponding announcement; (ii) a discount of approximately 31.69% to the average closing price for the last five consecutive trading days prior to the date of the corresponding announcement; and (iii) a premium of approximately 210.20% to the net asset value per share of the respective company. As far as the Company is concerned, the discounts of 73.96% (to the closing price on the Last Trading Day) and 67.36% (to the average closing price of the last 5 trading days up to and including the Last Trading Day) indicate that the Subscription Price is near the maximum discount of the range of the Comparables. On the Last Trading Day (being 19 May 2015), the Shares price surged by 37% from HK$0.70 to HK$0.96 prior to the trading halt of the Shares on the same day. Given such surge on the Share price was within a short period of time, we are of the view that the price fluctuation, in the absence of separate announcement by the Company in respect of any concrete business or market update, does not reflect any material change in the value of the Company. Meanwhile, the Subscription Price of HK$0.25 represents a discount of 6.37% to the unaudited consolidated NAV as at 31 March 2015 which is still within the range of the Comparables. Accordingly, we are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4.5 Comparison with Peer Companies

As stated in this letter, approximately 90% of the net proceeds from the subscription of shares will be utilised in the existing money lending business and long-term and short-term securities investment and trading business. The Directors are of the view that the business of money lending is expected to be one of the potential business sectors for the future development of the Group's business. Based on (a) the total number of 4,336,351,408 Shares issued as at the date of the Announcement and (b) the closing price of HK$0.96 per Share on the Last Trading Day, the market capitalisation of the Company was approximately HK$4,162 million as at the date of the Announcement. Accordingly, we have identified three companies (the "**Peer Companies**") which (i) are listed on the Main Board of the Stock Exchange; (ii) are principally engaged in the retail and commercial banking and lending, and not less than 80% of revenue was derived from such business activities in the latest financial year as set out in their respective published annual results announcement for comparison; and (iii) have a market capitalisation ranging from HK$1,000 million to HK$10,000 million as at the Latest Practicable Date. Since the Company has been loss making in the FY2015 and FY2014, we have selected the price-to-book ratio ("**P/B Ratio(s)**") of each of the Peer Companies for comparison. We consider the Peer Companies an exhaustive list of relevant comparable companies based on the said criteria above.

Company	**Stock code**	**Market capitalisation as at the Latest Practicable Date** *(Approximate HK$' million)*[1]	**Consolidated net assets attributable to equity holders** *(Approximate HK$' million)*[1]	**Historical P/B Ratio** *(Approximate times)*[2]
Public Financial Holdings Limited	626	4,304	6,923	0.62
ZuoliKechuang Micro-finance Company Limited	6866	2,360[3]	1,213[5]	1.95
Hanhua Financial Holding Co., Ltd.	3903	6,808[4]	9,468[5]	0.72
The Company				0.94[6]

Source: Bloomberg and annual reports of the Peer Companies

Notes:

1. The closing share price and market capitalisation of the Peer Companies as at the Latest Practicable Date are sourced from the website of the Stock Exchange. The market capitalisation of the Peer Companies is calculated based on their respective closing share price and number of issued shares as at the Latest Practicable Date. The audited consolidated net asset value attributable to owners is extracted from the latest annual results announcements of the Peer Companies.

2. The historical P/B Ratio of the Peer Companies is calculated by dividing market capitalisations as at the Latest Practicable Date over their latest audited consolidated net asset value attributable to owners.

3. The market capitalisation of the ZuoliKechuang Micro-finance Company Limited included the non-listed domestic shares of 880,000,000 in the PRC on top of 300,000,000 H-shares listed in the Main Board of the Stock Exchange.

4. The market capitalisation of the Hanhua Financial Holding Co., Ltd. included the non-listed domestic shares of 3,430,000,000 in the PRC on top of 1,170,000,000 H-shares listed in the Main Board of the Stock Exchange.

5. Since the latest annual results of the ZuoliKechuang Micro-finance Company Limited and Hanhua Financial Holding Co., Ltd. for the year ended 31 December 2014 was expressed in Renminbi ("**RMB**"), we adopted the exchange rate of 1.2497 HKD/RMB as extracted from Bloomberg as at 31 December 2014.

6. The implied P/B Ratio of the Subscription Agreement is calculated based on (i) the Subscription Price of HK$0.25 per each Subscription Share; and (ii) the audited consolidated net assets attributable to the Shareholders per share of approximately HK$0.267, which is calculated by dividing the audited consolidated net assets attributable to the Shareholders as at 31 March 2015 of approximately HK$1,118.7 million by the number of issued shares as at 31 March 2015 of approximately 4,190.8 million.

As at the Latest Practicable Date, the historical P/B Ratios of the Peer Companies ranged from 0.62 times to 1.95 times with an average of 1.10 times. The implied P/B Ratio of the Subscription as discussed above of approximately 0.94 times is within the range of the P/B Ratios of the Peer Companies.

Based on the above analysis, the implied P/B Ratio based on the Subscription Price is within the range of the P/B Ratios of the Peer Companies. We are of the view that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4.6 Other principal terms of the Subscription Agreement

We note that the Subscription Shares, when issued and fully paid, will rank equally in all respects among themselves and with all the Shares in issue at the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares. We have also reviewed the remaining terms of the Subscription Agreement (including the conditions, completion, warranties and pre-completion undertakings, etc) and are not aware of any terms which are uncommon to normal market practice. Accordingly, we consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

5. Financial impact of the Subscription

It should be noted that the below analyses are for illustrative purpose only and do not purport to represent how the financial position/results of the Group will be upon Completion and the issuance of the Subscription Shares pursuant to the Subscription.

5.1 Working capital

According to the 2015 Result Announcement, as at 31 March 2015, the Group had cash and bank balances of approximately HK$529.7 million, a total current assets of approximately HK$1,052.8 million, and a total current liabilities of approximately HK$195.4 million. As at 31 March 2015, the current ratio (calculated as current assets divided by current liabilities) of the Group was at approximately 5.39 times and the net current assets of the Group was at approximately HK$857.4 million. Given that the Subscription will bring in new capital (before expenses) of HK$1,000 million upon Completion, it is expected that both the cash position and the current asset position of the Group will be further enhanced.

We concur with the view of the Board that the proceeds from the Subscription can satisfy the Company's expected funding needs for the next 12 months, barring unforeseen circumstances and based on the capital commitment or working capital requirement currently envisaged by the Company.

5.2 Net asset value

As advised by the Directors, the Subscription is expected to result in (i) an increase in cash by the amount of the net proceeds received under the Subscription; and (ii) an increase by the relevant amount in the issued capital and reserve of the Company.

As at 31 March 2015, the NAV was at approximately HK$1,118.7 million and the Company has 4,190,796,225 issued Shares, resulting in the NAV per Share of HK$0.267.

Upon issuance of 4,000,000,000 Subscription Shares and receipt of an aggregate gross proceeds of HK$1,000 million pursuant to the Subscription Agreement at Completion, the NAV would-be at approximately HK$2,118.7 million and the Company would have 8,190,796,225 issued Shares, resulting in the NAV per Share of HK$0.259. As illustrated, it is expected that there would be a dilutive effect on the NAV per Share of approximately HK$0.008 per Share or 3.0% on a comparison basis. However, taking into account that (i) the expected dilutive effect is immaterial; (ii) the overall benefits of the Subscription to improve the financial position and liquidity of the Group, to provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises as discussed in the section headed "2. Reasons for the Subscription" above; and (iii) as discussed in the section headed "4. Principal terms of the Subscription Agreement" above, the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable so far as the Independent Shareholders are concerned, we are of the view that the dilutive effect on the NAV per Share as a result of the issuance of Subscription Shares is commercially justifiable.

5.3 Earnings

The management of the Company has confirmed that the Subscription would not have material adverse effect to the earnings of the Group immediately upon Completion.

5.4 Gearing ratio

The gearing ratio of the Group is measured as the sum of total bonds and convertible bonds payable divided by the sum of net worth, bonds and convertible bonds payable as stated in the 2015 Result Announcement. As advised by the management of the Group, it is expected that upon the Shares Subscription, the Group's net worth will increase by the amount of net proceeds received thereunder while the Group's liabilities will not be affected. Accordingly, it is expected that the gearing ratio of the Group would be improved immediately upon the Shares Subscription.

6. Potential dilution effect on the interests of the Independent Shareholders

As stated in the Letter, the Board has considered various fund raising methods apart from the Subscription such as debt financing as well as a rights issue or an open offer. While such other fund raising methods have minimal or no dilution effect, after considering the analysis as described in the section headed "2.1 Reasons for the Subscription" of this letter, we concur with the view of the Board that equity financing by way of the Subscription is the most appropriate mean of raising additional capital.

As stated in the table in the section headed "Effect of the Subscription on the Shareholding Structure of the Company" in the Letter, we note that the shareholding interest of the existing public Shareholders is subject to dilution of the aforementioned extents as a result of the Subscription. The dilution effect of the Subscription alone represents a maximum dilution of approximately 36.08% on the public Shareholders as at the Latest Practicable Date.

According to the Letter, save for the fund raising activities as disclosed in the section headed "Fund Raising Activities in the Past 12 Months" in the Letter, the Group has not carried out any other fund raising activities during the 12 months immediately preceding the date of the Latest Practicable Date.

Taking into account that (i) the loss making position of the Group for FY2014 and FY2015, (ii) the Subscription would enable the Company to raise a significant amount of capital at a relatively low cost (in the context of the absence of the underwriting commission charged under rights issue/open offer), (iii) the Subscription would provide the Company with the financial flexibility necessary for the Group's future business development and the capability to capture any prospective investment opportunity as and when it arises; and (iv) the Share Subscription will benefit the Company's long-term development, broaden the Company's equity base, offer a good opportunity to raise additional funds to strengthen the financial position, and enhance its existing business operations, we consider that the dilution effect on the Independent Shareholders is acceptable.

7. The Whitewash Waiver

Immediately after Completion, the Subscriber will be interested in 4,000,000,000 Shares, representing approximately 90.91% of the existing issued share capital of the Company and approximately 47.62% of the enlarged issued share capital of the Company (assuming that there is no change in the issued share capital of the Company other than the issue of the Subscription Shares since the date of the Subscription Agreement and up to Completion Date).

Assuming none of the outstanding Options and outstanding Warrants has been exercised before the Completion, upon the allotment and issue of the Subscription Shares upon completion of the Subscription, the shareholding interest of the Subscriber and parties acting in concert with him will exceed 30%. Assuming the outstanding Options and outstanding Warrants have been fully exercised as at the Completion, upon the allotment and issue of the Subscription Shares upon completion of the Subscription, the shareholding interest of the Subscriber and parties acting in concert with him will also exceed 30%. Each of these scenarios will trigger a mandatory offer obligation on the Subscriber and persons acting in concert under Rule 26 of the Takeovers Code, unless the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders. The Subscriber has made an application to the Executive for the Whitewash Waiver in respect of the Subscription. The Whitewash Waiver will be subject to, among other things, approval by the Independent Shareholders at the SGM by way of poll.

None of the Subscriber or parties acting in concert with him has acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company during the six months period prior to the Latest Practicable Date, and was interested in any issued Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Based on information provided by the Company, as at the Latest Practicable Date, there are 9,351,427 outstanding Options and 389,584,013 outstanding Warrants convertible to Shares of the Company. Assuming the outstanding Options and Warrants are exercised in full before the Completion, upon issue of the Subscription Shares, the percentage shareholding of the Subscriber will be approximately 45.46% of the issued share capital of the Company as enlarged by the issuance of the Subscription Shares.

Given the possible benefits of the Subscription Agreement and the transactions contemplated hereunder to the Company mentioned in the section headed "6. Potential dilution effect on the interests of the Independent Shareholders" and the terms of the Subscription Agreement being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the Completion, is in the interests of the Company and the Independent Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Subscription Agreement and the transactions contemplated thereunder.

RECOMMENDATION

Having taken into consideration of the above principal factors and reasons, we are of the view and concur with the view of the Boards that the terms of the Subscription Agreement and Whitewash Wavier are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favor of the relevant resolution(s) at the SGM to approve the Subscription and the Whitewash Waiver.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Anthony Wong
Deputy General Manager

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of:

(1) the consolidated statement of profit or loss and consolidated statement of comprehensive income of the Group for the financial year ended 31 March 2015, and consolidated statement of financial position of the Group as at 31 March 2015, which were extracted from the annual results announcement of the Company for the year ended 31 March 2015; and

(2) the audited consolidated statement of profit or loss and audited consolidated statement of comprehensive income of the Group for each of the financial years ended 31 March 2014, 2013 and 2012, and audited consolidated statement of financial position of the Group as at 31 March 2014, 2013 and 2012, which were extracted from the annual reports of the Company for the years ended 31 March 2014, 2013 and 2012.

The auditors of the Company for each of the three years ended 31 March 2014, 2013 and 2012, Ernst & Young, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 March 2014, 2013 and 2012.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the four years ended 31 March 2015, 2014, 2013 and 2012.

Results

	Year ended 31 March			
	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	6,548	36,119	15,030	(10,151)
Loss before tax	(1,274,973)	(7,906)	(17,723)	(167,486)
Tax	(166)	—	(79)	—
Profit/(Loss) for the year attributable to				
Owners of the parent	(1,266,154)	5,404	(6,199)	(156,601)
Non-controlling interests	(8,985)	(13,310)	(11,603)	(10,885)
	(1,275,139)	(7,906)	(17,802)	(167,486)
Earnings/(loss) per share attributable to ordinary equity holders of the parent		(Restated)	(Restated)	(Restated)
Basic	HK$(1.10)	HK1.28 cents	HK(2.51) cents	HK(75.54) cents
Diluted	HK$(1.10)	HK0.60 cent	HK(2.51) cents	HK(75.54) cents
Dividend per share	Nil	Nil	Nil	Nil

Assets and liabilities

	As at 31 March			
	2015	2014	2013	2012
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	1,315,513	295,713	146,519	197,603
Total liabilities	196,786	167,024	149,850	191,357
Net assets/(liabilities)	1,118,727	128,689	(3,331)	6,246

2. CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the consolidated financial statements of the Group for the financial year ended 31 March 2015 extracted from the annual results announcement of the Company for the year ended 31 March 2015.

Consolidated Statement of Profit or Loss
For the year ended 31 March 2015

		For the year ended 31 March	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
Revenue	*2, 3*		
Electronic and accessory products		10,743	9,456
Financial investments and services		(4,195)	26,663
		6,548	36,119
Cost of electronic and accessory products sold		(10,197)	(9,434)
Brokerage and commission expenses		(878)	(194)
		(11,075)	(9,628)
Gross profit/(loss)		(4,527)	26,491
Other income	*3*	2,966	4,480
Selling and distribution expenses		(363)	(277)
Administrative expenses		(83,989)	(41,521)
Research costs		(12,104)	(20,419)
Other operating expenses		(2,178)	(1,337)
Gain on disposal of an available-for-sale equity investments		7,696	—
Fair value gains/(losses), net:			
Investment property		2,083	—
Equity investments at fair value through profit or loss		28,016	31,364
Derivative component of Acquired Convertible Bonds		2,112	—
Derivative component of Issued Convertible Bonds		(206,579)	10,271
Loss arising from modification of Issued Convertible Bonds		(1,000,815)	—
Finance costs	*4*	(7,291)	(16,958)

		For the year ended 31 March	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
LOSS BEFORE TAX	*5*	(1,274,973)	(7,906)
Income tax expense	*6*	(166)	—
LOSS FOR THE YEAR		(1,275,139)	(7,906)
Attributable to:			
Owners of the parent		(1,266,154)	5,404
Non-controlling interests		(8,985)	(13,310)
		(1,275,139)	(7,906)
DIVIDEND	*7*	—	—
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		(Restated)
Basic		HK$(1.10)	HK1.28 cents
Diluted		HK$(1.10)	HK0.60 cent

Consolidated Statement of Comprehensive Income

	For the year ended 31 March 2015 *HK$'000*	2014 *HK$'000*
LOSS FOR THE YEAR	(1,275,139)	(7,906)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Equity investments:		
Changes in fair value	2,304	1,862
Release upon disposal of an available-for-sale equity investments	(7,696)	—
Income tax effect	890	(308)
Fair value change in debt component of Acquired Convertible Bonds	2,577	—
	(1,925)	1,554
Exchange differences on translation of foreign operations	(21)	(118)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(1,946)	1,436
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(1,277,085)	(6,470)
Attributable to:		
Owners of the parent	(1,268,096)	6,891
Non-controlling interests	(8,989)	(13,361)
	(1,277,085)	(6,470)

Consolidated Statement of Financial Position
31 March 2015

		As at 31 March	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		2,135	1,722
Investment property		92,000	—
Prepaid land lease payment		—	—
Available-for-sale equity investments		153,000	14,461
Debt component of Acquired Convertible Bonds		15,529	—
Total non-current assets		262,664	16,183
CURRENT ASSETS			
Derivative component of Acquired Convertible Bonds		4,034	—
Equity investments at fair value through profit or loss	*9*	338,722	176,617
Loan receivables	*10*	165,000	—
Trade receivables	*11*	1,442	1,108
Prepayments, deposits and other receivables		10,242	3,232
Derivative component of Issued Convertible Bonds		—	14,804
Tax recoverable		23	—
Restricted bank balances		3,726	546
Cash and bank balances		529,660	83,223
Total current assets		1,052,849	279,530
CURRENT LIABILITIES			
Trade payables	*12*	3	16
Tax payable		179	12
Other payables and accruals	*13*	195,044	12,645
Finance lease payables		149	142
Total current liabilities		195,375	12,815
NET CURRENT ASSETS		857,474	266,715

		As at 31 March	
		2015	**2014**
	Notes	*HK$'000*	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		1,120,138	282,898
NON-CURRENT LIABILITIES			
Finance lease payables		363	512
Issued Convertible Bonds		—	73,386
Issued Bonds		—	79,421
Deferred tax liabilities		1,048	890
Total non-current liabilities		1,411	154,209
Net assets		1,118,727	128,689
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*14*	41,908	20,337
Reserves		1,123,047	147,459
		1,164,955	167,796
Non-controlling interests		(46,228)	(39,107)
Total equity		1,118,727	128,689

Notes to Consolidated Financial Statements

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, which, because the Company has not early adopted the revised disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), are those of the predecessor Hong Kong Companies Ordinance (Cap. 32). They have been prepared under the historical cost convention, except for an investment property, listed equity investments, debt component of Acquired Convertible Bonds and derivative financial instruments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

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

Changes in accounting policies and disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010–2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010–2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010–2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011–2013 Cycle*	*Meaning of Effective HKFRSs*

1 Effective from 1 July 2014

Except for the amendment to HKFRS 1 which is only relevant to an entity's first HKFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(e) HK(IFRIC)-Int 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

New and Revised HKFRSs and New Disclosure Requirements under the Hong Kong Companies Ordinance not yet adopted

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

HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010–2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011–2013 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2012–2014 Cycle	*Amendments to a number of HKFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

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

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 March 2016. The Group is in the process of making an assessment of the impact of these changes.

2. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

(a) the electronic and accessory products segment trades electronic and accessory products;

(b) the financial investments and services segment comprises financial investments and trading; debt and equity investments and money lending business (previously, this segment was named as treasury investments); and

(c) the corporate and others segment comprises corporate income and expenses items; research and development of integrated circuit technology and property investment.

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

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

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

There are no intersegment sales and transfers between the segments (2014: Nil).

Group

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	10,743	9,456	—	—	—	—	10,743	9,456
Gains/(losses) from financial investments and services	—	—	(4,195)	26,663	—	—	(4,195)	26,663
Total	10,743	9,456	(4,195)	26,663	—	—	6,548	36,119
Segment results	(5,519)	(3,996)	9,133	57,670	(63,796)	(54,812)	(60,182)	(1,138)
Reconciliation								
Bank interest income							16	18
Fair value gain/(loss) on derivative component of Issued Convertible Bonds							(206,579)	10,271
Loss arising from modification of Issued Convertible Bonds							(1,000,815)	—
Unallocated expenses							(122)	(99)
Finance costs							(7,291)	(16,958)
Loss before tax							(1,274,973)	(7,906)
Income tax expense							(166)	—
Loss for the year							(1,275,139)	(7,906)
Assets and liabilities								
Segment assets	2,612	1,920	679,459	191,611	98,846	2,641	780,917	196,172
Reconciliation								
Unallocated assets							534,596	99,541
Total assets							1,315,513	295,713

	Electronic and accessory products		Financial investments and services		Corporate and others		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment liabilities	8,554	6,430	5,280	124	9,740	6,712	23,574	13,266
Reconciliation								
Unallocated liabilities							173,212	153,758
Total liabilities							196,786	167,024
Other segment information:								
Depreciation	84	84	—	—	650	581	734	665
Impairment losses recognised in the statement of profit or loss	154	—	—	—	1,868	1,005	2,022	1,005
Reversal of inventory provision	—	(107)	—	—	—	—	—	(107)
Write-off of items of property, plant and equipment	59	—	—	—	—	—	59	—
Fair value gains on equity investments at fair value through profit or loss	—	—	(28,016)	(31,364)	—	—	(28,016)	(31,364)
Gain on disposal of available-for-sale equity investments	—	—	(7,696)	—	—	—	(7,696)	—
Fair value gain on an investment property	—	—	—	—	(2,083)	—	(2,083)	—
Fair value gains on derivative component of Acquired Convertible Bonds	—	—	(2,112)	—	—	—	(2,112)	—
Equity-settled share option arrangements, net	(18)	28	—	—	26,008	6,905	25,990	6,933
Capital expenditure*	—	16	—	—	91,124	766	91,124	782

* Capital expenditure consists of additions to property, plant and equipment and an investment property acquired through acquisition of a subsidiary.

Geographical information

The following table represents the Group's revenue and non-current assets information by geographical locations for the years ended 31 March 2015 and 2014.

	People's Republic of China (including Hong Kong)		Europe and South Africa		Consolidated	
	2015	2014	2015	2014	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:						
Electronic and accessory products	7,322	7,459	3,421	1,997	10,743	9,456
Financial investments and services	(4,195)	26,663	—	—	(4,195)	26,663
	3,127	34,122	3,421	1,997	6,548	36,119
Non-current assets	94,135	1,722	—	—	94,135	1,722

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

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

Information about a major customer

Revenue of approximately HK$4,006,000 (2014: HK$5,470,000) was derived from sales by the electronic and accessory products segment to a single customer.

3 REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sales of goods	10,743	9,456
Gain/(losses) on disposal of equity investments at fair value through profit or loss	(11,064)	25,951
Dividend income from listed equity investments	2,327	712
Interest income from money lending business	4,542	—
	6,548	36,119

	For the year ended 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Other income		
Bank interest income	16	18
Government grants	1,015	3,223
Service income	1,350	1,185
Others	585	54
	2,966	4,480

4. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Interest on finance leases	28	28
Imputed interest on Issued Convertible Bonds	3,359	8,007
Interest on Issued Bonds	3,745	8,906
Interest on bank overdrafts	70	17
Interest on a promissory note	89	—
	7,291	16,958

5. LOSS BEFORE TAX

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

	For the year ended 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Cost of inventories sold	10,197	9,541
Depreciation	734	665
Research costs	12,104	20,419
Impairment of trade receivables	154	—
Impairment of other receivables	1,868	1,005
Write-off of items of property, plant and equipment	59	—
Reversal of inventory provision	—	(107)
Foreign exchange differences, net	32	—

6. INCOME TAX EXPENSE

	For the year ended 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Current — Hong Kong	166	—
Current — elsewhere	—	—
Total tax charge for the year	166	—

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

7. DIVIDEND

The Board has resolved not to pay any final dividend for the Year (2014: Nil). In addition, no interim dividend was paid for the Year (2014: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to owners of the parent of HK$1,266,154,000 (2014: profit of HK$5,404,000) and the weighted average number of 1,152,391,934 (2014: 421,142,215 (restated)). The weighted average number of ordinary shares in issue used in the basic and diluted earnings/(loss) per share calculation for the years ended 31 March 2015 and 2014 have been adjusted for the rights issue and share consolidation in the current year and the rights issue in the prior year, respectively.

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2015 as no dilutive events existed for the exercise of share options and warrants during that year had an anti-dilutive effect on the basic loss per share amount presented.

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

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

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

	Number of shares 2014 (restated)
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	421,142,215
Effect of dilution — weighted average number of ordinary shares: * Issued Convertible Bonds	99,361,018
Weighted average number of ordinary shares used in the diluted earnings per share calculation	520,503,233

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

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Listed equity investments in Hong Kong, at fair value	338,722	176,617

The above equity investments at 31 March 2015 and 2014 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

At 31 March 2015 and 2014, the Group did not hold any single equity investments at fair value through profit or loss with carrying amounts exceeding 10% in value of the total assets of the Group.

10. LOAN RECEIVABLES

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Loan receivables	165,000	—

Loan receivables represented loans of HK$165,000,000 granted by the Group to the independent third parties. The loans bore interest at rates ranging from 6% to 8% per annum and were repayable within one year. The grants of these loans were approved and monitored by the Group's management. The loan balances were neither past due nor impaired for which there was no recent history of default.

The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amount of the loan receivables approximates their fair value.

11. TRADE RECEIVABLES

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Trade receivables	1,596	1,108
Impairment	(154)	—
	1,442	1,108

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one to two months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. There is a significant concentration of credit risk as 90% (2014: 100%) of the balances represented receivables from one (2014: two) major customer within the electronic and accessory products segment. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancement over its trade receivable balances. The carrying amounts of trade receivables approximate their fair values.

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

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Within 1 month	—	1,108
1 to 2 months	1,442	—
	1,442	1,108

12. TRADE PAYABLES

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

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Over 3 months	3	16

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

13. OTHER PAYABLES AND ACCRUALS

As at 31 March 2015, included in other payables and accruals of the Group was excess cash received of HK$171,871,000 (2014: Nil) for the subscription application of the Company's rights shares during the year.

The Group's payables and accruals are non-interest-bearing and are normally settled within three months.

14. SHARE CAPITAL

	As at 31 March	
	2015	**2014**
	HK$'000	*HK$'000*
Authorised *(Note)*		
— 80,000,000,000 (2014: 60,000,000,000) ordinary shares of HK$0.01 each	800,000	600,000
Issued and fully paid		
— 4,190,796,225 (2014: 2,033,737,827) ordinary shares of HK$0.01 each	41,908	20,337

Note:

Pursuant to an ordinary resolution passed in the special general meeting on 27 February 2015, the authorised share capital of the Company was increased from HK$600,000,000 divided into 60,000,000,000 ordinary shares of HK$0.01 each to HK$800,000,000 divided into 80,000,000,000 ordinary shares of HK$0.01 each.

A summary of movements of the Company's issued shares capital and share premium account is as follows:

	Notes	**Number of shares in issue**	**Issued share capital** *HK$'000*	**Share premium account** *HK$'000*	**Total** *HK$'000*
At 1 April 2013		677,912,609	6,779	745,229	752,008
Rights issue, net of expenses	*(i)*	1,355,825,218	13,558	116,994	130,552
At 31 March 2014 and 1 April 2014		2,033,737,827	20,337	862,223	882,560
Rights issue, net of expenses	*(i)*	3,592,111,050	35,921	486,643	522,564
Placing of new shares, net of expenses	*(ii)*	1,823,082,287	18,231	249,345	267,576
Share option exercised	*(iii)*	530,031,642	5,300	129,491	134,791
Conversion of Issued Convertible Bonds	*(iv)*	1,600,000,000	16,000	1,333,001	1,349,001
Capital reorganisation	*(v)*	(5,388,166,581)	(53,881)	—	(53,881)
At 31 March 2015		4,190,796,225	41,908	3,060,703	3,102,611

Notes:

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

On 31 March 2015, the Company issued and allotted 3,592,111,050 ordinary shares of HK$0.01 each to the qualifying shareholders pursuant to the rights issue on the basis of six rights shares for every share held by members on the register as at 10 March 2015 at an issue price of HK$0.15 per rights share for a total gross cash consideration of HK$538,817,000 and the related issue expense were HK$16,253,000.

(ii) During the year ended 31 March 2015, an aggregate of 1,823,082,287 new shares were placed to various independent placees at the exercise prices ranging from HK$0.125 to HK$0.175 per share with total gross proceeds of HK$275,674,000 and the related issue expenses were HK$8,098,000.

(iii) During the year ended 31 March 2015, the subscription rights attaching to 530,031,642 share options were exercised at subscription prices ranging from HK$0.168 to HK$0.4822 per ordinary share, resulting in the issue of 530,031,642 ordinary shares for a proceed of HK$100,124,000. An amount of HK$34,667,000 was transferred from share option reserve to the share premium account upon exercise of the share options.

(iv) During the year ended 31 March 2015, the Company issued a total of 1,600,000,000 ordinary shares of HK$0.01 each at a conversion price of HK$0.125 for the conversion of the Issued Convertible Bonds with a principal amount of HK$200,000,000. Upon conversion, the aggregate carrying amount of the Issued Convertible Bond was transferred to the issued share capital of HK$16,000,000 and the share premium account of HK$1,333,001,000.

(v) Pursuant to a special resolution passed in the special general meeting on 27 February 2015, a capital reorganisation ("Capital Reorganisation") became effective on 2 March 2015. The Capital Reorganisation involved:

(a) the consolidation of every ten issued shares of HK$0.01 into one consolidated share ("Consolidated Share(s)") of HK$0.10 (the "Share Consolidation");

(b) the reduction in issued share capital of the Company whereby the par value of each Consolidated Share was reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 of the paid-up capital on each Consolidated Share and any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation ("Capital Reduction"); and

(c) the transfer of the entire amount of the credit arising from the Capital Reduction to the contributed surplus account of the Company of HK$53,881,000.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below are the audited consolidated financial statements of the Group for the financial year ended 31 March 2014 extracted from the annual report of the Company for the year ended 31 March 2014.

Consolidated Statement of Profit or Loss
Year ended 31 March 2014

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

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

Consolidated Statement of Comprehensive Income
Year ended 31 March 2014

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

Consolidated Statement of Financial Position
31 March 2014

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

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

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

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

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

Consolidated Statement of Cash Flows
Year ended 31 March 2014

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

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

Statement of Financial Position
31 March 2014

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

Notes to the Consolidated Financial Statements

Year ended 31 March 2014

1. CORPORATE INFORMATION

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

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

2.1. BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

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

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

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

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

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

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

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

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

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

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

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

Leases

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

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

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Convertible bonds

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

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

Derecognition of financial liabilities

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

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

Inventories

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

Cash and bank balances

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

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

Provisions

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

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

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Government grants

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

Revenue recognition

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

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

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

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

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

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

Research and development costs

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

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

Share-based payments

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

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

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

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

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

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

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

Other employee benefits

Retirement benefit schemes

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

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

Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Income tax

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

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

Impairment of available-for-sale financial assets

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

Estimation uncertainty

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

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

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

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

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

Valuation of share options

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

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

(a) the electronic products segment trades electronic products;

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

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

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

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

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

There are no intersegment sales and transfers between the segments.

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

Group

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

Other segment information

Group

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

Geographical information

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

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

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

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

Information about a major customer

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

5. REVENUE, OTHER INCOME AND GAINS

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

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

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

Note:

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

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

7. LOSS BEFORE TAX

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

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

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

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

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

8. DIRECTORS' REMUNERATION

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

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

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

(a) Independent non-executive directors

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

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

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

(b) Executive directors

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

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

9. FIVE HIGHEST PAID EMPLOYEES

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

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

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

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

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

10. INCOME TAX EXPENSE

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

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

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

Group — 2014

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

Group — 2013

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

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

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

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

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

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

Company

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

14. PREPAID LAND LEASE PAYMENT

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

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

15. INVESTMENTS IN SUBSIDIARIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

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

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

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

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

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

17. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

18. INVENTORIES

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

19. TRADE RECEIVABLES

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

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

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

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

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

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

Receivables that were past due but not impaired relate to customers that have a good track record with the Group. Based on the past experience, the directors of the Company are of opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

21. RESTRICTED BANK BALANCES AND CASH AND BANK BALANCES

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

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

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

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

22. TRADE PAYABLES

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

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

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

23. FINANCE LEASE PAYABLES

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

Group

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

24. CONVERTIBLE BONDS, BONDS AND DERIVATIVES

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

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

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

2013 Amendments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

25. DEFERRED TAX LIABILITIES

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

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

26. SHARE CAPITAL

Shares

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

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

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

Notes:

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

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

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

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

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

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

Share options

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

27. RESERVES

(a) Group

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

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

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

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

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

(b) Company

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

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

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

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

28. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

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

29. SHARE OPTION SCHEMES

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

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

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

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

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

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

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

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

For the year ended 31 March 2014

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

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

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

For the year ended 31 March 2013

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

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

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

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

2014

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

2013

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

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

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

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

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

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

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

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

30. OPERATING LEASE ARRANGEMENTS

As lessee

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

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

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

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

31. COMMITMENTS

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

32. RELATED PARTY TRANSACTIONS

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

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group — 2014

Financial assets

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

Financial liabilities

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

Group — 2013

Financial assets

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

Financial liabilities

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

Company

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

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

34. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

Group

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

Company

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

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

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

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

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

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

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

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

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

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

Fair value hierarchy

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

Assets measured at fair value:

Group
As at 31 March 2014

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

As at 31 March 2013

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

Company
As at 31 March 2014

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

As at 31 March 2013

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

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

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

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

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

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

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

Credit risk

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

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

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

Liquidity risk

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

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

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

Group — 2014

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

Group — 2013

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

Company — 2014

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

Company — 2013

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

Equity price risk

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

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

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

* Excluding accumulated losses

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

* Excluding accumulated losses

Capital management

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

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

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

Group

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

Set out below are the audited consolidated financial statements of the Group for the financial year ended 31 March 2013 extracted from the annual report of the Company for the year ended 31 March 2013.

Consolidated Income Statement
For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
Revenue		
Electronic products	15,906	23,097
Treasury investments	(876)	(33,248)
	15,030	(10,151)
Cost of electronic products sold	(16,044)	(23,108)
Brokerage and commission expenses	(151)	(113)
	(16,195)	(23,221)
	(1,165)	(33,372)
Other income and gains	1,795	880
Selling and distribution expenses	(366)	(451)
Administrative expenses	(38,188)	(33,681)
Research costs	(13,541)	(7,206)
Other operating expenses	(1,910)	(1,269)
Gain on disposal of an available-for-sale equity investment	1,631	—
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss	(16,186)	(98,327)
Conversion option derivatives	—	(390)
Derivative component of convertible bonds	22,276	25,810
Gain arising from modification of convertible bonds	49,693	—
Finance costs	(21,762)	(19,480)
LOSS BEFORE TAX	(17,723)	(167,486)
Income tax expense	(79)	—
LOSS FOR THE YEAR	(17,802)	(167,486)

	2013	2012
	HK$'000	*HK$'000*
Attributable to:		
Owners of the parent	(6,199)	(156,601)
Non-controlling interests	(11,603)	(10,885)
	(17,802)	(167,486)

LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

		(Restated)
Basic and diluted	HK(0.91) cent	HK(27.47) cents

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2013

	2013	2012
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	(17,802)	(167,486)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale equity investments:		
Changes in fair value	3,249	(3,508)
Release upon disposal of an available-for-sale equity investment	(1,631)	—
Income tax effect	(267)	579
	1,351	(2,929)
Exchange differences on translation of foreign operations	149	124
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	1,500	(2,805)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(16,302)	(170,291)
Attributable to:		
Owners of the parent	(4,783)	(159,532)
Non-controlling interests	(11,519)	(10,759)
	(16,302)	(170,291)

Consolidated Statement of Financial Position
31 March 2013

	2013	2012
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	1,604	2,053
Prepaid land lease payment	—	—
Available-for-sale equity investments	12,599	15,304
Total non-current assets	14,203	17,357
CURRENT ASSETS		
Note receivables	—	15,383
Equity investments at fair value through profit or loss	92,045	106,874
Inventories	478	1,174
Trade receivables	737	3,350
Prepayments, deposits and other receivables	1,823	3,476
Derivative component of convertible bonds	4,533	—
Restricted bank balances	1,953	—
Cash and bank balances	30,747	49,989
Total current assets	132,316	180,246
CURRENT LIABILITIES		
Trade payables	72	368
Tax payable	12	12
Other payables and accruals	13,205	8,859
Finance lease payables	85	140
Derivative component of convertible bonds	—	19,730
Total current liabilities	13,374	29,109
NET CURRENT ASSETS	118,942	151,137
TOTAL ASSETS LESS CURRENT LIABILITIES	133,145	168,494

	2013	2012
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Finance lease payables	—	85
Convertible bonds	65,379	161,848
Bonds	70,515	—
Deferred tax liabilities	582	315
Total non-current liabilities	136,476	162,248
Net assets/(liabilities)	(3,331)	6,246
EQUITY/(DEFICIENCY IN ASSETS)		
Equity attributable to owners of the parent		
Issued capital	6,779	33,896
Reserves	16,641	(10,560)
	23,420	23,336
Non-controlling interests	(26,751)	(17,090)
Total equity/(deficiency in assets)	(3,331)	6,246

Consolidated Statement of Changes in Equity

Year ended 31 March 2013

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	28,247	701,055	551,174	556	25,970	47,257	4,526	(588)	(1,230,093)	128,104	(7,237)	120,867
Loss for the year	—	—	—	—	—	—	—	—	(156,601)	(156,601)	(10,885)	(167,486)
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	—	(2,929)	—	—	(2,929)	—	(2,929)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(2)	—	(2)	126	124
Total comprehensive loss for the year	—	—	—	—	—	—	(2,929)	(2)	(156,601)	(159,532)	(10,759)	(170,291)
Issue of shares	5,649	45,194	—	—	—	—	—	—	—	50,843	—	50,843
Share issue expenses	—	(1,020)	—	—	—	—	—	—	—	(1,020)	—	(1,020)
Equity-settled share option arrangements, net	—	—	—	—	4,941	—	—	—	—	4,941	—	4,941
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	906	906
At 31 March 2012	33,896	745,229*	551,174*	556*	30,911*	47,257*	1,597*	(590)*	(1,386,694)*	23,336	(17,090)	6,246

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2012	33,896	745,229	551,174	556	30,911	47,257	1,597	(590)	(1,386,694)	23,336	(17,090)	6,246
Loss for the year	—	—	—	—	—	—	—	—	(6,199)	(6,199)	(11,603)	(17,802)
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	—	2,713	—	—	2,713	—	2,713
Release upon disposal of available-for-sale equity investments, net of tax	—	—	—	—	—	—	(1,362)	—	—	(1,362)	—	(1,362)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	65	—	65	84	149
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	1,351	65	(6,199)	(4,783)	(11,519)	(16,302)
Shares consolidation	(27,117)	—	27,117	—	—	—	—	—	—	—	—	—
Equity-settled share option arrangements, net	—	—	—	—	4,867	—	—	—	—	4,867	—	4,867
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	1,858	1,858
At 31 March 2013	6,779	745,229*	578,291*	556*	35,778*	47,257*	2,948*	(525)*	(1,392,893)*	23,420	(26,751)	(3,331)

* These reserve accounts comprise the consolidated reserves of HK$16,641,000 (2012: negative consolidated reserves of HK$10,560,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows
Year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(17,723)	(167,486)
Adjustments for:		
Bank interest income	(11)	(13)
Finance costs	21,762	19,480
Depreciation	634	472
Impairment of items of property, plant and equipment	—	17
Impairment of other receivables	1,858	906
Write-off of items of property, plant and equipment	2	—
Write-down of inventories to net realisable value	556	60
Loss on disposal of items of property, plant and equipment	—	45
Gain on disposal of an available-for-sale equity investment	(1,631)	—
Losses on disposal of note receivables	5,383	—
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	16,186	98,327
Conversion option derivatives	—	390
Derivative component of convertible bonds	(22,276)	(25,810)
Gain arising from modification of convertible bonds	(49,693)	—
Equity-settled share option arrangements	4,867	4,941
	(40,086)	(68,671)
Decrease in convertible notes-loan portion	—	55,165
Decrease/(increase) in note receivables	10,000	(183)
Increase in equity investments at fair value through profit or loss	(1,357)	(45,444)
Decrease in inventories	149	54
Decrease/(increase) in trade receivables	2,613	(1,140)
Decrease/(increase) in prepayments, deposits and other receivables	(197)	10,553
Increase in restricted bank balances	(1,953)	—
Decrease in trade payables	(298)	(937)
Increase in other payables and accruals	4,267	316
Exchange realignment	189	(38)
Cash used in operations	(26,673)	(50,325)
Interest paid	—	(207)
Interest element of finance lease rental payments	(10)	(20)
Overseas taxes paid	(79)	—
Net cash flows used in operating activities	(26,762)	(50,552)

	2013 *HK$'000*	2012 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(178)	(929)
Proceeds from disposal of items of property, plant and equipment	3	—
Proceeds from disposal of available-for-sale equity investments	5,954	—
Interest received	11	13
Net cash flows from/(used in) investing activities	5,790	(916)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	—	49,823
Capital element of finance lease rental payments	(140)	(130)
Capital contribution from the non-controlling interests	1,858	906
Net cash flows from financing activities	1,718	50,599
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,254)	(869)
Cash and cash equivalents at beginning of year	49,989	50,707
Effect of foreign exchange rate changes, net	12	151
CASH AND CASH EQUIVALENTS AT END OF YEAR	30,747	49,989
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	30,747	49,989

Set out below are the audited consolidated financial statements of the Group for the financial year ended 31 March 2012 extracted from the annual report of the Company for the year ended 31 March 2012.

Consolidated Income Statement
Year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
CONTINUING OPERATIONS		
REVENUE		
Electronic products	23,097	38,511
Treasury investments	(33,248)	(18,137)
	(10,151)	20,374
Cost of electronic products sold	(23,108)	(38,901)
Brokerage and commission expenses	(113)	(385)
	(23,221)	(39,286)
	(33,372)	(18,912)
Other income and gains	880	555
Selling and distribution costs	(451)	(332)
Administrative expenses	(33,681)	(30,888)
Research costs	(7,206)	(9,306)
Other operating expenses	(1,269)	(427)
Fair value gains/(losses), net:		
Equity investments at fair value through profit or loss	(98,327)	(12,328)
Conversion option derivatives	(390)	(472)
Derivative component of convertible bonds	25,810	13,680
Finance costs	(19,480)	(18,542)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	(167,486)	(76,972)
Income tax expense	—	—
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	(167,486)	(76,972)
DISCONTINUED OPERATION		
Loss for the year from a discontinued operation	—	(3,515)
Gain on disposal of a subsidiary	—	26,691
	—	23,176
LOSS FOR THE YEAR	(167,486)	(53,796)

	2012 *HK$'000*	2011 *HK$'000*
Attributable to:		
Owners of the parent	(156,601)	(46,416)
Non-controlling interests	(10,885)	(7,380)
	(167,486)	(53,796)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted		
— For loss for the year	HK(5.49) cents	HK(1.64) cents
— For loss from continuing operations	HK(5.49) cents	HK(2.46) cents

Consolidated Statement of Comprehensive Income
Year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	(167,486)	(53,796)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Available-for-sale equity investments:		
Changes in fair value	(3,508)	1,917
Income tax effect	579	(316)
	(2,929)	1,601
Exchange differences on translation of foreign operations	124	1,246
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	(2,805)	2,847
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(170,291)	(50,949)
Attributable to:		
Owners of the parent	(159,532)	(43,712)
Non-controlling interests	(10,759)	(7,237)
	(170,291)	(50,949)

Consolidated Statement of Financial Position
31 March 2012

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	2,053	1,639
Prepaid land lease payment	—	—
Available-for-sale equity investments	15,304	18,812
Total non-current assets	17,357	20,451
CURRENT ASSETS		
Convertible notes — loan portion	—	70,365
Convertible notes — conversion option derivatives	—	390
Note receivables	15,383	—
Equity investments at fair value through profit or loss	106,874	159,757
Inventories	1,174	1,288
Trade receivables	3,350	2,210
Prepayments, deposits and other receivables	3,476	14,943
Pledged time deposits	—	7,335
Cash and cash equivalents	49,989	43,372
Total current assets	180,246	299,660
CURRENT LIABILITIES		
Trade payables	368	1,305
Tax payable	12	12
Other payables and accruals	8,859	8,543
Finance lease payables	140	130
Derivative component of convertible bonds	19,730	45,540
Total current liabilities	29,109	55,530
NET CURRENT ASSETS	151,137	244,130
TOTAL ASSETS LESS CURRENT LIABILITIES	168,494	264,581

	2012	2011
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Finance lease payables	85	225
Convertible bonds	161,848	142,595
Deferred tax liabilities	315	894
Total non-current liabilities	162,248	143,714
Net assets	6,246	120,867
EQUITY		
Equity attributable to owners of the parent		
Issued capital	33,896	28,247
Reserves	(10,560)	99,857
	23,336	128,104
Non-controlling interests	(17,090)	(7,237)
Total equity	6,246	120,867

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010	28,247	701,055	551,174	556	22,828	47,257	2,925	(1,691)	(1,183,677)	168,674	—	168,674
Loss for the year	—	—	—	—	—	—	—	—	(46,416)	(46,416)	(7,380)	(53,796)
Other comprehensive income for the year:												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	—	1,601	—	—	1,601	—	1,601
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	1,103	—	1,103	143	1,246
Total comprehensive income/(loss) for the year	—	—	—	—	—	—	1,601	1,103	(46,416)	(43,712)	(7,237)	(50,949)
Equity-settled share option arrangements	—	—	—	—	3,142	—	—	—	—	3,142	—	3,142
At 31 March 2011	28,247	701,055	551,174	556	25,970	47,257	4,526	(588)	(1,230,093)	128,104	(7,237)	120,867

	Attributable to owners of the parent											
	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Capital reserve HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2011	28,247	701,055	551,174	556	25,970	47,257	4,526	(588)	(1,230,093)	128,104	(7,237)	120,867
Loss for the year	—	—	—	—	—	—	—	—	(156,601)	(156,601)	(10,885)	(167,486)
Other comprehensive income/(loss) for the year:												
Changes in fair value of available-for-sale equity investments, net of tax	—	—	—	—	—	—	(2,929)	—	—	(2,929)	—	(2,929)
Exchange differences on translation of foreign operations	—	—	—	—	—	—	—	(2)	—	(2)	126	124
Total comprehensive loss for the year	—	—	—	—	—	—	(2,929)	(2)	(156,601)	(159,532)	(10,759)	(170,291)
Issue of shares	5,649	45,194	—	—	—	—	—	—	—	50,843	—	50,843
Share issue expenses	—	(1,020)	—	—	—	—	—	—	—	(1,020)	—	(1,020)
Equity-settled share option arrangements	—	—	—	—	4,941	—	—	—	—	4,941	—	4,941
Capital contribution from non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	—	—	906	906
At 31 March 2012	33,896	745,229*	551,174*	556*	30,911*	47,257*	1,597*	(590)*	(1,386,694)*	23,336	(17,090)	6,246

* These reserve accounts comprise the negative consolidated reserves of HK$10,560,000 (2011: positive consolidated reserves of HK$99,857,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows
Year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax:		
From continuing operations	(167,486)	(76,972)
From a discontinued operation	—	23,176
Adjustments for:		
Bank interest income	(13)	(19)
Finance costs	19,480	18,542
Depreciation	472	734
Impairment of items of property, plant and equipment	17	335
Impairment of other receivables	906	—
Write-off of items of property, plant and equipment	—	106
Write-down of inventories to net realisable value	60	221
Loss on disposal of items of property, plant and equipment	45	—
Fair value losses/(gains), net:		
Equity investments at fair value through profit or loss	98,327	12,328
Conversion option derivatives	390	472
Derivative component of convertible bonds	(25,810)	(13,680)
Gain on disposal of a subsidiary	—	(26,691)
Equity-settled share option arrangements	4,941	3,142
	(68,671)	(58,306)
Decrease/(increase) in convertible notes — loan portion	55,165	(19,452)
Increase in convertible notes — conversion option derivative	—	(862)
Increase in note receivables	(183)	—
Increase in equity investments at fair value through profit or loss	(45,444)	(24,559)
Decrease/(increase) in inventories	54	(1,498)
Increase in trade receivables	(1,140)	(803)
Decrease/(increase) in prepayments, deposits and other receivables	10,553	(13,974)
Increase/(decrease) in trade payables	(937)	1,031
Decrease in other payables and accruals	316	2,401
Exchange realignment	(38)	269
Cash used in operations	(50,325)	(115,753)
Interest paid	(207)	(707)
Interest element of finance lease rental payments	(20)	(11)
Net cash flows used in operating activities	(50,552)	(116,471)

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(929)	(2,601)
Disposal of a subsidiary	—	32,508
Interest received	13	19
Net cash flows from/(used in) investing activities	(916)	29,926
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	49,823	—
Proceeds from issue of convertible bonds	—	200,000
Redemption of convertible bonds	—	(200,000)
Transaction costs attributable to issue of convertible bonds	—	(4,000)
Capital element of finance lease rental payments	(130)	(52)
Increase in pledged time deposits	—	(5)
Capital contribution from the non-controlling interests	906	—
Net cash flows from/(used in) financing activities	50,599	(4,057)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(869)	(90,602)
Cash and cash equivalents at beginning of year	50,707	141,441
Effect of foreign exchange rate changes, net	151	(132)
CASH AND CASH EQUIVALENTS AT END OF YEAR	49,989	50,707
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the consolidated statement of financial position	49,989	43,372
Time deposits with original maturity of less than three months when acquired, pledged as security for bank overdraft facilities	—	7,335
Cash and cash equivalents as stated in the consolidated statement of cash flows	49,989	50,707

4. STATEMENT OF INDEBTEDNESS

At the close of business on 31 May 2015, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this circular, the Group had a finance lease payable of approximately HK$488,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables, as at the close of business on 31 May 2015, the Group did not have any debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

5. MATERIAL CHANGE

There has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the last published audited consolidated financial statement of the Group were made up, and up to and including the Latest Practicable Date, save for:

1. a placing agreement dated 7 July 2014 (revised on 14 July 2014) entered into between Freeman Securities Limited (as placing agent) and the Company, pursuant to which Freeman Securities Limited has conditionally agreed to place a total of 406,747,565 new shares of the Company on a best effort basis, to not less than six independent placees, at a price of HK$0.125 per placing share with net proceeds of approximately HK$49 million which had strengthened the financial position of the Group. Further detail are set out in the Company's announcement dated 8 July 2014 and 14 July 2014 respectively;

2. a placing agreement dated 31 October 2014 entered into between the Company and Get Nice Securities Limited regarding the placing on a best effort basis of a maximum of 495,192,763 placing shares at a price of HK$0.175 per placing share to not less than six placees who and whose ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons with net proceeds of approximately HK$84.2 million which had strengthened the financial position of the Group. Further detail are set out in the Company's announcements dated 31 October 2014 and 7 November 2014 respectively;

3. a placing agreement dated 14 November 2014 entered into between the Company and Freeman Securities Limited regarding the placing on a fully underwritten basis of a total of 921,141,959 placing shares at a price of HK$0.15 per placing share to not less than six places who and whose ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons and net proceeds of approximately HK$133 million which had strengthened the financial position of the Group. Further detail are set out in the Company's announcement dated 14 November 2014;

4. an underwriting Agreement and the supplemental agreement dated 5 December 2014 and 7 January 2015 respectively entered into between the Company and Freeman Securities Limited (as underwriter) in relation to the underwriting arrangement in respect to a rights issue of the Company of not less than 3,592,111,050 right shares and not more than 3,611,678,988 rights shares at a subscription price of HK$0.15 per rights share on the basis of six rights share for every share of the Company held on the record date with net proceeds of approximately HK$519.56 million to HK$522.50 million which had strengthen the financial position of the Group. Further detail are set out in the Company's announcement dated 8 December 2014 and 31 March 2015 and the Company's circular dated 23 January 2015 respectively;

5. a loan agreement dated 10 April 2015 entered into between Top Billion Finance Limited (an indirect wholly-owned subsidiary of the Company) (as lender) and Freeman Corporation Limited (as borrower) in relation to the revolving loan facility with a principal amount of HK$100,000,000 that can be drawn down at any time within a period of two (2) years from the date of the loan agreement which had decreased the cash level of the Group. Further detail are set out in the Company's announcement dated 10 April 2015;

6. the loss of the Group of approximately HK$1,207.4 million which was attributed from the losses arising from modification of convertible bonds and fair value losses of derivative component of convertible bonds as disclosed in the interim report of the Company for the six months ended 30 September 2014; and

7. the Subscription.

Set out below are the biographical and other details of the candidates nominated by the Subscriber for appointment as executive Directors and approval by the Independent Shareholders at the SGM.

Mr. Wei Zhenyu (韋振宇), aged 30, is currently and has been the director and chairman of Hubei Lan Ding Holding Company Limited* (湖北藍鼎控股股份有限公司), a Shenzhen-listed company (stock code: 971), since December 2014. He holds an EMBA degree of the Business School of Nankai University* (南開大學商學院). Moreover, Mr. Wei has been appointed and still serves as the executive director and general manager of Shenzhen De Ze Shi Jia Technology Investment Company Limited* (深圳德澤世家科技投資有限公司) and the executive director and manager of Lan Ding Industry (Hubei) Company Limited* (藍鼎實業(湖北)有限公司) since November 2014 and December 2014 respectively.

Mr. Wei is not connected, and does not have any relationship, with any Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the Company.

Mr. Wei did not hold any position(s) with the Company and other members of the Group as at the Latest Practicable Date. Further, except being the director and chairman of Hubei Lan Ding Holding Company Limited* (湖北藍鼎控股股份有限公司), a Shenzhen-listed company (stock code: 971), he did not hold any directorship in other listed public companies in the last three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, Mr, Wei did not have, directly or indirectly, any interest in Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in relation to the proposed election of Mr. Wei as an executive Director.

Ms. Zhang Yiwen (張一文), aged 48, is currently and has been the Chief Financial Officer (CFO) of Beijing Long Hui Feng Investment Management Ltd.* (北京龍惠鋒投資管理有限公司), since October 2008. She holds an EMBA degree of the Business School of Nankai University* (南開大學商學院). Ms. Zhang also served as a CFO of Beijing Weigong Yuanding Real Estate Development Group Co., Ltd.* (北京魏公元鼎房地產開發集團有限公司) from 2002 to 2008 and previously served as a finance manager of Shanxi Shengbao Enterprise Group Co., Ltd.* (山西生寶企業集團有限公司) from 1992 to 2000.

Ms. Zhang is not connected, and does not have any relationship, with any Directors, senior management or substantial or controlling Shareholders (as defined in the Listing Rules) of the Company.

Ms. Zhang did not hold any position(s) with the Company and other members of the Group as at the Latest Practicable Date. Further, she did not hold any directorship in other listed public companies in the last three years prior to the Latest Practicable Date.

As at the Latest Practicable Date, Ms. Zhang did not have, directly or indirectly, any interest in Shares within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters that need to be brought to the attention of the Shareholders nor other information required to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules in relation to the proposed election of Ms. Zhang as an executive Director.

Set out below are the biographical and other details of the Director proposed to be re-elected as executive Director at the SGM.

Mr. Wang Haixiong (王海雄) ("**Mr. Wang**"), aged 43, was appointed as an executive Director of the Company on 23 April 2015. He is also the Chairman of the Board and the Chairman of the Nomination Committee of the Company. Mr. Wang holds a Master degree in Economics from Economic Management School of Jilin University and a Bachelor degree in Economics from Lingnan College of Sun Yat-sen University. He has obtained top scorer of Science in the matriculation examination in Hainan Province in 1989. Mr. Wang has extensive experience in professional investment and corporate management. Prior to joining the Group, Mr. Wang served as a vice-president of China Asset Management (Hong Kong) Limited, a member of the Investment Committee, a deputy director of corporate investments and a chief investment officer of China Asset Management Co., Ltd. from 2010 to February 2015. During 2003 to 2010, Mr. Wang served as a general manager of the head office of investment management of Goldstate Securities Joint Stock Co., Ltd. and a vice-president of investment business of Goldstate Securities Joint Stock Co., Ltd. During 1996 to 2002, Mr. Wang served as a director and an assistant to general manager of the head office of securities department of Hainan International Trust and Investment Company, and a general manager of the sales department of Haikou Securities. Mr. Wang has not held other directorships in the last three years in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Mr. Wang has not been appointed for any fixed term but is subject to retirement and re-election in accordance with the Bye-laws. Pursuant to the service agreement entered into between the Company and Mr. Wang, Mr. Wang is entitled to receive a remuneration package of HK$80,000 per month plus a discretionary bonus as may be determined by the Board with reference to his performance. The foregoing emolument of Mr. Wang is recommended by the Company's Remuneration Committee and approved by the Board with reference to his qualifications, experience and responsibilities with the Company.

As far as the Board is aware, as at the Latest Practicable Date, Mr. Wang has an interest of 460,000,000 Shares, representing approximately 10.45% of the issued share capital of the Company. Save as disclosed above, Mr. Wang does not have or is not deemed to have any interests or short positions in the Shares or underlying Shares pursuant to Part XV of the SFO. In addition, Mr. Wang does not have any relationships with any other Directors, senior management, substantial Shareholders (as defined in the Listing Rules) or controlling Shareholders (as defined in the Listing Rules).

Save as disclosed above, Mr. Wang has no information to be disclosed pursuant to any of the requirements under paragraphs 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there are no other matters relating to Mr. Wang's appointment that need to be brought to the attention of the Shareholders.

1. SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE SECURITIES

(i) Share capital

Set out below are the authorised and issued share capital of the Company as at the Latest Practicable Date:

	HK$
Authorised	
80,000,000,000 Shares	800,000,000.00
Issued and fully paid or credited as fully paid	
4,399,897,387 Shares	43,998,973.87
New Shares to be issued pursuant to the Subscription Agreement	
4,000,000,000 Shares	40,000,000.00

All the issued Shares rank equally with each other in all respects including the rights in respect of capital, dividend and voting.

The Shares are listed on and traded on the Main Board of the Stock Exchange. No Shares are listed on or dealt in, nor is any listing of or permission to deal in the Shares being, or proposed to be, sought on any other stock exchange.

There has been no alteration to the authorised and the issued share capital of the Company since 31 March 2014, being the date on which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, save as disclosed below:

(a) the allotment and issue of an aggregate of 406,747,565 new Shares pursuant to and upon completion of the placing agreement dated 7 July 2014 (as supplemented by a supplemental agreement dated 14 July 2014) entered into between the Company (as issuer) and Freeman Securities Limited (as placing agent);

(b) the allotment and issue of an aggregate of 1,600,000,000 new Shares upon exercise of the conversion rights attaching to the convertible bonds in the aggregate principal amount of HK$200 million issued by the Company on 1 December 2010 (as varied by two deeds of variation dated 8 February 2013 and 8 July 2014 respectively);

(c) the allotment and issue of an aggregate of 495,192,763 new Shares pursuant to and upon completion of placing agreement dated 31 October 2014 entered into between the Company (as issuer) and Get Nice Securities Limited (as placing agent);

(d) the share consolidation (the "**Share Consolidation**") of the then every ten (10) issued and unissued shares of HK$0.01 each in the Company into one (1) consolidated share of par value of HK$0.10 each (each a "**Consolidated Share**"), which became effective on 2 March 2015;

(e) the reduction (the "**Capital Reduction**") of the issued share capital of the Company by which (i) the nominal value of all the issued Consolidated Shares be reduced from HK$0.10 to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 on each of the issued Consolidated Share and (ii) any fractional Consolidated Shares in the issued share capital of the Company arising from the Share Consolidation should be reduced and cancelled, which became effective on 2 March 2015;

(f) the subdivision (the "**Subdivision**", together with the Capital Reduction, collectively, the "**Capital Reorganisation**")) of each authorised but unissued Consolidated Share of par value of HK$0.10 each into ten (10) adjusted shares (the "**Adjusted Shares**") with a par value of HK$0.01 each upon the Capital Reorganisation becoming effective on 2 March 2015;

(g) the increase in the authorised share capital (the "**Increase in Authorised Share Capital**") of the Company from HK$600,000,000 to HK$800,000,000 divided into 80,000,000,000 Adjusted Shares by the creation of an additional 20,000,000,000 Adjusted Shares;

Please refer to the announcement dated 8 December 2014, the circular dated 23 January 2015 and the announcement dated 27 February 2015 for details of the Share Consolidation and the Capital Reorganisation (including the Subdivision and the Capital Reduction and the Increase in Authorised Share Capital);

(h) the allotment and issue of an aggregate of 3,592,111,050 new Shares under the rights issue conducted by the Company on the basis of six rights shares for every share then in issue in the Company held on the specified record date, which became unconditional on 30 March 2015;

(i) the allotment and issue of new Shares upon exercise of Options granted by the Company under its share option schemes; and

(j) the allotment and issue of new Shares pursuant to the exercise of subscription rights attached to the Warrants.

(ii) Share options

As at the Latest Practicable Date, the Company had outstanding Options granted under the share options schemes of the Company entitling the holders to subscribe for an aggregate of 9,351,427 Shares, the details of which are set out below:

Holder(s) of outstanding Options	Date of grant	Exercise period	Exercise price per Share	Number of Shares which may fall to be issued upon full exercise of the Options
Director				
Mr. Wong Howard	18/07/2011	01/01/2015–31/12/2016	HK$1.7052	509,005
	08/01/2013	01/07/2015–31/12/2017	HK$0.8940	509,005
		01/07/2016–31/12/2017	HK$0.8940	509,005
	18/02/2014	18/02/2015–31/12/2017	HK$0.6896	1,131,124
			Sub-total (A):	2,658,139
Mr. Wong Yat Fai	18/07/2011	01/01/2012–31/12/2016	HK$1.7052	181,787
		01/01/2013–31/12/2016	HK$1.7052	181,787
		01/01/2014–31/12/2016	HK$1.7052	181,787
		01/01/2015–31/12/2016	HK$1.7052	181,787
	08/01/2013	01/07/2013–31/12/2017	HK$0.8940	327,217
		01/07/2014–31/12/2017	HK$0.8940	327,217
		01/07/2015–31/12/2017	HK$0.8940	327,217
		01/07/2016–31/12/2017	HK$0.8940	327,217
	18/02/2014	18/02/2014–31/12/2017	HK$0.6896	424,172
		18/02/2015–31/12/2017	HK$0.6896	424,172
			Sub-total (B):	2,884,360
Other employees				
	18/07/2011	01/01/2015–31/12/2016	HK$1.7052	295,220
	08/01/2013	01/07/2013–31/12/2017	HK$0.8940	7,271
		01/07/2014–31/12/2017	HK$0.8940	7,271
		01/07/2015–31/12/2017	HK$0.8940	887,100
		01/07/2016–31/12/2017	HK$0.8940	887,101
	18/02/2014	18/02/2015–31/12/2017	HK$0.6896	1,724,965
			Sub-total (C):	3,808,928
			TOTAL: (A)+(B)+(C)	9,351,427

(iii) Convertible securities

As at the Latest Practicable Date, the Company had outstanding Warrants entitling the holders to subscribe for an aggregate of 389,584,013 Shares. The Warrants were issued by the Company on 8 April 2015, which confer the holders to subscribe in cash for new Share at an initial subscription price of HK$0.10 per Share (subject to adjustments) during the subscription period commencing from 8 April 2015 and expiring on 7 April 2016 (both days inclusive).

Save as disclosed in the section headed "*Share Capital, Share Options and Convertible Securities*" in this Appendix and as at the Latest Practicable Date, the Company had no other outstanding options, warrants or conversion rights affecting the Shares.

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of shareholding
Mr. Wang Haixiong	Beneficial owner	460,000,000	10.45
Mr. Wong Howard	Beneficial owner	1,277,940	0.03
Mr. Wong Yat Fai	Beneficial owner	1,277,940	0.03

(b) Long positions in the underlying Shares — physically settled unlisted equity derivatives

Name of Director	Date of grant	Exercise period	Exercise price per Share	Number of Shares to be issued upon full exercise of the Options
Mr. Wong Howard	18/07/2011	01/01/2015–31/12/2016	HK$1.7052	509,005
	08/01/2013	01/07/2015–31/12/2017	HK$0.8940	509,005
		01/07/2016–31/12/2017	HK$0.8940	509,005
	18/02/2014	18/02/2015–31/12/2017	HK$0.6896	1,131,124

Name of Director	Date of grant	Exercise period	Exercise price per Share	Number of Shares to be issued upon full exercise of the Options
Mr. Wong Yat Fai	18/07/2011	01/01/2012–31/12/2016	HK$1.7052	181,787
		01/01/2013–31/12/2016	HK$1.7052	181,787
		01/01/2014–31/12/2016	HK$1.7052	181,787
		01/01/2015–31/12/2016	HK$1.7052	181,787
	08/01/2013	01/07/2013–31/12/2017	HK$0.8940	327,217
		01/07/2014–31/12/2017	HK$0.8940	327,217
		01/07/2015–31/12/2017	HK$0.8940	327,217
		01/07/2016–31/12/2017	HK$0.8940	327,217
	18/02/2014	18/02/2014–31/12/2017	HK$0.6896	424,172
		18/02/2015–31/12/2017	HK$0.6896	424,172

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, the following persons and entities, other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying Shares in the Company as recorded in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate percentage of shareholding
Joyous Keen Limited *(Note 1)*	Beneficial owner	605,000,000	13.75%
Magnum Pacific Limited *(Note 2)*	Beneficial owner	195,000,000	4.43%

Notes:

1. Joyous Keen Limited is a company incorporated in Hong Kong and owned as to 50% by Chen Anfeng and Chong In Peng.

2. Magnum Pacific Limited is a company incorporated in the British Virgin Islands, the entire issued share capital of which is held by Mission Capital Holdings Limited (a company incorporated in Bermuda whose issued shares are listed on the Stock Exchange (stock code: 1141)). Magnum Pacific Limited is also interested in 308,936,000 underlying Shares by virtue of its being a holder of certain outstanding Warrants.

Save as disclosed in the section headed "*Substantial Shareholders' Interests*" in this Appendix, as at the Latest Practicable Date, no person or entity other than a Director or chief executive of the Company, had an interest or a short position in the Shares and underlying shares in the Company as recorded in the register required to be kept under section 336 of the SFO.

As at the Latest Practicable Date, there was no benefit given or agreed to be given to any Director as compensation for loss of office or otherwise in connection with the Subscription, the Specific Mandate or the Whitewash Waiver.

As at the Latest Practicable Date, other than the Subscription Agreement, there was no agreement, arrangement or understanding between any Director and any other person which are conditional on or dependent upon the outcome of the Subscription or the Whitewash Waiver or otherwise connected with the Subscription or the Whitewash Waiver.

As at the Latest Practicable Date, other than the Subscription Agreement, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Subscriber or any person acting in concert with him and any of the Directors or Shareholders having any connection with or dependence upon the Subscription, the Specific Mandate or the Whitewash Waiver.

As at the Latest Practicable Date, other than the Subscription Agreement, no material contracts were entered into by the Subscriber and parties acting in concert with him in which any Director had a material personal interest.

4. DISCLOSURE UNDER TAKEOVERS CODE

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any Relevant Securities in the Subscriber or any person acting in concert with him, and the Company has not dealt for value in any such securities of the Subscriber or any person acting in concert with him during the Relevant Period;

(b) save as disclosed in the section "*2. Directors' Interests*" in this Appendix III, none of the Directors held, controlled or had direction over any Relevant Securities in the Company, the Subscriber or any person acting in concert with the Subscriber, and none of the Directors has dealt for value in any such securities in the Company, the Subscriber or any person acting in concert with him during the Relevant Period;

(c) none of the subsidiaries of the Company, any pension funds of the Company and/or its subsidiaries or any advisers to the Company as specified in class (2) of the definition of "associates" under the Takeovers Code owned, controlled or had direction over or had dealt in value in any Relevant Securities in the Company;

(d) none of the Subscriber or any parties acting in concert with him entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with any other person, and none of the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code entered into any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with any other person, and no person who had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber or any parties acting in concert with him, the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code held, controlled or had direction over any Relevant Securities in the Company, and no person who had any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code with the Subscriber or any party acting in concert with him has dealt for value in any such securities of the Company during the Relevant Period;

(e) no Relevant Securities of the Company were managed on a discretionary basis or dealt in value by fund managers connected with the Company;

(f) each of Mr. Wang Haixiong, Mr. Wong Howard and Mr. Wong Yat Fai does not have any interest in the Subscription, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder which is different from the interest of the other Independent Shareholders. Given, however, that Mr. Wang Haixiong was involved in the negotiation of the Subscription, he will abstain from voting on all the resolutions proposed at the SGM notwithstanding that his intention is to vote in favour of all those resolutions. Each of Mr. Wong Howard and Mr. Wong Yat Fai intended to vote in favour of the resolution approving the Subscription Agreement, the Specific Mandate and the Whitewash Waiver and the transactions contemplated thereunder at the SGM in respect of his shareholdings in the Company. The other Directors did not hold any Shares as at the Latest Practicable Date;

(g) during the Relevant Period, no person had irrevocably committed himself or herself to, and the Subscriber and parties acting in concert with him had not received any irrevocable commitment to, vote in favour of or against the resolution approving the Subscription Agreement, the Specific Mandate, the Whitewash Waiver and the transactions contemplated thereunder at the SGM;

(h) neither the Company nor any of the Directors has borrowed or lent any Relevant Securities in the Company during the Relevant Period;

(i) neither the Subscriber nor any party acting in concert with him has borrowed or lent any Relevant Securities in the Company; and

(j) neither the Subscriber nor any party acting in concert with him has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable).

As at the Latest Practicable Date, save as disclosed under the paragraphs headed "*Effect of the Subscription on the Shareholding Structure of the Company*" in the Letter from the Board in this circular and the paragraph headed "*Substantial Shareholders' Interests*" in this Appendix III, none of the Subscriber or any party acting in concert with him held, controlled or had direction over any Relevant Securities in the Company and none of them has dealt for value in any such securities in the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares acquired by the Subscriber or any party acting in concert with him in pursuance of the Subscription has been transferred, charged or pledged to or will be transferred, charged or pledged to any other persons, and there is no agreement, arrangement or understanding or any related charges or pledge which may result in the transfer of voting rights in such Shares.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which:

(i) (including both continuous and fixed term contracts) had been entered into or amended within 6 months before the date of the Announcement;

(ii) was a continuous contract with a notice period of 12 months or more;

(iii) was a fixed term contract with more than 12 months to run irrespective of the notice period; or

(iv) was not expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

6. MATERIAL CONTRACTS

During the two years immediately preceding the date of the Announcement, the following contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries, have been entered into by a member of the Group and which are or may be material:

(a) the underwriting agreement dated 25 June 2013 entered into between the Company and Freeman Securities Limited (as underwriter) in relation to the underwriting arrangement in respect to a rights issue of the Company of not less than

1,355,825,218 right shares and not more than 2,292,650,866 rights shares at a subscription price of HK$0.10 per rights share on the basis of two rights shares for every share in the Company;

(b) the placing agreement dated 7 July 2014 entered into between Freeman Securities Limited (as placing agent) and the Company, pursuant to which Freeman Securities Limited has conditionally agreed to place a total of 406,747,565 new shares in the Company on a best effort basis, to not less than six independent placees, at a price of HK$0.125 per placing share (as revised by the Company and Freeman Securities Limited on 14 July 2014 to change (a) the expiry date of the placing period from the 30th day after the date of the placing agreement to the date of 23 July 2014 or such other period as agreed by Freeman Securities Limited and the Company and (b) the long stop date for fulfillment of the condition precedent of the placing agreement);

(c) the deed of variations dated 8 July 2014 entered into between the Company and the bondholders, pursuant to which the Company and the bondholders conditionally agree to vary certain terms and conditions of the convertible bonds in the aggregate principal amount of HK$200 million issued by the Company on 1 December 2010 (as varied by the deed of variation dated 8 February 2013) by, among other matters, (i) extending the maturity date of the convertible bonds; (ii) making the interest bearing part of the bonds non-interest bearing but convertible such that the entire convertible bonds are convertible and are subject to the same terms and conditions; and (iii) lowering the conversion price of the convertible bonds subject to and upon the terms and conditions stipulated in the deed of variations;

(d) the conditional subscription agreement dated 30 July 2014 entered into between the Company (as the issuer) and Mr. Fu Rulin ("**Mr. Fu**", as the subscriber) in relation to the subscription of convertible notes in the principal amount of HK$133.2 million and a supplemental agreement dated 31 October 2014 entered into between the Company and Mr. Fu, pursuant to the supplemental agreement, the Company and Mr. Fu agreed (a) to extend the latest time and date for fulfillment of the conditions precedent under the subscription agreement to 5:00 p.m. on 31 December 2014 (or such other date as the Company and Mr. Fu may agree in writing); and (b) that the provisions of the subscription agreement shall, save as varied or amended by the supplemental agreement, remain unchanged and continue in full force and effect, and shall be read and construed as one document with the supplemental agreement;

(e) the memorandum of understanding dated 28 August 2014 entered into amongst others, the Company and Mr. Fu (as the controlling shareholder of Tianji Trade Co. Limited) entered into in relation to the proposed acquisition by the Company or its nominated subsidiary of the entire issued share capital of Tianji Trade Co. Limited for an aggregate purchase price of HK$600 million (the "**MOU**") and an addendum to supplement the MOU dated 31 October 2014 entered into the Company (as the buyer), Mr. Fu (as the controlling shareholder of Tianji Trade Co. Limited), and Great Aqua Limited (as the seller), inter alia, agreed to extend the expiry time and date of the Exclusivity Period to 11:59 p.m. on 31 December 2014;

(f) the subscription agreement and a supplemental agreement dated 19 September 2014 and 22 September 2014 respectively entered into between Four Sheets Limited (a wholly-owned subsidiary of the Company) (as subscriber) and HEC Capital Limited (as issuer), pursuant to which HEC Capital Limited has conditionally agreed to issue, and Four Sheets Limited has conditionally agreed to subscribe for, or procure its nominee to subscribe for, 10,000,000 new shares of HEC Capital Limited at the subscription price of approximately HK$6.50 per share of HEC Capital Limited for an aggregate consideration of HK$65 million, which shall be satisfied by the issue of promissory note by the Company to HEC Capital Limited or its nominee;

(g) the subscription agreement dated 19 September 2014 entered into between West West Limited (a wholly-owned subsidiary of the Company) (as subscriber) and Freeman Corporation Limited (as issuer), pursuant to which Freeman Corporation Limited has conditionally agreed to issue, and West West Limited has conditionally agreed to subscribe for, or procure its nominee to subscribe for, 30,344,827 new shares of Freeman Corporation Limited at the subscription price of approximately HK$2.90 per share of Freeman Corporation Limited for an aggregate consideration of HK$88 million, and the consideration shall be satisfied by the issue of promissory note by the Company to Freeman Corporation Limited or its nominee;

(h) the placing agreement dated 31 October 2014 entered into between the Company and Get Nice Securities Limited regarding the placing on a best effort basis of a maximum of 495,192,763 placing shares at a price of HK$0.175 per placing share to not less than six placees who and whose ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons;

(i) the placing agreement dated 14 November 2014 entered into between the Company and Freeman Securities Limited regarding the placing on a fully underwritten basis of a total of 921,141,959 placing shares at a price of HK$0.15 per placing share to not less than six placees who and whose ultimate beneficial owners will be independent third parties not connected with the Company and its connected persons;

(j) the conditional agreement dated 28 November 2014 (the "**Conditional Agreement**") entered into between Qualipak Development Limited (as vendor) and Sino Green Holdings Limited (as purchaser), an indirect wholly owned subsidiary of the Company in relation to the acquisition of the entire issued share capital of King Place Investments Limited (which is the sole legal and beneficial owner of a commercial property in Hong Kong) together with assignment of the shareholder loan for a consideration of HK$92 million. As announced by the Company in its announcement dated 27 February 2015, at the request of Sino Green Holdings Limited (as purchaser), both parties to the Conditional Agreement have agreed to postpone completion to 30 April 2015 (or such other date as the parties may further agree in writing) so as to allow the Company to settle the balance of the consideration payable under the Conditional Agreement after completion of the Rights Issue;

(k) the Underwriting Agreement and the supplemental agreement dated 5 December 2014 and 7 January 2015 respectively entered into between the Company and Freeman Securities Limited (as underwriter) in relation to the underwriting arrangement in respect to a rights issue of the Company of not less than 3,592,111,050 right shares and not more than 3,611,678,988 rights shares at a subscription price of HK$0.15 per rights share on the basis of six rights share for every share in the Company;

(l) the conditional agreement dated 12 May 2015 entered into between Sino Green Holdings Limited and Future Master Investments Limited in relation to, among other matters, the sale and purchase of the entire issued share capital in King Place Investments Limited and the assignment of certain outstanding unsecured and non-interest bearing shareholder loan advanced by Sino Green Holdings Limited to King Place Investments Limited) at the total consideration of HK$94,000,000; and

(m) the Subscription Agreement.

7. MATERIAL CHANGE

Save as disclosed in the section headed "*Material Change*" in Appendix I, there has been no material change in the financial or trading position or outlook of the Group since 31 March 2014, being the date to which the last audited consolidated financial results of the Group were made up, to and including the Latest Practicable Date.

8. COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interests in other business, which competes or may compete, either directly or indirectly, with the business of the Group.

9. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

(a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and

(b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 March 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

10. MATERIAL LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

11. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) at the end of each of calendar months during the Relevant Period; (ii) on 19 May 2015 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	**Closing Price of the Share** *HK$*
28 November 2014	0.353
31 December 2014	0.220
30 January 2015	0.213
27 February 2015	0.224
31 March 2015	0.265
30 April 2015	0.760
19 May 2015 *(being the Last Trading Day)*	0.960
Latest Practicable Date	0.690

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.169 on 9 April 2015 and HK$1.070 on 20 April 2015 respectively.

12. EXPERT

(a) The following sets out the qualifications of the expert who has given its opinions or advice as contained in this circular:

Name	**Qualification**
Guotai Junan Capital Limited (“**Guotai Junan**”)	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

(b) As at the Latest Practicable Date, Guotai Junan had no shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

(c) As at the Latest Practicable Date, Guotai Junan had no direct or indirect interests in any assets which has been acquired or disposed of by or leased to any member of the Group since 31 March 2014 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

(d) Guotai Junan has given and has not withdrawn its written consent to the issue of this circular with the inclusion of this advice, letters, reports and/or summary of its opinions (as the case may be) and references to its name and logo in the form and context in which they respectively appear.

13. MISCELLANEOUS INFORMATION

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the place of business in Hong Kong is situated at Room 1603–05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Szeto Pui Tong, Patrick, who is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries, the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators.

(c) The address of the Subscriber is at 中國北京市朝陽區小莊6號中國第一商城西塔 (West Tower, China First Commercial City, Small Village, Chaoyang District, Beijing, the PRC*).

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) The Independent Financial Adviser is Guotai Junan Capital Limited whose address is at 26th Floor to 28th Floor, Low Block Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

(f) The financial adviser to the Company is Nuada Limited whose address is at Unit 1805–08, 18th Floor, OfficePlus@Sheung Wan, 93–103 Wing Lok Street, Sheung Wan, Hong Kong.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. on any Business Days from the date of this circular up to and including 14 days (except public holidays) at the Company's place of business of Hong Kong situated at Room 1603–05, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.cjigl.com from the date of this circular up to and including the date of the SGM:

(a) the bye-laws of the Company;

(b) the annual reports of the Company for the last two financial years ended 31 March 2013 and 31 March 2014 respectively, and the annual results announcement of the Company for the year ended 31 March 2015;

(c) the Subscription Agreement;

(d) the letter from the Board, the text of which is set out on pages 6 to 25 of this circular;

(e) the letter from the Independent Board Committee, the text of which is set out on pages IBC-1 to IBC-2 of this circular;

(f) the letter from the Independent Financial Adviser, the text of which is set out on pages IFA-1 to IFA-27 of this circular;

(g) the letter from Guotai Junan Capital Limited as referred to in the paragraph headed "*Expert*" in this appendix;

(h) the material contracts as referred to in the paragraph headed "*Material Contracts*" in this appendix; and

(i) this circular.

15. GENERAL

The English text of this circular shall prevail over its Chinese text in case of inconsistencies.

CHINA JINHAI INTERNATIONAL GROUP LIMITED
中國金海國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)
(Stock Code of Warrants: 1436)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "**Meeting**") of China Jinhai International Group Limited (the "**Company**") will be held on Thursday, 23 July 2015 at 9:30 a.m. at Falcon Room 1, Basement, Gloucester Luk Kwok Hong Kong, 72 Gloucester Road, Wanchai, Hong Kong for the purposes of considering and, if thought fit, passing (with or without modifications), each of the following resolutions (each a "**Resolution**") as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the Whitewash Waiver (as defined in the circular of the Company dated 7 July 2015 (the "**Circular**")) granted or to be granted by the Executive (as defined in the Circular) to Mr. Wei Zhenyu (韋振宇) (being the Subscriber referred to in the Circular) and parties acting in concert with him be and is hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorized to do all such things and take all such action and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the Whitewash Waiver (as defined in the Circular);

   (b) the Subscription Agreement (as defined in the Circular) dated 20 May 2015 entered into by the Company (as issuer) and Mr. Wei Zhenyu (韋振宇) (the "**Subscriber**") (as subscriber) in respect of the subscription of 4,000,000,000 new ordinary shares (the "**Subscription Shares**") of HK$0.01 each in the Company by the Subscriber at the subscription price of HK$0.25 each and the Specific Mandate (as defined in the Circular) be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorized to do all such things and take all such actions (including but not limited to the allotment and issue of the Subscription Shares under the Specific Mandate) and execute all documents (including the affixation of the common seal of the Company where execution under seal is required) as he/she may consider to be necessary or desirable to implement any of the matters relating to or incidental to the Subscription Agreement and the Specific Mandate (as

* *For identification purpose only*

respectively defined in the Circular), and further to approve any changes and amendments thereto as he/she may consider necessary, desirable or appropriate; and

(c) any one director of the Company be and is hereby authorized to do all such acts and things and execute such documents (including the affixation of the common seal of the Company where execution under seal is required) and take all steps which, in his/her opinion deemed necessary, desirable or expedient to implement and/or effect the transactions contemplated under the Whitewash Waiver, the Subscription Agreement and the Specific Mandate (as respectively defined in the Circular) for and on behalf of the Company."

2. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Mr Wei Zhenyu (韋振宇) to serve as an executive director of the Company with effect from the date of completion of the Subscription (as defined in the Circular) be and is hereby approved, and the board of directors of the Company be and is hereby authorised to fix his remuneration."

3. "**THAT**, subject to and conditional on the passing of ordinary resolution no. 1, the appointment of Ms Zhang Yiwen (張一文) to serve as an executive director of the Company with effect from the date of completion of the Subscription (as defined in the Circular) be and is hereby approved, and the board of directors of the Company be and is hereby authorised to fix his remuneration."

4. "**THAT** the re-election of Mr Wang Haixiong (王海雄) to serve as an executive director of the Company with immediate effect be and is hereby approved, and the board of directors of the Company be and is hereby authorised to fix his remuneration."

Yours faithfully
By order of the Board
China Jinhai International Group Limited
Wang Haixiong
Chairman

Hong Kong, 7 July 2015

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and principal place of business in Hong Kong:
Room 1603–05, Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting convened by the above notice is entitled to appoint one or if he/she is the holder of two or more ordinary shares (the "**Share(s)**"), more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. Where there are joint registered holders of any Share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such Share as if he were solely entitled thereto. But if more than one of such joint holders be present at the Meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding. Seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.

3. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Company's branch share and transfer office in Hong Kong, Tricor Tengis Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the Meeting or any adjournment thereof, should he/she so wish.

5. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above resolutions will be decided by way of poll.

6. The form of proxy for use at the Meeting is enclosed with the circular of the Company dated 7 July 2015.

As at the date of this notice, the board of directors of the Company comprises:

Executive Directors
Mr. Wang Haixiong *(Chairman)*
Mr. Wong Howard
Mr. Wong Yat Fai
Ms. Chen Wei
Mr. Zhan Jianzhou

Independent non-executive Directors
Mr. Li Chi Ming
Mr. Kwok Chi Kwong
Mr. Chen Youchun
Mr. Frank H. Miu
Mr. Tsang Wing Ki