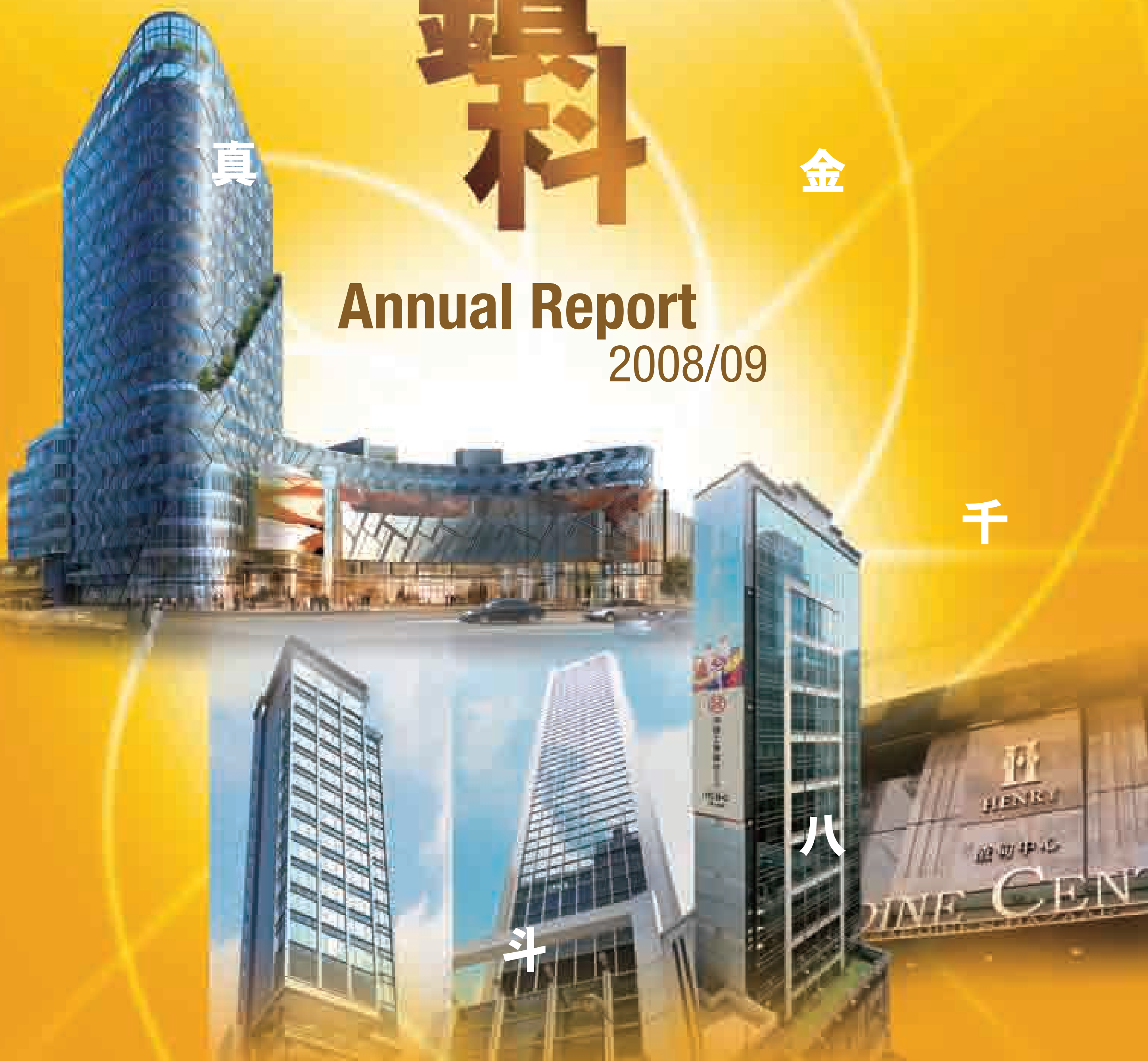
HENRY GROUP HOLDINGS LIMITED
鎮科集團控股有限公司

Stock Code : 0859

鎮科

Annual Report 2008/09



CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Ng Chun For, Henry *(Chairman)*
Mr. Ng Ian *(Deputy Chairman and Chief Executive Officer)*
Mr. Chan Kwai Ping, Albert *(resigned on 2 January 2009)*
Mr. Li Man Hin

Non-executive directors

Mr. Mak Wah Chi
Mr. Cheng Yuk Wo *(retired on 29 August 2008)*

Independent non-executive directors

Mr. Ng Hoi Yue
Mr. Tsang Kwok Ming, Rock
Mr. Li Kit Chee

COMPANY SECRETARY

Mr. Lee Pui Lam

AUTHORISED REPRESENTATIVES

Mr. Ng Ian
Mr. Lee Pui Lam

AUDIT COMMITTEE

Mr. Li Kit Chee *(Committee Chairman)*
Mr. Mak Wah Chi
Mr. Ng Hoi Yue

REMUNERATION COMMITTEE

Mr. Li Kit Chee *(Committee Chairman)*
Mr. Mak Wah Chi
Mr. Tsang Kwok Ming, Rock

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

BDO Limited

PRINCIPAL PLACE OF BUSINESS

22/F., Jardine Center
50 Jardine's Bazaar
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Hong Kong

DBS Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

Mainland China

Bank of Shanghai

LEGAL ADVISORS

as to Hong Kong law:
Cheung, Tong & Rosa

as to Bermuda law:
Conyers Dill & Pearman

FINANCIAL ADVISORS

Quam Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

www.henrygroup.hk

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

STOCK CODE

859

CHAIRMAN'S STATEMENT

Dear Shareholders,

I would like to present the annual results of Henry Group Holdings Limited and its subsidiaries (collectively the "Group") for the year ended 31 March 2009.

BUSINESS REVIEW

Property investments

Jardine Center and L'hart, Causeway Bay (100% beneficial interest)

During the year under review, Jardine Center remained the pillar revenue and profit contributor of the Group. Despite the unfavorable atmosphere of local retail rental market, Jardine Center, riding on its superior location and easy accessibility to public transport, was able to secure stable rental income. During the year, Jardine Center maintained a respectable occupancy rate of over 95% on average. In addition, having secured the occupancy permit for L'hart in September 2008, the Group has broadened its revenue and profit base. L'hart, located in the prime shopping & dining hub in the city, is a new, high-quality ginza-style building featuring unique duplex retail floors. Occupancy uptake is satisfactory following leasing and marketing effort in first half of 2009. The earning stream of L'hart will be reflected more fully in the financial year ending 31 March 2010. It is the Group's strategy to maintain a ginza-style investment property portfolio with Jardine Center and L'hart at the core to deliver excellent shareholders' value in the long run.

Property agency

Uni-Land property agency ("Uni-Land") (55% beneficial interest)

The retail property agency business operated by Uni-Land has been the second largest revenue contributor of the Group. For the year under review, its performance was adversely affected by the drastic shrinkage of transaction volume resulting from the credit crunch. In order to cope with the adverse environment, Uni-Land has strived and will continue to strive to enhance operational efficiency so as to improve business performance.

Strategic joint venture development projects in the pipeline

8 Hau Fook Street, Tsim Sha Tsui (50% beneficial interest)

In line with the Group's expansion strategy, the Group has joined forces with Capital Strategic Investment Limited on a 50/50 basis to redevelop a prime site located in the heart of Tsim Sha Tsui into a ginza-style building with a planned GFA of approximately 40,000 square feet. Piling works are now underway and the entire project is scheduled for completion in the first quarter of 2011. The project will provide growth impetus to the Group's ginza-style building operation.

No. 68 (formerly known as No. 49-65), Yuyuan Road, Jingan District, Shanghai (30% beneficial interest)

In Mainland China, the Group has acquired the joint venture development project for a Ginza Shopping Avenue located in the heart of Jingan district, Shanghai. The move marked the entry of the Group into the PRC retail property market. The Group has a 30% beneficial effective interest in the project with the balance in the hands of a reputable US based real estate fund and a seasoned property investor in the PRC market. The project represents approximately 72% of the total assets of the Group as of 31 March 2009.

On a site area of approximately 11,000 square metres, the properties under development has a total planned GFA of approximately 78,000 square metres and will be developed into a 19-storey plus a under-level basement (with car parks) shopping complex with a public transportation hub. The relocation of residents and delivery of site on vacant basis was fully completed in December 2008. The Group has appointed main contractors for foundation and superstructure works. The design has been submitted for approval and the foundation works are well underway. The superstructure works are expected to commence in the second half of 2009. The construction of basement and public transportation hub are now progressing on schedule and are expected to be completed in the first half of 2010 ready for the advent of the 2010 Shanghai World Expo. The entire development project is expected to be completed by the end of 2012. Aside from the prime location, the project has great advantage of integrating a public transportation terminal and the basement directly link to the exit of metro stations. With unique design features from a renowned architectural firm, the project is a multi-dimensional 'must go' shopping center catering for the enhancing lifestyle of Shanghai population.

PROSPECTS

Thanks to massive stimulus packages and a quantitative easing measures, the global economy has stabilized and is heading for recovery. In particular, the Chinese government's Renminbi 4 trillion economic stimulus package with the aim of boosting domestic demand has positive impact on the PRC and local economy. Real estate market has rebounded significantly since the second quarter in 2009. We expect the pace of growth will accelerate in 2010.

Underpinned by the robust growth momentum and the Chinese government's measures to support consumption, we are bullish about the long term outlook for ginza-style building business expansion in the PRC and revenue contribution from this market segment is expected to be of enhancing importance in the coming years.

We have selected Shanghai as our spring-board for the business in the PRC because the city has government support to develop into an international financial and shipping hub. Benefiting from the relative scarcity of traditional prime retail space, our Shanghai project provides the Group with a new solid platform to widen the Group's presence in the PRC for replicating its successful business model of ginza-style buildings. At the same time, we are keeping our eyes on other potential business opportunities in local Hong Kong market.

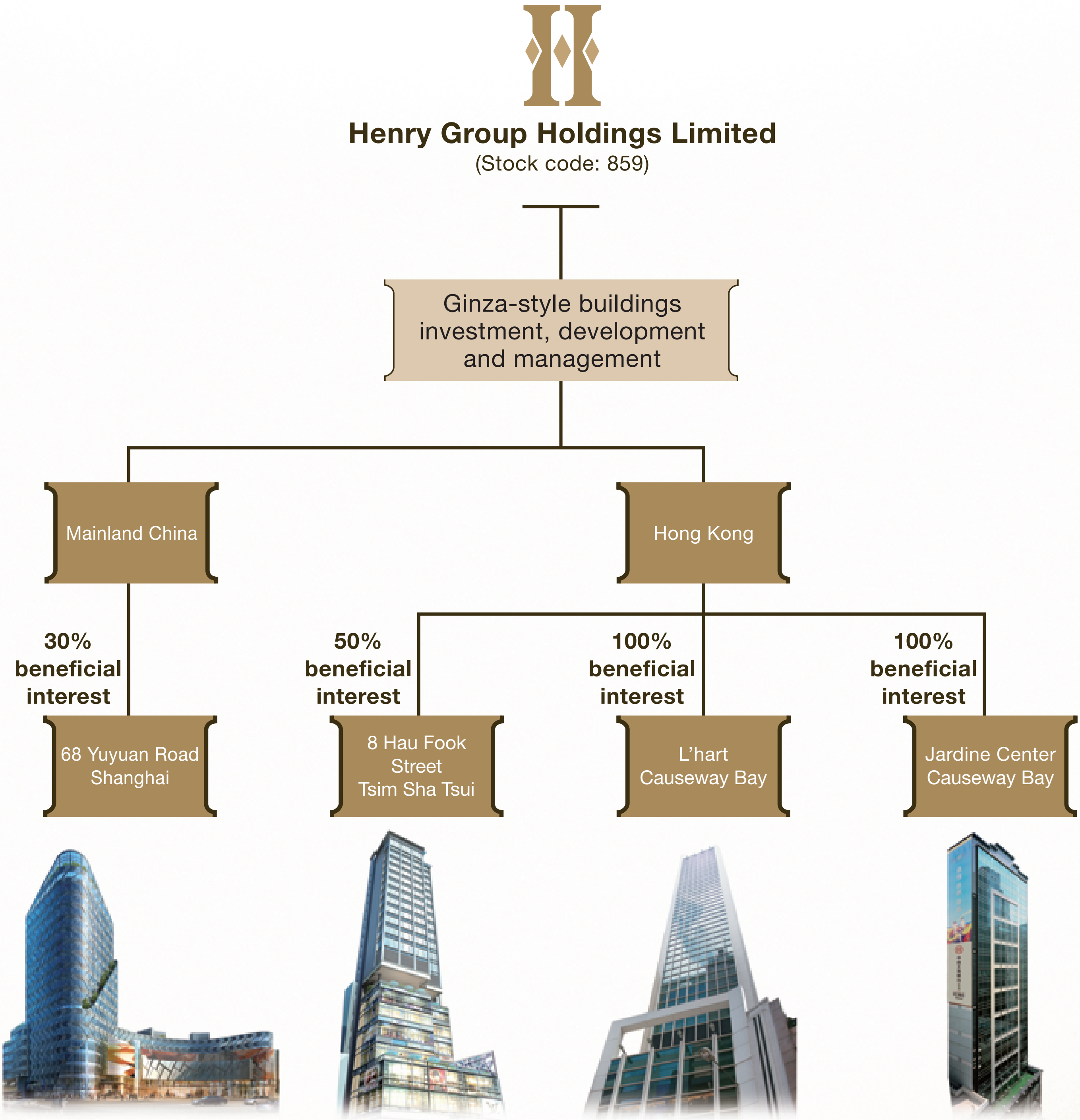
APPRECIATION

Last but not least, on behalf of the Board of Directors, I would like to thank all employees for their contribution. I also wish to extend my sincere gratitude to our shareholders, anchor tenants, principal banks and business partners for their valuable support in the past year.

Ng Chun For, Henry
Chairman
Hong Kong, 24 July 2009

GINZA-STYLE BUILDINGS PORTFOLIO

The following chart sets out the simplified ginza-style buildings portfolio of the Group as at the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 March 2009, the Group recorded a loss for the year of approximately HK$137,600,000 compared to a profit of approximately HK$9,356,000 in 2008. The loss was largely due to the exceptional non-cash flow items including net loss on fair value adjustments on investment properties in Hong Kong of approximately HK$94,790,000 and the impairment loss on properties under development in Mainland China of approximately HK$18,478,000 resulted from the impacts of the unprecedented global financial crisis. The share of losses on jointly-controlled entities of approximately HK$14,641,000 is mainly attributable to non-cash flow nature of impairment loss recognised for the decrease in fair value of properties under development in Hong Kong.

If the net loss on fair value adjustments on investment properties and the impairment loss on properties under development in aggregate (net of deferred tax) of approximately HK$91,933,000 as well as share of losses on jointly-controlled entities amounted to approximately HK$14,641,000 and imputed interest derived from convertible notes of approximately HK$14,826,000 were to be excluded, the loss for the year from continuing operations would be approximately HK$16,200,000.

For the year ended 31 March 2009, the Group's turnover from continuing operations was approximately HK$25,886,000 (2008: HK$23,592,000) representing year-on-year growth of approximately 9.72%. The increase was mainly due to the full-year revenue contributions from Jardine Center and additional revenue contributed from L'hart, a newly built duplex ginza-style building soft-launched in January 2009. The increase in operating cost was mainly attributable to the expansion of the ginza property portfolio and the increase in the number of projects under development during the year. Finance costs amounted to approximately HK$31,680,000, representing an increase of approximately 75% compared to approximately HK$18,079,000 in the preceding year. The increase was mainly due to non-cash imputed interest derived from convertible notes according to the prevailing accounting standards.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operation was financed by internal financial resources, loans from shareholders, amounts due to minority shareholders, convertible notes and banking facilities. The Board is of the view that, after taking into account these available resources, the Group has sufficient financial resources to satisfy its commitments, capital expenditure and working capital requirements.

As at 31 March 2009, the Group's bank borrowings amounted to approximately HK$689,378,000 (2008: HK$406,073,000). Cash and bank balances (including pledged deposits) amounted to approximately HK$192,509,000 (2008: HK$55,728,000). The increase in bank borrowings was in line with our enlarged property portfolio.

Whilst the Group's bank borrowings bear interest at prevailing market floating rates, the Group has entered into interest rate swap arrangements denominated in Hong Kong dollars with a bank for a total notional amount of HK$240 million to mitigate the risk of interest rate upward trends.

The Group's bank borrowings as at 31 March 2009 were summarised as follows:

Currency of bank loans	Total HK$ million	Due within one year HK$ million	Due more than one year but not exceeding two years HK$ million	Due more than two years but not exceeding five years HK$ million	Due after five years HK$ million
RMB	104.3	—	—	11.34	92.96
HKD	585.1	10.94	10.60	43.30	520.26
	689.4	10.94	10.60	54.64	613.22

The Group's gearing ratio, expressed as total liabilities over total assets, has been slightly increased from 56.8% in 2008 to 63.9% in 2009.

As at 31 March 2009, the net assets attributable to equity holders of the Company amounted to approximately HK$651,197,000 (2008: HK$479,242,000), representing an increase of approximately HK$171,955,000 or 35.88% when compared to last year. With the total number of ordinary shares in issue of 636,376,710 as at 31 March 2009, the net assets value per share was approximately HK$1.02 (2008: HK$0.95).

CAPITAL STRUCTURE

During the year under review, the Company issued 28,834,355 shares and 104,834,355 shares as the considerations for the acquisition of the entire issued share capital of Honeyguide Investments Limited ("Honeyguide Acquisition") and the acquisition of the entire issued share capital of Uptodate Management Limited ("Uptodate Acquisition") respectively. Details of the Honeyguide Acquisition and Uptodate Acquisition were disclosed in the Company's circulars dated 2 June 2008 and 11 March 2008 respectively.

As of financial year end, the Company's number of issued ordinary shares was 636,376,710.

TREASURY POLICY

The Group's exposure to foreign currency risk mainly arises from the exchange rate movement between Hong Kong dollar and Renminbi in relation to its PRC operations. The Group currently does not have a foreign currency hedging policy. However, the management will monitor foreign currency risk exposure closely and the usage of hedging instruments when the need arises.

CHARGES ON GROUP ASSETS

Pledge of Assets

At 31 March 2009, the Group has pledged the followings:

a.	Investment properties in Hong Kong as security for general banking facilities granted to the Group	HK$900 million
b.	Fixed deposits as security for general banking facilities granted to the Group	HK$140 million

CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

As at balance sheet date, the Company had given corporate guarantees to the extent of approximately HK$637 million (2008: HK$427 million) and approximately HK$105 million (2008: HK$ NIL) to banks for banking facilities granted to certain subsidiaries and a jointly-controlled entity respectively. The Company has not recognised any liability in respect of the guarantees given as their fair value cannot be reliably measured.

CAPITAL COMMITMENTS

Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Construction cost of properties under development		
Contracted for	**281,219**	14,764
Authorised but not contracted for	**—**	703
	281,219	15,467

Save as aforesaid, the Group did not have any material commitment at the end of the year.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the acquisitions as set out in note 29 to the financial statements, the Group did not have any significant investments, material acquisitions or disposals during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2009, the Group had about 35 employees based in Hong Kong and the PRC. The remuneration of each staff member was determined on the basis of his/her qualification, performance and experience. The Group also provides other benefits including medical insurance and contributions to Mandatory Provident Fund Schemes. A share option scheme was adopted by the Company on 3 September 2003 to enable the Directors to grant share options to staff and Directors as incentive.

REPORT OF THE DIRECTORS

The directors of the Company ("Directors") are pleased to present their annual report together with the audited financial statements of the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly-controlled entities are set out in notes 42 and 19 to the financial statements on pages 109 to 110 and 75 to 76 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 31 to 110 of this annual report.

No interim dividend was declared for the year and the Directors do not recommend the payment of a final dividend for the year.

RESERVES

Movements in reserves of the Group and the Company during the year are set out on pages 35 to 36 and 87 to 88 of this annual report respectively.

INVESTMENT PROPERTIES

The Group's investment properties at 31 March 2009 were revalued by an independent firm of professional properties valuers on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 15 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

INTEREST CAPITALISED

Interest of approximately HK$22.5 million was capitalised during the year in respect of the Group's properties under development projects.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year together with the reasons thereon are set out in note 27 to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 111 of this annual report.

DIRECTORS

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

Executive Directors

Mr. Ng Chun For, Henry *(Chairman)*
Mr. Ng Ian *(Deputy Chairman and Chief Executive Officer)*
Mr. Chan Kwai Ping, Albert *(resigned on 2 January 2009)*
Mr. Li Man Hin

Non-executive Directors

Mr. Cheng Yuk Wo *(retired on 29 August 2008)*
Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Li Kit Chee
Mr. Ng Hoi Yue
Mr. Tsang Kwok Ming, Rock

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Li Man Hin has notified the Company that he will retire from office at the forthcoming annual general meeting and will not offer himself for re-election; the other directors to retire from office at the forthcoming annual general meeting are Mr. Ng Ian, Mr. Mak Wah Chi, Mr. Ng Hoi Yue, Mr. Li Kit Chee and Mr. Tsang Kwok Ming, Rock, who being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 21 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Details of the connected transactions and related party transactions are set out on pages 12 to 13 and 100 to 102 respectively of this annual report.

Save for the above, no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors (not being the independent non-executive Directors) are considered to have interests in the business which compete or are likely to compete with the business of the Group ("Competing Business") pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as set out below:

Name/Entity	Competing Entity	Nature of Interest	Competing Business
Mr. Ng Chun For, Henry, Director ("Mr. Ng") and his associates	Certain private companies owned by Mr. Ng and his family	Shareholder/director	Commercial property development and investment
Mr. Ng Ian, Director and his associates	Certain private companies owned by Mr. Ng Ian and his family	Shareholder/director	Commercial property development and investment

As the Board of the Company operates independently of the boards of the competing entities owned by Mr. Ng and Mr. Ng Ian and the independent non-executive Directors of the Company would assist in monitoring the operation of the Group, the Group is therefore capable of carrying on its business independently of, and at an arm's length from the Competing Business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 35.7% of the Group's total turnover and the Group's largest customer accounted for approximately 16.1% of the Group's total turnover.

The Group had no major suppliers due to the nature of the principal activities of the Group.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in major customers or suppliers noted above.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following connected transactions of the Listing Rules:

Connected Transactions exempted from independent shareholders approval

(a) On 28 September 2007, Henry Group Management Limited ("HGML"), a wholly-owned subsidiary of the Company entered into a loan agreement ("Loan Agreement") with Uni-Land Property Consultants Limited ("Uni-Land") whereby HGML agreed to lend HK$3 million to Uni-Land bearing an interest rate of 7.3% per annum and repayable on demand with 7 days prior written notice. As of 31 March 2009, the outstanding balance was approximately HK$2,893,000.

The Loan Agreement constitutes a connected transaction of financial assistance for the Company under Rule 14A.13(2)(a)(i) and 14A.66(2) of the Listing Rules and is thus exempted from independent shareholders' approval requirement but is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.46 of the Listing Rules. For details of the Loan Agreement, please refer to the Company's announcement dated 2 October 2007.

(b) Grand Fly Enterprises Limited ("Grand Fly"), being an indirect non-wholly owned subsidiary, entered into a consultancy agreement dated 25 March 2008 ("Agreement") with Noble Sino Profits Limited ("Noble Sino"), a company controlled by Mr. Chung Toi Chiu, Steven (being a director of certain subsidiaries and a controlling shareholder of a minority shareholder). Pursuant to the Agreement, Noble Sino agreed to provide strategic and tactical advice for the purpose of maximising the economic benefits in relation to development project in Shanghai. Fees pursuant to the Agreement include (i) a one-off retainer fee of HK$1,750,000 which has been paid to Noble Sino; and (ii) a monthly consultancy fee of HK$250,000 payable by the end of each calendar month during the term of the Agreement starting from April 2008.

According to the Listing Rules, the Agreement constitutes a connected transaction of the Company required reporting and announcement but exempted from the independent shareholders' approval and was disclosed in the circular dated 27 October 2008.

Connected Transactions subject to reporting, announcement and independent shareholders approval

(a) The Company has executed a proportional corporate guarantee in favour of a bank for banking facilities granted to Sky Dragon Limited, being a wholly-owned subsidiary of a jointly-controlled entity of the Group to the extent of HK$105 million ("Financial Assistance") and the disclosure of the Financial Assistance pursuant to the Listing Rules is set out on page 20 of the annual report. The Financial Assistance was approved by the independent shareholders at the special general meeting held on 23 June 2008. For details of the Financial Assistance, please refer to the Company's announcement dated 14 May 2008 and circular dated 2 June 2008.

(b) The Group provided advances of approximately HK$14,478,000 to Winner Ever Limited, being its jointly controlled entity which constitutes an advance to an entity of the Company as defined under the Listing Rules ("Advance") and the disclosure of the Advance pursuant to the Listing Rules is set out on page 20 of this annual report. The Advance was approved by the independent shareholders at the special general meeting held on 23 June 2008. For details of the Advance, please refer to the Company's announcement dated 14 May 2008 and circular dated 2 June 2008.

Continuing Connected Transaction subject to reporting, announcement and independent shareholders approval

High Fly Investments Limited ("High Fly"), being an indirect non-wholly owned subsidiary, arranged for financing of the development project in Shanghai in form of shareholder's loan to its subsidiary, Grandyear Estate Limited ("Grandyear") with annual caps for 7 financial years ending 31 March 2015 of HK$600 million (the "HF Loan"). The HF loan is secured by a share charge given by High Luck International Limited (being an intermediate holding company of Grandyear) to High Fly over all of its interest in Grandyear.

According to the Listing Rules, the HF Loan constitutes a continuing connected transaction of the Company required reporting, announcement, independent shareholders' approval and annual review. The HF Loan was approved by the independent shareholders of the Company at the special general meeting held on 11 November 2008.

The Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transaction to assist the Board to evaluate if the continuing connected transaction is in accordance with the requirements of 14A.38 of the Listing Rules. The auditors have reported their factual findings on these procedures to the Board. The Independent Non-executive Directors have reviewed the continuing connected transaction and confirmed that the continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties and on arm's length basis;

(iii) in accordance with the relevant agreement governing them;

(iv) on terms that are fair and reasonable and in the interest of the shareholders as a whole; and

(v) without exceeding the relevant cap disclosed in previous relevant announcements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 31 March 2009, the interests and short positions of the Directors and chief executives 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 Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

(a) Long positions in ordinary shares of HK$0.1 each of the Company

Name of Director	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng Chun For, Henry ("Mr. Ng")	Personal	33,274,587	5.23%
	Interest of controlled corporations	304,552,533 *(Notes 1 and 2)*	47.86%
Mr. Ng Ian	Personal	4,601,227	0.72%

Note 1: Henry Jewellery Holdings Limited ("HJHL"), a company incorporated in the British Virgin Islands, owned 137,356,200 shares of the Company. Mr. Ng is entitled to exercise or control the exercise of 80%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.

Note 2: Jumbo Step International Limited ("Jumbo Step"), a company incorporated in the British Virgin Islands, owned 167,196,333 shares of the Company, is wholly-owned by Mr. Ng. Mr. Ng is entitled to exercise or control the exercise of 100% of the voting rights of Jumbo Step.

(b) Long positions in underlying shares of the Company

As at 31 March 2009, the Directors had personal interests in share options of the Company granted under the share option scheme adopted on 3 September 2003 as follows:

Name of Director	Option grant date	Exercise period	Exercise price HK$	Number of share options outstanding	Approximate percentage of interest in issued share capital
Mr. Ng	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.31%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.31%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.16%
Mr. Ng Ian	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.31%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.31%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.16%
Mr. Mak Wah Chi	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.31%
Mr. Tsang Kwok Ming, Rock	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.16%
				13,000,000	2.03%

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company

Long positions in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of issued ordinary shares held	Approximately percentage of issued share capital of the associated corporation
Mr. Ng	HJHL *(Note 1)*	Personal beneficial owner	80	70%
Mr. Ng Ian	HJHL *(Note 1)*	Personal beneficial owner	10	10%
Mr. Ng	Jumbo Step *(Note 2)*	Personal beneficial owner	1	100%

Save as disclosed above, as at 31 March 2009, none of the Directors or chief executives of the Company and their respective associates 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 would have 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 which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 March 2009, shareholders who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or had otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng	Personal *(Note 1)*	38,274,587	6.01%
Mr. Ng	Interest of controlled corporations *(Notes 1 and 2)*	477,277,192	75%
HJHL	Beneficial owner *(Note 2)*	137,356,200	21.5%
Jumbo Step	Beneficial owner *(Note 2)*	339,920,992	53.42%
Premium Assets Development Limited ("Premium Assets")	Interest of controlled corporation	106,456,441	16.73%
Well Garden Limited	Interest of controlled corporation	67,743,194	10.65%
Mr. Chung Toi Chiu, Steven	Beneficial owner *(Note 3)*	106,456,441	16.73%
Euphoria Limited	Beneficial owner	51,600,000	8.1%
Asset Managers (Asia) Company Limited	Interest of controlled corporation	51,600,000	8.1%
Asset Managers Holdings Co., Ltd.	Interest of controlled corporation	51,600,000	8.1%
Inchigo Asset Management International, Pte. Ltd.	Interest of controlled corporation	51,600,000	8.1%
Asset Managers International Co., Ltd.	Interest of controlled corporation	51,600,000	8.1%

Note 1: Please refer to section regarding interest and short positions in shares, underlying shares and debentures of the Company on pages 14 to 16.

Note 2: Mr. Ng owns 304,552,533 shares and 172,724,659 shares by virtue of Convertible Notes of the Company through HJHL and Jumbo Step. Mr. Ng is entitled to exercise or control the exercise of 80%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO. Mr. Ng, a Director, is also a director of Jumbo Step and HJHL. Mr. Ng Ian is also a director of HJHL.

Note 3: Mr. Chung Toi Chiu, Steven ("Mr. Chung") owns 87,656,441 shares and 18,800,000 shares by virtue of the convertible notes through Premium Assets. Mr. Chung is entitled to exercise or control of the exercise of 73.83%, more than one-third, of the voting rights of Premium Assets so he is deemed to be interested in all shares held by Premium Assets by virtue of the SFO.

Save as disclosed above, as at 31 March 2009, the Company had not been notified by any person who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 33 to the consolidated financial statements.

The following table discloses details of share options outstanding under the Company's 2003 share option scheme adopted on 3 September 2003 and movement during the year:

				Number of share options				
	Note	Date of grant of share options	Exercise price HK$	Outstanding at beginning of the year	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at end of the year
Name of Grantee								
Mr. Ng Chun For, Henry *(Director)*	(1)	28 October 2005	0.676	2,000,000	–	–	–	2,000,000
	(2)	2 April 2007	0.686	2,000,000	–	–	–	2,000,000
	(3)	31 August 2007	1.156	1,000,000	–	–	–	1,000,000
Mr. Ng Ian *(Director)*	(1)	28 October 2005	0.676	2,000,000	–	–	–	2,000,000
	(2)	2 April 2007	0.686	2,000,000	–	–	–	2,000,000
	(3)	31 August 2007	1.156	1,000,000	–	–	–	1,000,000
Mr. Chan Kwai Ping, Albert *(Director)**	(1)	28 October 2005	0.676	2,000,000	–	(2,000,000)	–	–
	(2)	2 April 2007	0.686	2,000,000	–	(2,000,000)	–	–
	(3)	31 August 2007	1.156	1,000,000	–	(1,000,000)	–	–
Mr. Mak Wah Chi *(Director)*	(2)	2 April 2007	0.686	2,000,000	–	–	–	2,000,000
Mr. Cheng Yuk Wo *(Director)*#	(2)	2 April 2007	0.686	2,000,000	–	–	–	2,000,000
Mr. Tsang Kwok Ming, Rock *(Director)*	(3)	31 August 2007	1.156	1,000,000	–	–	–	1,000,000
Eligible person	(1)	28 October 2005	0.676	640,000	–	–	–	640,000
Employee	(2)	2 April 2007	0.686	500,000	–	–	–	500,000
				21,140,000	–	(5,000,000)	–	16,140,000

* *Resigned on 2 January 2009*
\# *Retired on 29 August 2008*

Notes:

(1) The exercise period is from 28 October 2005 to 27 October 2015 (both dates inclusive).

(2) The exercise period is from 2 April 2007 to 1 April 2017 (both dates inclusive).

(3) The exercise period is from 31 August 2007 to 30 August 2017 (both dates inclusive).

Apart from the foregoing, at no time during the year was the Company, its holding Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's issued shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules during the year.

POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 38 to the financial statements.

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.16 OF THE LISTING RULES

Advances to entities under Rules 13.13 and financial assistance to and guarantees given for facilities granted to the Company's affiliated company under Rule 13.16

The following disclosure summarises the advances and guarantees granted by the Group to (i) entity which exceeded 8% of the relevant percentage ratios under Rule 13.13 of the Listing Rules as at 31 March 2009, and (ii) the Company's affiliated companies which in aggregate exceeded 8% of the relevant percentage ratios under Rule 13.16 of the Listing Rules as at 31 March 2009:

Affiliated company	Attributable interest held by the Group	Non-interest bearing advance (A)	Guarantee given by the Company (B)	Extent of guaranteed facilities utilised	Aggregate of advance and guarantee given (A + B)
	%	HK$'000	HK$'000	HK$'000	HK$'000
Winner Ever Limited	50%	14,478 *(Note 1)*	105,000 *(Note 2)*	68,100	119,478

Notes:

(1) The advance was interest free, unsecured and repayable on demand.

(2) The proportional corporate guarantee is provided to a bank for securing the banking facilities granted to Sky Dragon Limited (being a wholly-owned subsidiary of Winner Ever Limited).

The proforma balance sheet of the affiliated company, as attributable to the Group, as at 31 March 2009 is as follows:

	HK$'000
Non-current assets	130,849
Current assets	21,574
Current liabilities	(35,934)
Net current liabilities	(14,360)
Non-current liabilities	(81,910)
Shareholders' equity	34,579

AUDITORS

The financial statements have been audited by BDO Limited. BDO Limited were appointed as auditors of the Company on 25 May 2009 to fill the casual vacancy caused by the merger of business of Shu Lun Pan Hong Kong CPA Limited (formerly known as Shu Lun Pan Horwath Hong Kong CPA Limited) with BDO Limited and the resulting resignation of Shu Lun Pan Hong Kong CPA Limited as auditors of the Company.

A resolution will be proposed at the 2009 Annual General Meeting to re-appoint BDO Limited as the Company's auditors.

On behalf of the Board
Ng Ian
Deputy Chairman and Chief Executive Officer
Hong Kong, 24 July 2009

DIRECTORS AND SENIOR MANAGEMENT PROFILE

DIRECTORS

Executive Directors

Ng Chun For, Henry (Aged 72)

Mr. Henry Ng has been appointed as an executive Director of the Company since 30 April 2005 and became the Chairman on 21 May 2005. Mr. Henry Ng founded a high-end jeweler in Hong Kong under the brand name of “Henry Jewelry” in 1976. In 1992, Mr. Henry Ng joined force with his son, Mr. Ng Ian, and founded Just Gold Company Limited which subsequently built the brand names now known as “Just Gold” and “Just Diamond” to venture into the contemporary jewelry market. The “Just Gold” and “Just Diamond” brands now operate in aggregate about 60 retail shops in Hong Kong, Taiwan and the PRC. Mr. Henry Ng has made investments in the real estate market in Hong Kong and Macau Special Administrative Region of the PRC and included sale and purchase and development of real estate properties. Mr. Henry Ng is responsible for the overall strategic planning of the Group.

Ng Ian (Aged 43)

Mr. Ng Ian has been appointed as an executive Director of the Company since 30 April 2005 and became the Chief Executive Officer and Deputy Chairman on 21 May 2005 and 11 July 2005 respectively. Mr. Ng Ian graduated from University of California, Los Angeles in the United States of America with a Bachelor of Arts Degree in Psychology with a specialisation in Business Administration and is a member of American Institute of Certified Public Accountant. With a vision to revolutionise the traditional golden jewelry retail market, Mr. Ng Ian joined force with his father, Mr. Henry Ng, and founded Just Gold Company Limited and later became its President. In about 1994, Mr. Ng Ian diversified the business of Just Gold Company Limited and launched a new brand name known as “Just Diamond” which focuses on diamond jewelry. Mr. Ng Ian was honored one of the Ten Outstanding Young Persons in 1997 for his personal achievement in the jewelry industry. Mr. Ng Ian is currently a voting member of Diamond Federation of Hong Kong, a voting member of Hong Kong Diamond Importers Association, a Friends Committee Member of Hong Kong Design Centre and a member of Ten Outstanding Young Persons Association. Mr. Ng Ian is responsible for the supervision of the operation of the Group with focus on the accounting affairs and financial control of the Group.

Li Man Hin (Aged 57)

Mr. Li has been appointed as an executive Director of the Company since 1 November 2007. Mr. Li is a registered Architect in Hong Kong under the provisions of the Architects Registration Ordinance, has been engaged as an Architect for about 30 years. Mr. Li holds a Bachelor of Architecture degree from The University of Hong Kong. He is also a fellow member of the Hong Kong Institute of Architects and Class 1 Registered Architect qualification of the People’s Republic of China. Mr. Li was in charge of many large scale development project in China and Hong Kong, including construction of China and Hong Kong government projects, commercial buildings and large-scale residence area, such as Loong Wu Hotel in Shantau, Dong Jun Plaza in Guangzhou, Shenzhen Plaza in Shenzhen, Centre Plaza commercial development in Tianjin, Grand Millennium Plaza in Central and Silvercord in Tsim Sha Tsui. Mr. Li is responsible for the implementation of business plans of the Group.

Non-executive Director

Mak Wah Chi (Aged 55)

Mr. Mak has been appointed as a non-executive Director of the Company since 1 May 2005. Mr. Mak is currently in full time practice as Certified Public Accountant in Hong Kong. Mr. Mak is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants and has over 25 years of experience in accounting and finance.

Independent non-executive Directors

Li Kit Chee (Aged 54)

Mr. Li has been appointed as an independent non-executive Director of the Company since 4 April 2007. Mr. Li is a certified public accountant and has been practising in Hong Kong since 1989. Mr. Li is a fellow member of both the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Li is currently the managing director of Arthur Li, Yau & Lee C.P.A. Limited.

Ng Hoi Yue (Aged 45)

Mr. Ng has been appointed as an independent non-executive Director of the Company since 1 May 2005. Mr. Ng is a certified public accountant and has been practising in Hong Kong since 1989. Mr. Ng is an associate member of the Institute of Chartered Accountants in England and Wales and is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Ng is currently the sole proprietor of Herman H.Y. Ng & Co. and a director of NCN CPA Limited, both are firms of Certified Public Accountants (Practising). Mr. Ng is also an independent non-executive Director of See Corporation Limited whose shares are listed on the Stock Exchange.

Tsang Kwok Ming, Rock (Aged 50)

Mr. Tsang has been appointed as an independent non-executive Director of the Company since 1 May 2005. Mr. Tsang holds Higher Diploma in Surveying and Advanced Higher Diploma in General Practice Surveying from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). Mr. Tsang is a Director of Lanbase Surveyors Limited. Mr. Tsang is a member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. Mr. Tsang is a Registered Professional Surveyor (General Practice). Mr. Tsang has more than 15 years of experience in the property market of Hong Kong.

SENIOR MANAGEMENT

Yuen Kin Yip (Aged 44)

Mr. Yuen has over 20 years of banking, finance and management experience. Mr. Yuen is the Chief Operating Officer and General Manager of the Group. Prior to joining the Group, Mr. Yuen held senior management positions in Hong Kong listed institutions including HSBC and Swire Group. Mr. Yuen holds a Bachelor of Social Sciences degree from the University of Hong Kong and is a Barrister-at-Law.

Chan Kwok Hung (Aged 45)

Mr. Chan has over 20 years of property agency experience and is currently Deputy General Manager of the Group and the managing director of Uni-Land Property Consultants Limited, being a non-wholly owned subsidiary of the Company. Prior to joining the Group, Mr. Chan held senior management position in Hong Kong listed property agency firm.

Lee Pui Lam (Aged 38)

Mr. Lee has been the Financial Controller and Company Secretary of the Company since 1 January 2006. Mr. Lee holds a Master Degree in Professional Accounting from The Hong Kong Polytechnic University and is a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Lee worked for a number of main board and GEM board listed companies in Hong Kong and has extensive professional experience in auditing, accounting and financial management.

Heung Chi Cheung (Aged 40)

Mr. Heung has been appointed as an Assistant Financial Controller of the Company since February 2008. Mr. Heung is an associate member of Hong Kong Institute of Certified Public Accountants and an associate member of Certified Practising Accountants of Australia. Mr. Heung has more than 15 years experience of accounting and financial management in property and finance sectors.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company ("Board") is committed to maintaining and achieving the highest standards of corporate governance practices with an emphasis on a quality board, better transparency and effective accountability system in order to safeguard the interests of the shareholders and enhance the performance of the Group.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code and has complied with the Code throughout the year ended 31 March 2009.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules (as amended from time to time) as its own code. All Directors have confirmed, following specific enquiry by the Company, that they fully complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, including three executive Directors, a non-executive Director and three independent non-executive Directors. The Company has three independent non-executive Directors, representing one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 21 to 23 of this annual report.

The principal duty of the Board is to ensure that the Company is properly managed in the interests of the shareholders. The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management team is responsible for the day-to-day operations of the Group under the leadership of the executive Directors.

The Company has arranged appropriate insurance coverage on directors' and officers' liabilities in respect of legal actions against Directors and senior management arising out of corporate activities.

The Board held 21 meetings during the financial year ended 31 March 2009. The record of attendance of each Director is as follows:

Name of Director	Regular Board Meeting Attended/Eligible to Attend [6]	Special Board Meeting Attended/Eligible to Attend [7]
Executive Directors		
Mr. Ng Chun For, Henry *(Chairman)*	4/4	2/17
Mr. Ng Ian *(Deputy Chairman and Chief Executive Officer)*[1][2]	4/4	10/17
Mr. Chan Kwai Ping, Albert[4]	2/2	4/14
Mr. Li Man Hin[5]	4/4	2/17
Non-executive Directors		
Mr. Cheng Yuk Wo[3]	1/1	1/8
Mr. Mak Wah Chi	4/4	15/17
Independent non-executive Directors		
Mr. Li Kit Chee	4/4	12/17
Mr. Ng Hoi Yue	4/4	13/17
Mr. Tsang Kwok Ming, Rock	4/4	10/17

Notes:

(1) Appointed as Deputy Chairman on 11 July 2005.

(2) Save as Mr. Ng Ian being son of Mr. Ng Chun For, Henry, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

(3) Retired as non-executive Director on 29 August 2008.

(4) Resigned as executive Director on 2 January 2009.

(5) Appointed as executive Director on 1 November 2007.

(6) Regular Board Meetings are attended by a majority of the Directors in person or through other electronic means of communication.

(7) Special Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. Since the Special Board Meetings mainly concern the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors will attend.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year under review, Mr. Henry Ng and Mr. Ng Ian continued to hold the positions as the Group's Chairman and Chief Executive Officer respectively, with a view to maintaining an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent. No independent non-executive Director has served the Group for more than nine years.

NON-EXECUTIVE DIRECTORS' TERM OF OFFICE

Code provision A.4.1 of the Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. At the annual general meeting of the Company held on 25 August 2006 ("AGM06"), the non-executive Director Mr. Mak Wah Chi was re-elected to hold office until the conclusion of the 2009 annual general meeting of the Company. The three independent non-executive Directors, Mr. Li Kit Chee, Mr. Ng Hoi Yue and Mr. Tsang Kwok Ming, Rock, at the annual general meeting held on 29 August 2008 ("AGM08"), were re-elected to hold office until the conclusion of the next annual general meeting of the Company. As such, since the conclusion of the AGM06 and AGM08, all non-executive Director and independent non-executive Directors have been appointed for a specific term, and accordingly the Company has been in compliance with the code provision A.4.1.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 May 2005 with written terms of reference. For the year under review, the Remuneration Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Tsang Kwok Ming, Rock.

The Remuneration Committee will assist the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and it is also responsible for the administration of the share option schemes adopted by the Company. The terms of reference of the Remuneration Committee are disclosed on the website of the Company (www.henrygroup.hk).

During the year under review, the Remuneration Committee concurred to approve the remuneration for Mr. Yuen Kin Yip, being the Chief Operating Officer and General Manager of the Company and Mr. Chan Kwok Hung, being the Deputy General Manager.

Details of Directors' emoluments on named basis for the year ended 31 March 2009 are set out in note 10 to the financial statements.

The Remuneration Committee held two meetings during the year under review and the record of attendance of its members is as follows:

Name of member	Attended/ Eligible to Attend
Mr. Li Kit Chee *(Independent Non-executive Director and the Chairman of Remuneration Committee)*	2/2
Mr. Mak Wah Chi *(Non-executive Director)*	2/2
Mr. Tsang Kwok Ming, Rock (*Independent Non-executive Director)*	1/2

NOMINATION OF DIRECTORS

The Board has not established a nomination committee for the time being. According to the Bye-laws of the Company, the Board is empowered from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. The Board reviews the structure, size and composition of the Board from time to time and makes recommendation on the appointment of Directors based on the background, experience and other business interests of the candidate (independence status in the case of an independent non-executive Director).

AUDITORS' REMUNERATION

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year under review, the remuneration paid for audit services and non-audit services provided by the auditors amounted to approximately HK$700,000 and HK$150,000 respectively.

AUDIT COMMITTEE

The Company has established the Audit Committee and adopted written terms of reference on 23 May 2000 and revised on 25 March 2009. For the year under review, the Audit Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Ng Hoi Yue.

The terms of reference of the Audit Committee are disclosed on the Company's website (www.henrygroup.hk). The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, review of connected transactions of the Company as defined in the Listing Rules, if any and monitoring of the internal control system.

During the year under review, the Audit Committee had reviewed the annual report for the year ended 31 March 2008, re-appointment of external auditors, internal control report, connected transactions and the interim report for the six months ended 30 September 2008.

The Audit Committee held two committee meetings during the year under review and the record of attendance of its members is as follows:

Name of member	Attendance/ Number of meetings
Mr. Li Kit Chee *(Independent Non-executive Director and Chairman of Audit Committee)*	2/2
Mr. Mak Wah Chi *(Non-executive Director)*	2/2
Mr. Ng Hoi Yue *(Independent Non-executive Director)*	2/2

INTERNAL CONTROL

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding assets of the Group, enabling reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate recommendations on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

DIRECTORS' RESPONSIBILITY FOR PREPARING FINANCIAL STATEMENTS

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group.

AUDITORS' REPORTING RESPONSIBILITIES

The reporting responsibilities of BDO Limited, the Auditors, are stated in the Independent Auditors' Report on pages 29 to 30 of the annual report.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website (www.henrygroup.hk) and meetings with investors and analysts.

INDEPENDENT AUDITORS' REPORT

BDO Limited
Certified Public Accountants
德豪會計師事務所有限公司

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong
Telephone : (852) 2541 5041
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香港干諾道中 111 號
永安中心 25 樓
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傳真：(852) 2815 2239

TO THE SHAREHOLDERS OF HENRY GROUP HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the financial statements of Henry Group Holdings Limited (the "Company") and its subsidiaries (hereinafter referred to as the "Group") set out on pages 31 to 110, which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of the financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

BDO Limited
Certified Public Accountants

Shiu Hong NG
Practising Certificate Number: P03752

Hong Kong, 24 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
CONTINUING OPERATIONS			
Turnover	5	**25,886**	23,592
Other income and gains	7	**2,272**	834
(Decrease)/increase in fair value of investment properties	15	**(94,790)**	38,900
Impairment loss of properties under development	16	**(18,478)**	—
Goodwill written off		**—**	(18,634)
Staff costs	8	**(11,139)**	(13,857)
Depreciation of property, plant and equipment		**(666)**	(284)
Other operating expenses		**(15,699)**	(6,172)
(Loss)/profit from operations	8	**(112,614)**	24,379
Finance costs	9	**(31,680)**	(18,079)
Share of losses on jointly-controlled entities	19	**(14,641)**	—
(Loss)/profit before taxation		**(158,935)**	6,300
Taxation credit/(charge)	12	**21,335**	(3,632)
(Loss)/profit for the year from continuing operations		**(137,600)**	2,668
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	**—**	6,688
(Loss)/profit for the year		**(137,600)**	9,356
Attributable to:			
Equity holders of the Company		**(118,469)**	9,356
Minority interests		**(19,131)**	—
		(137,600)	9,356
DIVIDEND		**—**	—
(LOSS)/EARNINGS PER SHARE			
FROM CONTINUING AND DISCONTINUED OPERATIONS	13		
— Basic (in HK cents)		**(21.08)**	2.53
— Diluted (in HK cents)		**N/A**	2.47
FROM CONTINUING OPERATIONS	13		
— Basic (in HK cents)		**(21.08)**	0.72
— Diluted (in HK cents)		**N/A**	0.71

The accompanying notes form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,727**	1,262
Investment properties	15	**900,000**	590,000
Properties under development	16	**2,466,462**	384,062
Deposit paid for acquisition	17	**—**	70,000
Pledged deposits	23	**5,000**	—
Interests in jointly-controlled entities	19	**34,579**	—
Amount due from a minority shareholder	35(a)	**19,991**	—
Deferred tax assets	26	**5,415**	—
		3,434,174	1,045,324
CURRENT ASSETS			
Trade and other receivables	20	**7,581**	8,924
Amount due from a jointly-controlled entity	19	**14,478**	—
Available-for-sale financial assets	22	**74**	—
Pledged deposits	23	**135,000**	—
Cash and bank balances	30	**52,509**	55,728
		209,642	64,652
CURRENT LIABILITIES			
Other payables, rental deposits received and accruals	21	**99,380**	9,158
Bank borrowings, current portion (secured)	23	**10,944**	2,423
Convertible notes	24	**17,050**	—
Amount due to a related party	35(b)	**250**	—
Tax payable		**760**	558
		128,384	12,139
NET CURRENT ASSETS		**81,258**	52,513
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,515,432**	1,097,837

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT LIABILITIES			
Rental deposits received	21	6,076	4,494
Bank borrowings, non-current portion (secured)	23	678,434	403,650
Convertible notes	24	141,045	114,845
Derivative financial instruments	25	13,395	—
Loans from related parties	35(c)	118,771	—
Amounts due to minority shareholders	35(d)	523,195	698
Loans from shareholders	35(e)	215,996	—
Deferred tax liabilities	26	502,351	94,908
		2,199,263	618,595
NET ASSETS		1,316,169	479,242
CAPITAL AND RESERVES			
Share capital	27	63,638	50,271
Reserves		587,559	428,971
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		651,197	479,242
Minority interests		664,972	—
TOTAL EQUITY		1,316,169	479,242

These financial statements were approved and authorised for issue by the Board of Directors on 24 July 2009.

Ng Ian	**Ng Chun For, Henry**
DIRECTOR	*DIRECTOR*

The accompanying notes form part of these financial statements.

BALANCE SHEET

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	18	**753,872**	586,026
CURRENT ASSETS			
Other receivables	20	**334**	258
Cash and bank balances		**1,221**	39,973
		1,555	40,231
CURRENT LIABILITIES			
Other payables	21	**139**	1,050
Amounts due to subsidiaries	18	**99,574**	54,824
Convertible notes	24	**17,050**	—
		116,763	55,874
NET CURRENT LIABILITIES		**(115,208)**	(15,643)
TOTAL ASSETS LESS CURRENT LIABILITIES		**638,664**	570,383
NON-CURRENT LIABILITIES			
Convertible notes	24	**(141,045)**	(114,845)
NET ASSETS		**497,619**	455,538
CAPITAL AND RESERVES			
Share capital	27	**63,638**	50,271
Reserves	28	**433,981**	405,267
TOTAL EQUITY		**497,619**	455,538

These financial statements were approved and authorised for issue by the Board of Directors on 24 July 2009.

Ng Ian
DIRECTOR

Ng Chun For, Henry
DIRECTOR

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2009

	Share capital	Share premium	Convertible notes reserve	Hedging reserve	Special reserve	Capital reserve	Contribution from shareholders	Share-based payment reserve	Exchange reserve	Accumu-lated losses	Minority interest	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(note 28(b))	(note 28(b))	(note 28(b))	(note 28(b))	(note 29)	(note 28(b))	(note 28(b))			
At 31 March 2007	22,481	33,435	–	–	9,628	1,520	–	726	1,536	(73,145)	–	(3,819)
Net income recognised directly in equity:												
Discount arising on acquisitions	–	–	–	–	–	–	11,855	–	–	–	–	11,855
Profit for the year	–	–	–	–	–	–	–	–	–	9,356	–	9,356
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(1,536)	–	–	(1,536)
Total recognised income/ (expenses) for the year	–	–	–	–	–	–	11,855	–	(1,536)	9,356	–	19,675
Movement in equity arising from capital transactions:												
Shares issued at a premium	10,956	116,715	–	–	–	–	–	–	–	–	–	127,671
Recognition of share-based payment	–	–	–	–	–	–	–	4,475	–	–	–	4,475
Exercise of share options	114	775	–	–	–	–	–	(114)	–	–	–	775
Shares issued as part of the consideration for acquisitions	16,720	249,062	–	–	–	–	–	–	–	–	–	265,782
Recognition of equity component of convertible notes (note 24)	–	–	65,277	–	–	–	–	–	–	–	–	65,277
Release of capital portion of advances from related parties	–	–	–	–	–	(594)	–	–	–	–	–	(594)
	27,790	366,552	65,277	–	–	(594)	–	4,361	–	–	–	463,386
At 31 March 2008	50,271	399,987	65,277	–	9,628	926	11,855	5,087	–	(63,789)	–	479,242

For the year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000	Convertible notes reserve HK$'000 (note 28(b))	Hedging reserve HK$'000 (note 28(b))	Special reserve HK$'000 (note 28(b))	Capital reserve HK$'000 (note 28(b))	Contribution from shareholders HK$'000 (note 29)	Share-based payment reserve HK$'000 (note 28(b))	Exchange reserve HK$'000 (note 28(b))	Accumu-lated losses HK$'000	Minority interest HK$'000	Total HK$'000
At 31 March 2008	50,271	399,987	65,277	–	9,628	926	11,855	5,087	–	(63,789)	–	479,242
Net expenses recognised directly in equity:												
Exchange difference arising from translation of financial statements of overseas subsidiaries	–	–	–	–	–	–	–	–	(286)	–	(670)	(956)
Recognition of hedge reserve of derivative financial instruments (note 25)	–	–	–	(11,185)	–	–	–	–	–	–	–	(11,185)
Net expenses recognised directly in equity	–	–	–	(11,185)	–	–	–	–	(286)	–	(670)	(12,141)
Loss for the year	–	–	–	–	–	–	–	–	–	(118,469)	(19,131)	(137,600)
Total recognised expenses for the year	–	–	–	(11,185)	–	–	–	–	(286)	(118,469)	(19,801)	(149,741)
Movement in equity arising from capital transactions:												
Discount arising on acquisitions (note 29)	–	–	–	–	–	–	238,284	–	–	–	–	238,284
Shares issued as part of the consideration for acquisitions, net of expenses (notes 27 & 28)	13,367	42,948	–	–	–	–	–	–	–	–	–	56,315
Transfer to accumulated losses on lapse of share options	–	–	–	–	–	–	–	(1,182)	–	1,182	–	–
Recognition of equity components of convertible notes (note 24)	–	–	7,296	–	–	–	–	–	–	–	–	7,296
Minority interests arising from acquisitions (note 29)	–	–	–	–	–	–	–	–	–	–	684,773	684,773
	13,367	42,948	7,296	–	–	–	238,284	(1,182)	–	1,182	684,773	986,668
At 31 March 2009	63,638	442,935	72,573	(11,185)	9,628	926	250,139	3,905	(286)	(181,076)	664,972	1,316,169

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES			
(Loss)/profit before taxation:			
From continuing operations		**(158,935)**	6,300
From discontinued operations		**—**	6,688
Adjustments for:			
Goodwill written off		**—**	18,634
Depreciation of property, plant and equipment		**666**	653
Bad debts provided for and written off on trade and other receivables		**3,404**	6
Decrease/(increase) in fair value of investment properties		**94,790**	(38,900)
Impairment loss of properties under development		**18,478**	—
Share of losses on jointly-controlled entities		**14,641**	—
Gain on disposal of subsidiaries		**—**	(8,652)
Write off/loss on disposal of property, plant and equipment		**98**	131
Share-based payment expenses		**—**	4,475
Gain on disposal of available-for-sale financial assets		**(2)**	(38)
Interest income		**(1,752)**	(786)
Interest expenses		**31,680**	18,407
Operating profit before working capital changes		**3,068**	6,918
Increase in inventories		**—**	(289)
Increase in trade and other receivables		**(1,973)**	(4,389)
Increase in amount due from a jointly-controlled entity		**(1,000)**	—
Decrease in other payables, rental deposits received and accruals		**(164,744)**	(488)
Increase in amount due to a related party		**250**	—
Effect of foreign exchange rate changes		**668**	—
CASH (USED IN)/GENERATED FROM OPERATIONS		**(163,731)**	1,752
Interest paid		**(22,607)**	(11,841)
Income tax paid		**(307)**	(1,046)
NET CASH USED IN OPERATING ACTIVITIES		**(186,645)**	(11,135)

	Notes	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Net cash flow arising from acquisitions	29	**275,241**	1,067
Net cash flow arising from disposal of subsidiaries		**—**	6,614
Purchase of property, plant and equipment		**(1,406)**	(294)
Additions to properties under development		**(108,249)**	(19,558)
Purchase of available-for-sale financial assets		**(15,225)**	(9,981)
Deposit paid for acquisition		**—**	(70,000)
Interest received		**1,083**	786
Increase in amount due from a minority shareholder		**(19,322)**	—
Placement of pledged bank deposits		**(140,000)**	—
Proceeds on disposal of property, plant and equipment		**1**	1,781
Proceeds on disposal of available-for-sale financial assets		**15,153**	10,019
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES		**7,276**	(79,566)
FINANCING ACTIVITIES			
Repayment of bank loans		**(1,021,071)**	(1,500)
Repayment of finance leases		**—**	(126)
Advances from a minority shareholder		**182,968**	—
Loans from related parties		**139,200**	—
Repayment of amount due to a related company		**—**	(3,177)
Repayment of advance from a director		**—**	(3,300)
Repayment of advance from minority shareholders		**(105,320)**	(17)
Repayment of loans from related parties		**(59,220)**	—
Repayment of loans from shareholders		**(38,078)**	—
New bank loans raised		**1,077,150**	24,000
Net proceeds from issue of shares		**—**	128,446
NET CASH GENERATED FROM FINANCING ACTIVITIES		**175,629**	144,326
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,740)**	53,625
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**55,305**	1,680
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30	**51,565**	55,305

1. GENERAL

The Company was incorporated in Bermuda on 16 on December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). As at 31 March 2009, in the opinion of directors, its ultimate holding company is Jumbo Step International Limited ("Jumbo Step").

The Company acts as an investment holding company and the principal activities of the Group are property leasing and development, provision of property agency and consultancy services and securities investment.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted all of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to its operations and effective for the current accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies.

The adoption of HK(IFRIC)-Int 11 "HKFRS 2 — Group and treasury share transactions", HK(IFRIC)-Int 12 "Service concession arrangements", HK(IFRIC)-Int 14 "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction" and HKAS 39 & HKFRS 7 Amendments "Reclassification of financial assets" has no impact on the financial statements.

At the date of authorisation of the financial statements, the following Standards and Interpretations were in issue but not yet effective:

		Effective date
HKAS 1 (Revised)	Presentation of financial statements	(i)
HKAS 23 (Revised)	Borrowing costs	(i)
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	(i)
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly-controlled entity or associate	(i)
HKFRS 8	Operating segments	(i)
HK(IFRIC)-Int 15	Agreements for the construction of real estates	(i)
HKFRS 2 (Amendment)	Vesting conditions and cancellations	(i)
HKFRS 7 (Amendment)	Improving disclosure about financial instruments	(i)
HKAS 27 (Revised)	Consolidated and separate financial statements	(ii)
HKAS 39 (Amendment)	Eligible hedged items	(ii)
HKFRS 1 (Revised)	First-time adoption of HKFRSs	(ii)
HKFRS 3 (Revised)	Business combinations	(ii)
HK(IFRIC)-Int 17	Distribution of non-cash assets to owners	(ii)
HK(IFRIC)-Int 13	Customer loyalty programmes	(iii)
HK(IFRIC)-Int 16	Hedges of a net investment in a foreign operation	(iv)
HK (IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded derivatives	(v)

2. ADOPTION OF NEW AND REVISED STANDARDS (continued)

		Effective date
HK(IFRIC)-Int 18	Transfers of assets from customers	(vi)
2008 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 1, HKAS 16, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 36, HKAS 38, HKAS 39, HKAS 40 & HKAS 41	(i)
	— HKFRS 5	(i)
	— HKAS 39 (80)	(ii)
2009 Improvements to HKFRSs that may result in accounting changes for presentation, recognition or measurement	— HKAS 38, HKFRS 2, HK(IFRIC)-Int 9, HK(IFRIC)-Int 16	(ii)
	— HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 39, HKFRS 5 & HKFRS 8	(vii)

Effective date

(i) Annual periods beginning on or after 1 January 2009

(ii) Annual periods beginning on or after 1 July 2009

(iii) Annual periods beginning on or after 1 July 2008

(iv) Annual periods beginning on or after 1 October 2008

(v) Annual periods ending on or after 30 June 2009

(vi) Transfers of assets from customers received on or after 1 July 2009

(vii) Annual periods beginning on or after 1 January 2010

The Group is in the process of making an assessment of what the impact of these new or revised Standards or Interpretations is expected to be in the period of their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

These financial statements have been prepared in accordance with all applicable HKFRSs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited.

(ii) Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, leasehold properties and certain financial instruments which are carried at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Basis of consolidation

These financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions, balances and unrealised gains on transactions between group entities are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment on the asset transferred.

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

Minority interests in the net assets excluding goodwill of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(iv) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Investments in subsidiaries are included in the Company's balance sheet at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(v) Jointly-controlled entities

A jointly-controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The results and assets and liabilities of the jointly-controlled entities are incorporated in the financial statements using the equity method of accounting. Under the equity method, investments in the jointly-controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly-controlled entities, less impairment in the value of individual investments. Losses of a jointly-controlled entity in excess of the Group's interest in that jointly-controlled entity which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly-controlled entity are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly-controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Jointly-controlled entities (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the jointly-controlled entity recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a jointly-controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the assets transferred, in which case they are recognised immediately in profit or loss.

(vi) Business combinations

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised in accordance with the accounting policy for goodwill in note 3(x) below.

The interests of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(vii) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold land and buildings are stated in the balance sheet at their revalued amounts, being the fair value on the basis of their existing use at the date of revaluation less any subsequent accumulated depreciation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of assets is credited to asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such assets is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(vii) Property, plant and equipment (continued)

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis. The principal annual rates are as follows:

Leasehold land and buildings	2.5% or over the terms of the leases, if higher
Leasehold improvements	50% or over the terms of the leases, if higher
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	20% to 25%
Motor vehicles	25%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(viii) Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

(ix) Properties under development

Properties under development are stated at cost less any impairment losses. Costs include cost of land use rights and all other direct costs attributable to the development of the properties. Properties under development are classified to the appropriate category of property, plant and equipment or as investment properties, when completed and ready for use. No depreciation is provided for properties under development.

(x) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other asset of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Goodwill (continued)

Where the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

On the disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(xi) Impairment of assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(a) Financial assets

The Group's financial assets are classified into two categories: loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Financial instruments (continued)

(a) **Financial assets** (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

— significant financial difficulty of the issuer or counterparty; or

— default or delinquency in interest or principal payments; or

— it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Financial instruments (continued)

(a) **Financial assets** (continued)

Impairment of financial assets (continued)

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

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

Effective interest method

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

Income or expense is recognised on an effective interest basis for debt instruments other than those financial assets or liability designated as at fair value through profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Financial instruments (continued)

(b) Financial liabilities and equity instrument

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Convertible notes

Convertible notes issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the proceeds of the issue of the convertible note and the fair value assigned to the liability component, representing the embedded call option for the holder to convert the note into equity, is included in equity (convertible notes reserve).

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

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. All financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xii) Financial instruments (continued)

(c) Derivative financial instruments

The Group enters into certain derivative financial instruments to hedge its exposure to interest rate risk. Such derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedges

The Group's designation of certain interest swaps to hedge its interest rate risk is qualified as a cash flow hedge. The effective portion of changes in the fair value of derivatives are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in "other income and gains" in the consolidated income statement.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain and loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(xiii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(xiv) Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiv) Leases (continued)

The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(xv) Employees' benefits

(a) Short term benefits

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

(b) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The Group has joined a mandatory central pension scheme organised by the PRC government for certain of its employees located in the PRC, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

(c) Share-based payments

The Group issues share options to certain directors, employees and other parties. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding increase in the share-based payment reserve, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The equity amount is recognised in the revenue until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to accumulated losses).

Fair value is measured using the Black-Scholes Option Pricing Model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvi) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency"). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Hong Kong dollar which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

— exchange differences which relate to assets under construction for future productive use are included in the cost of those assets and are regarded as an adjustment to interest costs on foreign currency borrowings;

— exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation are recognised in the translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Hong Kong dollar using exchange rates prevailing at the balance sheet date. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are transferred to the Group's exchange reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(xvii) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xviii) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(xix) Taxation

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xix) Taxation (continued)

(b) **Deferred tax** (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(xx) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the profit or loss in the year in which they are incurred.

(xxi) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(xxii) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(xxiii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and returns.

Rental income under operating lease is recognised on a straight line basis over the relevant lease term.

Commission income on provision of agency and consultancy services is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

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

(b) Impairment of trade and other receivables

As explained in note 20, the Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Valuation of share options

As explained in note 33, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

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

(e) Fair value of investment properties

As set out in note 15, investment properties were revalued as at 31 March 2009 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each balance sheet date.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(f) Fair value of derivatives and other financial instruments

As explained in note 25, the directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(g) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. TURNOVER

The Group's turnover comprises:

	2009 HK$'000	2008 HK$'000
Continuing operations		
Gross rental income from investment properties	22,574	14,044
Property agency and consultancy services income	3,312	9,548
	25,886	23,592
Discontinuing operations		
Sale of computers related products (note 11)	—	110,388

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into the following business divisions which are the basis on which the Group reports its primary segment information.

Continuing operations

— Property leasing and development

— Provision of property agency and consultancy services for the retail property sale and leasing market

— Securities investments

Discontinued operations

— Design and manufacture of computer motherboard and network products

— Supply of computer related products

— Supply of mobile storage and related products

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Segment information about these businesses is presented below.

Year ended 31 March 2009

INCOME STATEMENT

	Continuing operations				Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Total HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Total HK$'000	Consolidated total HK$'000
GROSS PROCEEDS	22,574	3,312	15,153	41,039	–	–	–	–	41,039
TURNOVER	22,574	3,312	–	25,886	–	–	–	–	25,886
RESULTS									
Segment results	(101,624)	(2,283)	79	(103,828)	–	–	–	–	(103,828)
Unallocated corporate income				208				–	208
Unallocated corporate expenses				(8,994)				–	(8,994)
Loss from operations				(112,614)				–	(112,614)
Finance costs				(31,680)				–	(31,680)
Share of loss on jointly-controlled entities				(14,641)				–	(14,641)
Loss before taxation				(158,935)				–	(158,935)
Taxation credit				21,335				–	21,335
Loss for the year				(137,600)				–	(137,600)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

As at 31 March 2009

BALANCE SHEET

	Continuing operations				Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Total HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Total HK$'000	Consolidated total HK$'000
ASSETS									
Segment assets	3,607,708	1,199	78	3,608,985	–	–	–	–	3,608,985
Unallocated corporate assets				34,831					34,831
Consolidated total assets				3,643,816					3,643,816
LIABILITIES									
Segment liabilities	1,639,440	2,565	–	1,642,005	–	–	–	–	1,642,005
Unallocated corporate liabilities				685,642					685,642
Consolidated total liabilities				2,327,647					2,327,647

Year ended 31 March 2009

OTHER INFORMATION

	Continuing operations			Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Capital additions	2,506,973	168	–	–	–	–	758	2,507,899
Depreciation of property, plant and equipment	293	70	–	–	–	–	303	666
Loss on disposal of property, plant and equipment	–	91	–	–	–	–	7	98
Decrease in fair value of investment properties	94,790	–	–	–	–	–	–	94,790
Impairment loss of properties under development	18,478	–	–	–	–	–	–	18,478

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

Year ended 31 March 2008

INCOME STATEMENT

	Continuing operations				Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Total HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Total HK$'000	Consolidated total HK$'000
GROSS PROCEEDS	14,044	9,548	10,019	33,611	–	90,061	20,327	110,388	143,999
TURNOVER	14,044	9,548	–	23,592	–	90,061	20,327	110,388	133,980
RESULTS									
Segment results	52,205	579	(9)	52,775	–	(314)	(71)	(385)	52,390
Goodwill written off				(18,634)				–	(18,634)
Unallocated corporate income				725				1,211	1,936
Unallocated corporate expenses				(10,487)				(2,462)	(12,949)
Profit/(loss) from operations				24,379				(1,636)	22,743
Finance costs				(18,079)				(328)	(18,407)
Gain on disposal of subsidiaries				–				8,652	8,652
Profit before taxation				6,300				6,688	12,988
Taxation charge				(3,632)				–	(3,632)
Profit for the year				2,668				6,688	9,356

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Business segments (continued)

As at 31 March 2008

BALANCE SHEET

	Continuing operations				Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Total HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Total HK$'000	Consolidated total HK$'000
ASSETS									
Segment assets	982,113	5,172	9,999	997,284	–	–	–	–	997,284
Unallocated corporate assets				112,692					112,692
Consolidated total assets				1,109,976					1,109,976
LIABILITIES									
Segment liabilities	414,778	4,438	5	419,221	–	–	–	–	419,221
Unallocated corporate liabilities				211,513					211,513
Consolidated total liabilities				630,734					630,734

Year ended 31 March 2008

OTHER INFORMATION

	Continuing operations			Discontinued operations				
	Property leasing and development HK$'000	Provision of property agency and consultancy services HK$'000	Securities investment HK$'000	Design and manufacture of computer motherboard and network products HK$'000	Supply of computer related products HK$'000	Supply of mobile storage and related products HK$'000	Unallocated HK$'000	Consolidated total HK$'000
Capital additions	936,305	17	–	–	22	5	114	936,463
Depreciation of property, plant and equipment	174	72	–	–	34	8	365	653
Goodwill written off	18,634	–	–	–	–	–	–	18,634
Loss on disposal of property, plant and equipment	–	29	–	–	–	–	102	131
Increase in fair value of investment properties	(38,900)	–	–	–	–	–	–	(38,900)

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

For the year ended 31 March 2009, all of the Group's turnover are derived from Hong Kong. The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, investment properties and properties under development analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment, investment properties and properties under development	
	At 31.3.2009 HK$'000	At 31.3.2008 HK$'000	**Year ended 31.3.2009 HK$'000**	Year ended 31.3.2008 HK$'000
The PRC	**2,639,483**	—	**2,485,769**	—
Hong Kong	**1,004,333**	1,109,976	**22,130**	936,463
	3,643,816	1,109,976	**2,507,899**	936,463

For the year ended 31 March 2008, both the Group's continuing and discontinued operations were in Hong Kong. Accordingly, no geographical segment was presented.

7. OTHER INCOME AND GAINS

	Continuing operations		Discontinued operations		Consolidated	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Bank interest income	**1,083**	776	**—**	10	**1,083**	786
Imputed interest income (note 35 (a))	**669**	—	**—**	—	**669**	—
Sub-letting rental income	**—**	—	**—**	1,100	**—**	1,100
Sundry income	**518**	20	**—**	103	**518**	123
Gain on disposal of available-for-sale financial assets	**2**	38	**—**	—	**2**	38
	2,272	834	**—**	1,213	**2,272**	2,047

8. (LOSS)/PROFIT FROM OPERATIONS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
(Loss)/profit from operations is arrived at after charging/(crediting):						
Directors' remuneration (note 10)	**2,980**	6,009	**—**	—	**2,980**	6,009
Other staff costs						
Salaries and allowances	**7,260**	7,399	**—**	1,938	**7,260**	9,337
Retirement benefit scheme contributions (note 34)	**177**	188	**—**	65	**177**	253
Social security contributions (note 34)	**681**	—	**—**	—	**681**	—
Share-based payments (note 33)	**—**	233	**—**	—	**—**	233
Other benefits in kind	**41**	28	**—**	17	**41**	45
	8,159	7,848	**—**	2,020	**8,159**	9,868
Total staff costs	**11,139**	13,857	**—**	2,020	**11,139**	15,877
Bad debts provided for and written off	**3,404**	—	**—**	6	**3,404**	6
Net exchange (gain)/loss	**(54)**	36	**—**	205	**(54)**	241
Auditors' remuneration	**713**	541	**—**	29	**713**	570
Cost of inventories recognised as an expense	**—**	—	**—**	108,416	**—**	108,416
Depreciation of property, plant and equipment	**666**	284	**—**	369	**666**	653
Write off/loss on disposal of property, plant and equipment	**98**	29	**—**	102	**98**	131
Property rental income under operating leases, net of direct outgoings of HK$22,500 (2008: HK$54,004)	**(22,935)**	(13,990)	**—**	—	**(22,935)**	(13,990)

9. FINANCE COSTS

	Continuing operations		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest charge on bank borrowings						
— wholly repayable within five years	**2,949**	71	**—**	62	**2,949**	133
— wholly repayable after five years	**16,846**	11,709	**—**	—	**16,846**	11,709
Interest on amounts due to minority shareholders (note 35(d)(ii))	**8,301**	—	**—**	—	**8,301**	—
Interest on loans from shareholders (note 35(e))	**6,669**	—	**—**	—	**6,669**	—
Interest on loan from a related party (note 35(c)(i))	**2,148**	—	**—**	—	**2,148**	—
Imputed interest on convertible notes (note 24)	**14,826**	8,392	**—**	—	**14,826**	8,392
Interest expenses on interest rate swaps (note 25)	**1,179**	—	**—**	—	**1,179**	—
Imputed interest on interest-free loan from a minority shareholder (note 35(d)(i))	**73**	66	**—**	244	**73**	310
Imputed interest on interest-free loan from a related party (note 35(c)(ii))	**1,218**	—	**—**	—	**1,218**	—
Others	**6**	—	**—**	22	**6**	22
	54,215	20,238	**—**	328	**54,215**	20,566
Less: amount capitalised into properties under development (note 16)	**(22,535)**	(2,159)	**—**	—	**(22,535)**	(2,159)
	31,680	18,079	**—**	328	**31,680**	18,407

The finance costs have been capitalised at the average rate of 2.6–9% (2008: 2.78–6.3%) per annum.

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 March 2009

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000 (note 34)	Quarters' expenses HK$'000	Share options HK$'000 (note 33)	Total HK$'000
Executive directors						
Ng Chun For, Henry	8	67	–	–	–	75
Ng Ian	4	127	5	780	–	916
Chan Kwai Ping, Albert (resigned on 2 January 2009)	3	–	–	714	–	717
Li Man Hin	4	180	10	480	–	674
	19	374	15	1,974	–	2,382
Non-executive directors						
Mak Wah Chi	325	–	–	–	–	325
Cheng Yuk Wo (retired on 29 August 2008)	33	–	–	–	–	33
	358	–	–	–	–	358
Independent non-executive directors						
Tsang Kwok Ming, Rock	80	–	–	–	–	80
Ng Hoi Yue	80	–	–	–	–	80
Li Kit Chee	80	–	–	–	–	80
	240	–	–	–	–	240
Total	617	374	15	1,974	–	2,980

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' emoluments (continued)

Year ended 31 March 2008

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000 (note 34)	Quarters' expenses HK$'000	Share options HK$'000 (note 33)	Total HK$'000
Executive directors						
Ng Chun For, Henry	8	—	—	—	944	952
Ng Ian	4	—	—	774	944	1,722
Chan Kwai Ping, Albert (resigned on 2 January 2009)	4	—	—	297	944	1,245
Li Man Hin	1	75	4	200	—	280
	17	75	4	1,271	2,832	4,199
Non-executive directors						
Mak Wah Chi	80	—	—	—	467	547
Cheng Yuk Wo (retired on 29 August 2008)	80	—	—	—	467	547
	160	—	—	—	934	1,094
Independent non-executive directors						
Tsang Kwok Ming, Rock	80	—	—	—	476	556
Ng Hoi Yue	80	—	—	—	—	80
Li Kit Chee	80	—	—	—	—	80
	240	—	—	—	476	716
Total	417	75	4	1,271	4,242	6,009

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of each of the two years ended 31 March 2009 and 2008.

10. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2008: three) are directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2008: two) individuals are as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and other benefits	**2,170**	1,791
Pension contributions	**20**	21
	2,190	1,812

The emoluments of these individuals are within the following bands:

	2009 No. of employees	2008 No. of employees
HK$ Nil—HK$1,000,000	**1**	1
HK$1,000,001—HK$1,500,000	**1**	1
	2	2

(c) No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2009 and 2008.

11. DISCONTINUED OPERATIONS

On 7 August 2007, the Group entered into a sale and purchase agreement to dispose of Zida International Holding Limited ("Zida"), a wholly owned subsidiary of the Company, and its subsidiaries ("Disposal Group") which carried out all of the Group's business operations in manufacture, marketing and research and development of computer motherboards, networking products and related components and mobile storage and related products (the "Discontinued Business"). The directors anticipated the volatile information technology industry continuing to pose challenges to the Discontinued Business, in particular, the sustained net loss position of the Disposal Group for the past two financial years, as well as the unaudited net liabilities of the Disposal Group as at 31 March 2007. The Board therefore decided to dispose of Zida. As a result of the disposal, the Group would no longer be exposed to the business and financial risk in the volatile information technology industry. The disposal was completed on 21 September 2007, on which date control of Zida passed to the acquirer.

11. DISCONTINUED OPERATIONS (continued)

An analysis of the results of the discontinued operations included in the consolidated income statement for the year ended 31 March 2008 was as follows:

	HK$'000
Turnover (note 5)	110,388
Costs of sales	(108,601)
Gross profit	1,787
Other income and gains (note 7)	1,213
Selling expenses	(410)
Administrative expenses	(4,226)
Loss from operations	(1,636)
Finance costs (note 9)	(328)
Loss before taxation	(1,964)
Taxation	—
Loss for the year from discontinued operations	(1,964)
Gain on disposal of the discontinued operations	8,652
Profit for the year from discontinued operations	6,688

The cash flows attributable to the discontinued operations for the year ended 31 March 2008 were as follows:

	HK$'000
Cash inflow/(outflow) from:	
Operating activities	(1,604)
Investing activities	1,761
Financing activities	(3,303)
Net cash outflow	(3,146)

12. TAXATION

(a) Taxation in the consolidated income statement represents:

	2009 HK$'000	2008 HK$'000
Current tax — Hong Kong		
— Provision for the year	**509**	46
— Under provision in respect of prior years	**—**	44
	509	90
Deferred taxation (note 26)		
— attributable to the origination and reversal of temporary differences	**(21,844)**	7,365
— resulting from a change in tax rate in Hong Kong	**—**	(3,823)
	(21,844)	3,542
	(21,335)	3,632

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profit for the year.

Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprise income tax is calculated based on a statutory rate of 25% on the assessment profit of the PRC subsidiary. No provision for PRC income tax for the year has been made as the PRC subsidiary sustained a loss during the year. The Group did not have any business operation in the PRC in 2008.

12. TAXATION (continued)

(b) The taxation (credit)/charge for the year can be reconciled to the accounting (loss)/profit as follows:

	2009 HK$'000	2008 HK$'000
(Loss)/profit before taxation including profit from discontinued operations	(158,935)	12,988
Tax (credit)/charge at the Hong Kong profits tax rate of 16.5% (2008: 17.5%)	(26,224)	2,273
Tax effect of expenses not deductible in determining taxable profit	11,960	5,752
Decrease in opening deferred tax liability resulting from a reduction in tax rate	—	(3,823)
Tax effect of income not taxable in determining taxable profit	(5,400)	(473)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(2,232)	—
Tax effect of unused tax losses not recognised	534	—
Others	27	(97)
Taxation (credit)/charge for the year	(21,335)	3,632

13. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basis and diluted (loss)/earnings per share attributable to equity holders of the Company is based on the following data:

(i) (Loss)/profit attributable to equity holders of the Company

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company	**(118,469)**	9,356

(ii) Weighted average number of ordinary shares

	2009 Number '000	2008 Number '000
Issued ordinary shares at 1 April	**502,708**	224,812
Effect of share placements (note 27)	**—**	57,539
Effect of shares issued as part of consideration for acquisitions (note 27)	**59,314**	87,280
Effect of share options exercised (note 27)	**—**	837
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic (loss)/earnings per share	**562,022**	370,468
Effect of dilutive potential ordinary shares:		
Share options		7,845
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted earnings per share		378,313

13. (LOSS)/EARNINGS PER SHARE (continued)

From continuing operations

(i) (Loss)/profit attributable to equity holders of the Company

	2009 HK$'000	2008 HK$'000
(Loss)/profit for the year attributable to equity holders of the Company	(118,469)	9,356
Less: Profit for the year from discontinued operations	—	(6,688)
(Loss)/profit for the year for the purpose of basic and diluted (loss)/earnings per share from continuing operations	(118,469)	2,668

(ii) Weighted average number of ordinary shares

	2009 Number '000	2008 Number '000
Weighted average number of ordinary shares at 31 March for the purpose of calculation of basic (loss)/earnings per share	562,022	370,468
Effect of dilutive potential ordinary shares:		
Share options		7,845
Weighted average number of ordinary shares at 31 March for the purpose of calculation of diluted earnings per share		378,313

Diluted loss per share for the year ended 31 March 2009 is not presented as the share options and convertible notes outstanding at balance sheet date had an anti-dilutive effect on the basic loss per share.

The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted (loss)/earnings per share:

	2009 Number '000	2008 Number '000
(Loss)/earnings per share from continuing and discontinued operations/continuing operations		
Convertible notes	191,525	172,724
Share options	11,956	—
	203,481	172,724

13. (LOSS)/EARNINGS PER SHARE (continued)

From discontinued operations

(i) Profit attributable to equity holders of the Company for the year ended 31 March 2008

	HK$'000
Profit for the year from discontinued operations for the purpose of basic and diluted earnings per share	6,688

(ii) Weighted average number of ordinary shares

	Number '000
Weighted average number of ordinary shares at 31 March 2008 for the purpose of calculation of basic earnings per share	370,468
Effect of dilutive potential ordinary shares:	
Share options	7,845
Convertible notes	172,724
Weighted average number of ordinary shares at 31 March 2008 for the purpose of calculation of diluted earnings per share	551,037

The basic earnings per share and diluted earnings per share for the year ended 31 March 2008 from discontinued operations was 1.80 HK cents and 1.21 HK cents respectively which were based on the data detailed above.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST OR VALUATION						
At 31 March 2007	2,800	7,428	12,691	10,302	1,036	34,257
Acquisitions	–	1,191	–	551	–	1,742
Additions	–	215	–	79	–	294
Disposal of subsidiaries	(2,800)	(7,222)	(3,529)	(8,528)	–	(22,079)
Written off/disposals	–	–	(9,162)	(1,590)	(1,036)	(11,788)
At 31 March 2008	–	1,612	–	814	–	2,426
Acquisitions	–	–	–	221	761	982
Additions	–	707	–	699	–	1,406
Written off/disposal	–	(206)	–	(44)	–	(250)
At 31 March 2009	–	2,113	–	1,690	761	4,564
ACCUMULATED DEPRECIATION						
At 31 March 2007	–	7,263	11,435	10,060	97	28,855
Acquisitions	–	461	–	274	–	735
Charge for the year	35	185	188	116	129	653
Disposal of subsidiaries	(35)	(7,222)	(3,489)	(8,457)	–	(19,203)
Written back	–	–	(8,134)	(1,516)	(226)	(9,876)
At 31 March 2008	–	687	–	477	–	1,164
Acquisitions	–	–	–	40	118	158
Charge for the year	–	445	–	170	51	666
Written back	–	(124)	–	(27)	–	(151)
At 31 March 2009	–	1,008	–	660	169	1,837
CARRYING AMOUNT						
At 31 March 2009	–	1,105	–	1,030	592	2,727
At 31 March 2008	–	925	–	337	–	1,262

The leasehold properties were valued at their open market value at 31 March 2007 by Messrs. Goldrich Planners & Surveyors Limited, a firm of independent professional valuers, which belonged to Discontinued Operations and were disposed of during the year ended 31 March 2008. All the other property, plant and equipment are stated at cost.

15. INVESTMENT PROPERTIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At fair value		
At 1 April	**590,000**	—
Acquisitions	**—**	551,100
(Decrease)/increase in fair value	**(94,790)**	38,900
Transfer from properties under development (note 16)	**404,790**	—
At 31 March	**900,000**	590,000

Investment properties were revalued as at 31 March 2009 by a firm of independent professional valuers, AA Property Services Limited, on an open market basis. The revaluation deficit of HK$94,790,000 (2008: surplus of HK$38,900,000) has been recognised in profit or loss.

Investment properties with a carrying amount in aggregate of HK$900,000,000 (2008: HK$590,000,000) are pledged to a bank to secure bank facilities granted to the Group. In addition, all the Group's rights, interests and benefits and in any moneys whatsoever payable to the Group by the lessees are assigned to the bank.

The Group's investment properties are held in Hong Kong under long term leases.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At cost		
At 1 April	**384,062**	—
Acquisitions (note 29)	**2,374,884**	360,000
Interest capitalised (note 9)	**22,535**	2,159
Additions	**108,249**	21,903
Impairment loss	**(18,478)**	—
Transfer to investment properties (note 15)	**(404,790)**	—
At 31 March	**2,466,462**	384,062

The Group's properties under development are held in PRC under long term leases.

17. DEPOSIT PAID FOR ACQUISITION — GROUP

On 4 February 2008, a subsidiary of the Company entered into a sale and purchase agreement for the acquisition of Uptodate Management Limited ("Uptodate"), a company with a 30% indirect interest in a parcel of land located in Shanghai, the PRC, for a consideration at its the fair value of HK$187.2 million of which HK$70,000,000 was paid as a refundable deposit upon signing of the agreement. The transaction was completed during the year. Details are set out in note 29(ii).

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**753,872**	586,026
	753,872	586,026
Amounts due to subsidiaries	**99,574**	54,824

Details of the Company's subsidiaries as at 31 March 2009 are set out in note 42.

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term. The amounts are not expected to be settled within the next twelve months and in substance represent the Company's quasi-equity investments in the subsidiaries.

Amounts due to subsidiaries are unsecured, interest free and have no fixed repayment term.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**—**	—
Share of net assets	**34,579**	—
Amount due from a jointly-controlled entity	**14,478**	—
	49,057	—

Amount due from a jointly-controlled entity is unsecured, interest free and has no fixed repayment term.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name of company	Place of incorporation/ operations	Issued and paid up share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winner Ever Limited	The British Virgin Islands/Hong Kong	Ordinary US$2/ US$50,000	—	50%	Investment holding
Sky Dragon Limited	Hong Kong	Ordinary HK$2	—	50%	Property investment

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	2009 HK$'000
Share of the jointly-controlled entities' assets and liabilities:	
Non-current assets	130,849
Current assets	21,574
Non-current liabilities	(81,910)
Current liabilities	(35,934)
Net assets	34,579
Share of the jointly-controlled entities' results:	
Income	—
Expenses and impairment loss	14,641
Loss before tax	14,641
Taxation	—
Loss after tax	14,641

20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**5,119**	6,124	**—**	—
Less: Allowance for doubtful debts	**—**	—	**—**	—
	5,119	6,124	**—**	—
Other receivables	**2,462**	2,800	**334**	258
	7,581	8,924	**334**	258

(i) The movements in the allowance for doubtful debts during the year are as follows:

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1 April	**—**	432	**—**	—
Disposal of subsidiaries	**—**	(438)	**—**	—
Increase in provision during the year	**—**	6	**—**	—
At 31 March	**—**	—	**—**	—

At 31 March 2009, the Group's trade receivables amounted to HK$ NIL (2008: HK$6,000) were individually determined to be impaired. The individually impaired receivables in 2008 related to customers that were in financial difficulties and management assessed that only a portion of the receivables was expected to be recovered. Consequently, specific allowances for doubtful debts of approximately HK$6,000 were recognised. The Group did not hold any collateral over these balances.

The trade receivables mainly consist of agency and consultancy fees receivable from customers and rental receivables. The agency and consultancy fees receivable are due for settlement upon the completion of the relevant agreements.

During the year, trade and other receivables of approximately HK$3,404,000 (2008: HK$ NIL) have been written off as the debtors were in financial difficulty and management assessed that the amount will not be recoverable.

20. TRADE AND OTHER RECEIVABLES (continued)

(ii) The ageing analysis of trade receivables are as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Up to 30 days	**4,309**	3,819
31–60 days	**456**	95
61–90 days	**134**	83
More than 90 days	**220**	2,127
	5,119	6,124

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**3,693**	4,372
Less than 1 month past due	**590**	311
1 to 3 months past due	**680**	178
More than 3 months past due	**156**	1,263
	1,426	1,752
	5,119	6,124

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

21. OTHER PAYABLES, RENTAL DEPOSITS RECEIVED AND ACCRUALS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction costs payables	**90,380**	2,355	**—**	—
Rental deposits received	**8,758**	6,238	**—**	—
Accruals (note)	**5,436**	4,974	**139**	1,050
	104,574	13,567	**139**	1,050
Advanced rental received	**882**	85	**—**	—
	105,456	13,652	**139**	1,050
Less: Rental deposits received — non-current portion	**(6,076)**	(4,494)	**—**	—
	99,380	9,158	**139**	1,050

Note: The amount included commissions payable of approximately HK$128,000 (2008: HK$724,000) to Mr. Chan Kwok Hung, a director of a non-wholly owned subsidiary.

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Bond	**74**	—

The bond bears interest at 0.25% per annum and will mature in 2031.

23. BANK BORROWINGS — SECURED

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Borrowings comprised:		
Bank loans	**688,434**	405,650
Bank overdraft (note 30)	**944**	423
	689,378	406,073
Less: Current portion	**(10,944)**	(2,423)
Non-current portion	**678,434**	403,650

The bank borrowings are repayable as follows:

	2009	2008
	HK$'000	HK$'000
On demand or within one year	**10,944**	2,423
After one year but within two years	**10,600**	6,800
After two years but within five years	**54,635**	24,900
After five years	**613,199**	371,950
	678,434	403,650
	689,378	406,073

Bank overdraft is repayable on demand. The bank overdraft bears floating interest rate at prime rate minus.

23. BANK BORROWINGS — SECURED (continued)

Bank borrowings with principal amounts in total of HK$584,150,000 (2008: HK$405,650,000) bear floating interest rate at HIBOR plus. These bank borrowings are secured by the Group's investment properties, rent assignments in respect the investment properties, bank deposits of HK$5,000,000 (2008: HK$ NIL) and corporate guarantees to the extent of HK$585,900,000 (2008: HK$426,000,000) plus interest given by the Company.

Bank borrowings with principal amounts in total of HK$104,284,000 (2008: HK$ NIL) bore floating interest at the People's Bank of China ("PBOC") for 1 year benchmark rate. The bank borrowings were secured by fixed deposits of HK$135,000,000 and was due in September 2009. In March 2009, a bank in the PRC agreed to grant a new bank facilities totalling in the maximum amount of RMB580,000,000 (equivalent to HK$657,445,000) to refinance these existing loans and the Group's Shanghai project. These new facilities bear floating interest at the PBOC over 5 years benchmark rate discounted by 5%, will be repayable from 2014 to 2019 and are secured by the Group's properties under development.

24. CONVERTIBLE NOTES

	THE GROUP AND THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Liability component at 1 April	**114,845**	—
Proceeds of issues	**35,720**	171,730
Equity component (note 28)	**(7,296)**	(65,277)
Liability component on initial recognition	**28,424**	106,453
	143,269	106,453
Imputed interest (note 9)	**14,826**	8,392
Liability component at 31 March	**158,095**	114,845
Current portion	**17,050**	—
Non-current portion	**141,045**	114,845

24. CONVERTIBLE NOTES (continued)

(a) On 17 November 2008, the Company issued two batches of convertible notes in the principal amount of HK$17,860,000 each as part of the consideration for the acquisition of Uptodate Management Limited ("Uptodate"). The convertible notes bear interest at 1.68% per annum with the respective maturity dates on 1 August 2009 and 1 February 2012 or convertible into shares of the Company one month after maturing at the initial conversion price of HK$1.9 per share subject to adjustment to take into account of capital transactions with dilutive effect. There was no conversion during the year. Each batch of convertible notes could be converted to 9,400,000 shares of the Company at the conversion price of HK$1.9 per share. If there is no conversion, they will be repaid on the maturity date with the interest thereof.

The convertible notes were split between the liability and equity components of approximately HK$28,424,000 and HK$7,296,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes reserve. The respective effective interest rates of the liability component of the two convertible notes are 14.23% and 15.13% per annum.

(b) On 25 June 2007, the Company issued a convertible note in the principal amount of HK$129,105,609 as part of the consideration for the acquisition of Max Act Enterprises Limited ("Max Act"). The convertible note bears interest at 1.68% per annum with a maturity date of 5 years from the date of issuance and is repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK$0.98 per share subject to adjustment to take into account of capital transactions with dilutive effect. Subsequently, it was adjusted to HK$0.937 to take into account the dilutive effect of the share placement in November 2007. There was no conversion during the year. The whole amount of the convertible note could be converted to 137,786,136 shares of the Company at the conversion price of HK$0.937 per share. If there is no conversion, it will be repaid on the maturity date with the interest thereof.

The convertible note was split between the liability and equity components of approximately HK$81,318,000 and HK$47,787,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes reserve. The effective interest rate of the liability component is 11.41% per annum.

(c) On 14 November 2007, the Company issued a convertible note in the principal amount of HK$42,625,000 as part of the consideration for the acquisition of Seedtime International Limited ("Seedtime"). The convertible note bears interest at 1.68% per annum with a maturity date of 5 years from the date of issuance and is repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK$1.25 per share subject to adjustment to take into account of capital transactions with dilutive effect. Subsequently, it was adjusted to HK$1.22 as a result of taking into account the dilutive effect of the share placement in November 2007. There was no conversion during the year. The whole amount of the convertible note will be converted to 34,938,525 shares of the Company at the conversion price of HK$1.22 per share. If there is no conversion, it will be repaid on the maturity date with the interest thereof.

The convertible note was split between the liability and equity components of approximately HK$25,135,000 and HK$17,490,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes equity reserve. The effective interest rate of the liability component is 12.95% per annum.

The equity component and liability component of the above convertible notes were revalued at their respective issue dates by a firm of independent professional valuers, BMI Appraisals Limited, Chartered Valuation Surveyors on an open market basis.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Interest rate swaps	**13,395**	—

The interest rate swaps are measured and recognised at fair value.

Interest rate swap agreements with notional amount in aggregate of HK$240,000,000 (2008: HK$ NIL) was entered to swap floating interest rate borrowings to fixed interest rate borrowings to mitigate interest rate exposures to certain bank borrowings of the Group. The agreements have fixed rates payments ranging from 3.12% to 3.29% and will expire in 2013 and 2015 respectively. The hedges of interest rate swaps are qualified as effective and a net loss (net of deferred tax) of approximately HK$11,185,000 (2008: HK$ NIL) is included in the hedging reserves as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Total fair value loss	**13,395**	—
Less: deferred tax on fair value loss	**(2,210)**	—
	11,185	—

The interest rate swaps agreements are secured by a corporate guarantee to the extent of HK$50,000,000 given by the Company.

26. DEFERRED TAX LIABILITIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At 1 April	**94,908**	—
Acquisitions (note 29)	**426,082**	91,366
Raising from hedging credited to equity (note 25)	**(2,210)**	—
(Credited)/charged to profit or loss (note 12)	**(21,844)**	3,542
At 31 March	**496,936**	94,908

The components of deferred tax (assets)/liabilities recognised in the balance sheet and the movements during the year were as follows:

	Deferred tax liabilities			Deferred tax assets		
	Depreciation allowances in excess of the related depreciation	Revaluation of investment properties	Revaluation of properties under development	Hedging instruments	Tax losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
At 31 March 2007	—	—	—	—	—	—
(Credited)/charged to profit or loss	(14)	3,556	—	—	—	3,542
Acquisitions	(35)	59,578	31,823	—	—	91,366
At 31 March 2008	(49)	63,134	31,823	—	—	94,908
(Credited)/charged to profit or loss	4,287	(18,307)	(4,619)	—	(3,205)	(21,844)
Credited to equity	—	—	—	(2,210)	—	(2,210)
Acquisitions	—	—	426,082	—	—	426,082
Transfer to investment properties	—	31,823	(31,823)	—	—	—
At 31 March 2009	4,238	76,650	421,463	(2,210)	(3,205)	496,936

26. DEFERRED TAX LIABILITIES (continued)

As at 31 March 2009, the Group had unused tax losses of approximately HK$54,080,000 (2008: HK$11,463,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Number of shares		Amount	
	2009	2008	**2009**	2008
	Number '000	Number '000	**HK$'000**	HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At 1 April and 31 March	**1,000,000**	1,000,000	**100,000**	100,000
Issued and fully paid:				
Ordinary shares of HK$0.10 each				
At 1 April	**502,708**	224,812	**50,271**	22,481
Issues of shares (note (i) to (vi))	**133,669**	276,756	**13,367**	27,676
Exercise of share options (note (vii))	**—**	1,140	**—**	114
At 31 March	**636,377**	502,708	**63,638**	50,271

27. SHARE CAPITAL (continued)

Notes:

(i) On 15 July 2008, the Company's issued share capital was increased by HK$2,883,435 by the issue of 28,834,355 shares as part of the consideration for the acquisition of the entire issued share capital of Honeyguide as set out in note 29(i). The fair value of the consideration shares as determined by the closing market price of HK$0.79 per share on 15 July 2008 (being date of completion) was HK$22,779,140. The premium of HK$19,895,705 was credited to the share premium account.

(ii) On 17 November 2008, the Company's issued share capital was increased by HK$10,483,436 by the issue of 104,834,355 shares as part of the consideration for the acquisition of the entire issued share capital of Uptodate as set out in note 29(ii). The fair value of the consideration shares as determined by the closing market price of HK$0.32 per share on 17 November 2008 (being date of completion) was HK$33,546,994. The premium of HK$23,063,558 was credited to the share premium account.

(iii) On 25 June 2007, the Company's issued share capital was increased by HK$6,129,633 by the issue of 61,296,333 shares as part of the consideration for the acquisition of the entire issued share capital of Max Act as set out in note 27(i). The fair value of the consideration shares as determined by the closing market price of HK$1.90 per share on 25 June 2007 (being date of completion) was HK$116,463,033. The premium of HK$110,333,399 was credited to the share premium account.

(iv) On 26 July 2007, Henry Jewellery Holdings Limited ("HJHL"), being one of the substantial shareholders of the Company, entered into a placing agreement with Kingsway Financial Services Group Limited ("Kingsway"), pursuant to which Kingsway, as placing agent, agreed to place, on a best effort basis, up to 44,960,000 shares of the Company held by HJHL to not less than six independent professional, institutional and/or other investor(s) at a placing price of HK$1.2 per share. On the same date, HJHL entered into a subscription agreement to subscribe for 44,960,000 new shares of the Company (equivalent to the number of the Placed Shares) at the placing price. The net proceeds of approximately HK$53.2 million raised from the subscription were used as general working capital of the Group. The premium of HK$48,788,956, net of share issue expenses, was credited to the share premium account.

(v) On 1 November 2007, the Company, entered into a placing agreement with Taiwan Securities (HK) Limited ("TSHK"), pursuant to which TSHK, as placing agent, agreed to place, on a best effort basis, up to 64,600,000 shares of the Company to independent professional, institutional and/or other investor(s) at a placing price of HK$1.2 per share. The net proceeds of approximately HK$74.4 million raised from the subscription were used as general working capital of the Group. The premium of HK$67,925,459, net of share issue expenses, was credited to the share premium account.

(vi) On 14 November 2007, the Company's issued share capital was increased by approximately HK$10,590,000 by the issue of 105,900,000 shares as part of the consideration for the acquisition of the entire issued share capital of Seedtime as set out in note 27(ii). The fair value of the consideration shares as determined by the closing market price of HK$1.41 per share on 14 November 2007 (being the date of completion) was approximately HK$149,319,000. The premium of HK$138,729,000 was credited to the share premium account.

(vii) In 2008, 1,140,000 ordinary shares of HK$0.1 each were issued as a result of exercise of share options.

28. RESERVES

(a) Reserves of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible notes reserves HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
THE COMPANY						
At 31 March 2007	33,435	726	—	39,258	(89,334)	(15,915)
Loss for the year	—	—	—	—	(15,008)	(15,008)
Shares issued at premium, net of share issue expenses	116,715	—	—	—	—	116,715
Recognition of share-based payment	—	4,475	—	—	—	4,475
Exercise of share options	775	(114)	—	—	—	661
Shares issued as part of the consideration for acquisitions	249,062	—	—	—	—	249,062
Recognition of equity component of convertible notes	—	—	65,277	—	—	65,277
	366,552	4,361	65,277	—	—	436,190
At 31 March 2008	399,987	5,087	65,277	39,258	(104,342)	405,267
Loss for the year	—	—	—	—	(21,530)	(21,530)
Shares issued as part of the consideration for acquisitions, net of share issue expenses	42,948	—	—	—	—	42,948
Transfer to accumulated losses on lapse of share options	—	(1,182)	—	—	1,182	—
Recognition of equity component of convertible notes	—	—	7,296	—	—	7,296
	42,948	(1,182)	7,296	—	1,182	50,244
At 31 March 2009	442,935	3,905	72,573	39,258	(124,690)	433,981

28. RESERVES (continued)

(a) Reserves of the Company (continued)

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in April 2000 and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had no distributable reserve at the balance sheet date.

(b) Nature of reserves

Capital reserve

The capital reserve represents capital contribution from a related company, a shareholder, and a minority shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments. Details are set out in note 35.

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the group reorganisation in April 2000.

Convertible notes reserve

The equity component of convertible notes represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes set out in note 3(xii)(b).

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors or employees of the Company recognised in accordance with the accounting policy adopted for share based payment set out in note 3(xv)(c).

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(xvi).

Hedging reserve

The hedging reserve represents gains/losses arising on recognising hedging instruments at fair value in a qualifying cash flow hedge. The reserve is dealt with in accordance with accounting policy set out in note 3(xii)(c).

29. ACQUISITIONS

For the year ended 31 March 2009

(i) On 15 July 2008, Winning Pride Limited ("Winning Pride"), an indirect wholly-owned subsidiary of the Company, completed the acquisition of 100% issued share capital and a shareholder's loan of approximately HK$34.5 million of Honeyguide Investments Limited ("Honeyguide"), which is a limited company incorporated in the British Virgin Islands for total consideration of approximately HK$58 million. Mr. Ng Chun For, Henry was the controlling shareholder of Honeyguide prior to this acquisition. The principal activity of Honeyguide and its jointly-controlled entities is property investment. This transaction has been accounted for as acquisition of assets at a discount from a controlling shareholder.

The discount on acquisition arising was determined as follows:

	HK$'000
Total consideration	58,020
Assignment of shareholder's loan	(34,505)
	23,515
Less: Fair value of net assets acquired	(28,194)
Discount on acquisition (note)	(4,679)

Note: The excess of the Group's interest in the net fair value of the net assets acquired over the consideration paid is deemed as shareholders' contribution and credited to equity.

Details of the net assets acquired were as follows:

	Acquiree's carrying amount HK$'000	Fair value adjustments HK$'000	Acquiree's fair value HK$'000
Interests in jointly-controlled entities	39,453	23,245	62,698
Other receivables	1	—	1
Amount due to a former shareholder	(34,505)	—	(34,505)
	4,949	23,245	28,194

29. ACQUISITIONS (continued)

For the year ended 31 March 2009 (continued)

(i) (continued)

Total consideration at fair values satisfied by:

	HK$'000
Issue of shares	22,768
Cash	34,505
Direct expenses incurred on the acquisition	747
Total	58,020

Net cash outflow arising on the acquisition:

	HK$'000
Cash consideration paid for assignment of shareholder's loan	(34,505)
Cash paid for direct expenses	(747)
	(35,252)

Honeyguide and its jointly-controlled entities contributed no turnover and approximately HK$14,653,000 of loss for the period from the date of acquisition to the balance sheet date.

Had this business combination been effected at the beginning of the year, the turnover of the Group would have been increased by HK$ NIL, and its loss for the year would have been increased by approximately HK$14,677,000. The directors consider this pro forma information represents an appropriate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(ii) On 17 November 2008, Maxwing Investments Limited, an indirect wholly-owned subsidiary of the Company, completed the acquisition of 100% of the issued share capital of Uptodate Management Limited ("Uptodate"), which is a limited company incorporated in the British Virgin Islands for a total consideration of approximately HK$187.2 million. Mr. Ng Chun For, Henry was the controlling shareholder of Uptodate prior to this acquisition. Uptodate and its subsidiaries are principally engaged in property investment. This transaction has been accounted for as acquisition of assets at a discount from a controlling shareholder.

The discount on acquisition arising was determined as follows:

	HK$'000
Total consideration	187,220
Less: Fair value of net assets acquired	(420,825)
Discount on acquisition (note)	(233,605)

Note: The excess of the Group's interest in the net fair value of the net assets acquired over the consideration paid is deemed as shareholders' contribution and credited to equity.

29. ACQUISITIONS (continued)

For the year ended 31 March 2009 (continued)

(ii) (continued)

Details of the net assets acquired are as follows:

	Acquiree's carrying amount HK$'000	Fair value adjustments HK$'000	Acquiree's fair value HK$'000
Property, plant and equipment	824	—	824
Properties under development	2,424,886	(50,002)	2,374,884
Other receivables	87	—	87
Bank balances and cash	358,446	—	358,446
Other payables	(256,548)	—	(256,548)
Amounts due to minority shareholders	(436,475)	—	(436,475)
Amounts due to directors	(247,405)	—	(247,405)
Bank borrowings	(226,770)	—	(226,770)
Amounts due to a related company	(35,363)	—	(35,363)
Deferred tax liabilities	(438,583)	12,501	(426,082)
	1,143,099	(37,501)	1,105,598
Less: Minority interests			(684,773)
Total			420,825

Total consideration at fair values satisfied by:

	HK$'000
Issue of shares	33,547
Issue of convertible notes	35,720
Cash	114,877
Direct expenses incurred for the acquisition	3,076
Total	187,220

29. ACQUISITIONS (continued)

For the year ended 31 March 2009 (continued)

(ii) (continued)

Net cash inflow arising on the acquisition:

	HK$'000
Cash consideration paid	(114,877)
Cash paid for direct expenses	(3,076)
Bank balances and cash acquired	358,446
Total	240,493

Uptodate and its subsidiaries contributed no turnover and approximately HK$23,531,000 of loss for the period from the date of acquisition to the balance sheet date.

Had this business combination been effected at the beginning of the year, the turnover of the Group would have been increased by HK$ NIL, and its loss for the year would have been increased by approximately HK$43,852,000. The directors consider this pro forma information represents an appropriate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

For the year ended 31 March 2008

(iii) On 25 June 2007, Rose City Group Limited ("Rose City"), an indirect wholly-owned subsidiary of the Company, completed the acquisition of a 100% issued share capital of Max Act Enterprises Limited ("Max Act"), which is a limited company incorporated in the British Virgin Islands for a total consideration of approximately HK$246.7 million. Mr. Ng Chun For, Henry was the controlling shareholder of Max Act prior to this acquisition. The principal activity of Max Act and its subsidiaries is property investment.

29. ACQUISITIONS (continued)

For the year ended 31 March 2008 (continued)

(iii) (continued)

The net assets acquired and the goodwill arising were determined as follows:

	HK$'000	HK$'000
Purchase consideration		246,747
Fair values of net assets acquired:		
Property, plant and equipment	1,008	
Investment properties	551,100	
Trade and other receivables	2,523	
Bank balances and cash	1,397	
Other payables	(5,643)	
Tax payables	(479)	
Bank borrowings	(262,250)	
Deferred tax liabilities	(59,543)	
		(228,113)
Goodwill arising from the acquisition		18,634
Goodwill written off (note)		(18,634)
		–

Note: The assets of Max Act are primarily investment properties which were already measured at their fair value on completion date. Accordingly, the goodwill arising on acquisition was immediately written off.

Total consideration at fair values satisfied by:

	HK$'000
Issue of shares	116,463
Issue of convertible note	129,105
Direct expenses incurred for the acquisition	1,179
Total	246,747

Net cash inflow arising on the acquisition:

	HK$'000
Cash paid for the direct expenses	(1,179)
Bank balances and cash acquired	1,397
	218

29. ACQUISITIONS (continued)

For the year ended 31 March 2008 (continued)

(iii) (continued)

Max Act and its subsidiaries contributed revenue of approximately HK$14,044,000 and profit of approximately HK$39,135,000 for the period from the date of acquisition to the balance sheet date.

Had this business combination been effected at the beginning of the year, the turnover of the Group would have been increased by approximately HK$18,366,000 and its profit for the year would have been increased by approximately HK$40,189,000. The directors consider this pro forma information represented an appropriate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

(iv) On 14 November 2007, Rose City, an indirect wholly-owned subsidiary of the Company, completed the acquisition of a 100% issued share capital of Seedtime International Limited ("Seedtime"), which is a limited company incorporated in the British Virgin Islands, and a shareholder's loan of approximately HK$58,256,000 for a total consideration of approximately HK$192.9 million. Mr. Ng Chun For, Henry was the controlling shareholder of Seedtime prior to this acquisition. Seedtime and its subsidiaries are principally engaged in property investment. This transaction has been accounted for as acquisition of assets at discount from a controlling shareholder.

The discount on acquisition arising is as follows:

	HK$'000
Total consideration	192,875
Fair value of net assets acquired	(204,730)
Discount on acquisition (note)	(11,855)

Note: The excess of the Group's interest in the net fair value of the net assets acquired over the consideration paid was deemed as shareholders' contribution and credited to equity.

Details of the net assets acquired are as follows:

	Acquiree's carrying amount HK$'000	Fair value adjustments HK$'000	Acquiree's fair value HK$'000
Properties under development	167,135	192,865	360,000
Goodwill	18,008	(18,008)	—
Other receivables	24	—	24
Bank balances and cash	1,780	—	1,780
Other payables	(3,861)	—	(3,861)
Tax payables	(490)	—	(490)
Bank borrowings	(120,900)	—	(120,900)
Deferred tax liabilities	—	(31,823)	(31,823)
	61,696	143,034	204,730

29. ACQUISITIONS (continued)

For the year ended 31 March 2008 (continued)

(iv) (continued)

Total consideration satisfied at fair values by:

	HK$'000
Issue of shares	149,319
Issue of convertible note	42,625
Direct expenses incurred for the acquisition	931
Total	192,875

Net cash inflow arising on the acquisition:

	HK$'000
Cash consideration paid	(931)
Bank balances and cash acquired	1,780
	849

Seedtime and its subsidiaries contributed no turnover and a loss of approximately HK$122,000 for the period from the date of acquisition to the balance sheet date.

Had this business combination been effected at the beginning of the year, the turnover of the Group would have been increased by HK$ NIL, and its loss for the year would have been increased by approximately HK$65,000. The directors consider this pro forma information represented an appropriate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

30. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash and bank balances, net of outstanding bank overdraft. Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Cash and bank balances	**52,509**	55,728
Bank overdraft	**(944)**	(423)
Cash and cash equivalents	**51,565**	55,305

30. CASH AND CASH EQUIVALENTS (continued)

At the balance sheet date, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to HK$3,634,000 (2008: HK$NIL). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

31. COMMITMENTS

Capital commitments outstanding at the balance sheet date not provided for in the financial statements were as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Construction cost of properties under development		
Contracted for	**281,219**	14,764
Authorised but not contracted for	**—**	703
	281,219	15,467

32. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Minimum lease payments paid under operating leases for premises recognised in profit or loss for the year	**2,489**	1,055

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**1,762**	1,845
In the second to fifth year inclusive	**128**	930
	1,890	2,775

Operating lease payments represent rentals payable by the Group for certain of its office premises and directors' quarters. Leases are negotiated for an average term of two years and rentals are fixed during the lease period.

32. OPERATING LEASE ARRANGEMENTS (continued)

The Group as lessor

At the balance sheet date, the Group had contracted with the tenants for the following future minimum lease receivables:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within one year	**24,038**	16,223
In the second to fifth year inclusive	**29,369**	15,850
	53,407	32,073

The properties are expected to generate rental yields of 2.67% (2008: 3.36%) per annum on an ongoing basis. All the properties held have committed tenants for the next year.

33. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme, which will expire on 2 September 2013, was adopted by the Company at the extraordinary general meeting held on 3 September 2003. The primary purpose of the option scheme is to provide incentives or reward the employees and other persons who may have contribution to the Group, and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

Under the option scheme, the board of directors of the Company may offer to full time employees, including full time executive directors and non-executive directors, of the Company and/or its subsidiaries to subscribe for shares in the Company in accordance with the terms of the option scheme for the consideration of HK$1 for each lot of share options granted.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the option scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time. The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 29 August 2008 which enabled the grant of further share options to subscribe up to 53,154,235 shares representing 10% of the shares in issue as at the said date.

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the Board of Directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price HK$	Number of share options outstanding at 1 April '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Reclass-ification during the year '000	Number of share options outstanding at 31 March '000
2009								
Directors	28 October 2005	0.676	6,000	—	—	(1,000)	—	5,000
	2 April 2007	0.686	10,000	—	—	(2,000)	(2,000)	6,000
	31 August 2007	1.156	4,000	—	—	(2,000)	—	2,000
			20,000	—	—	(5,000)	(2,000)	13,000
Eligible person	28 October 2005	0.676	640	—	—	—	—	640
	2 April 2007	0.686	—	—	—	—	2,000	2,000
			640	—	—	—	2,000	2,640
Employee	2 April 2007	0.686	500	—	—	—	—	500
			21,140	—	—	(5,000)	—	16,140
2008								
Directors	28 October 2005	0.676	6,000	—	—	—	—	6,000
	2 April 2007	0.686	—	10,000	—	—	—	10,000
	31 August 2007	1.156	—	4,000	—	—	—	4,000
			6,000	14,000	—	—	—	20,000
Eligible person	28 October 2005	0.676	1,280	—	(640)	—	—	640
Employee	2 April 2007	0.686	—	1,000	(500)	—	—	500
			7,280	15,000	(1,140)	—	—	21,140

33. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
28 October 2005	Vested upon granted	28 October 2005 to 27 October 2015	HK$0.676
2 April 2007	Vested upon granted	2 April 2007 to 1 April 2017	HK$0.686
31 August 2007	Vested upon granted	31 August 2007 to 30 August 2017	HK$1.156

No option was granted for the year ended 31 March 2009. The weighted average share price at the date of exercise for share options exercised in 2008 was HK$1.248. The options outstanding at the end of the year have a weighted average remaining contractual life of 12 years (2008: 13 years). In 2008, options were granted on 2 April 2007 and 31 August 2007. The estimated fair values of the options granted on those dates are approximately HK$2,570,000 and HK$1,905,000 respectively.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2008
Weighted average share price	HK$1.248
Weighted average exercise price	HK$0.772
Expected volatility	61.79–79.07%
Expected life	2 years
Risk free rate	3.815–4.094%
Expected dividend yield	—

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural consideration. Expected dividends are based on historical dividends.

The Group recognised total expenses of HK$ NIL (2008: HK$4,475,000) related to equity-settled share-based payment transactions during the year.

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,000 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees of the Group's PRC subsidiary are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

The Group's contribution to retirement benefits schemes for the year ended 31 March 2009 amounted to approximately HK$873,000 (2008: HK$257,000).

35. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions and balances with related parties:

(a) Amount due from a minority shareholder, Premium Assets Development Limited, is interest free and not repayable within the next twelve months. The amount was stated at fair value as at the balance sheet date which is estimated by discounting the nominal value of the loan at current market interest rate of similar financial instruments. The imputed interest on the loan for the year amounted to approximately HK$669,000 and was credited to profit or loss.

(b) Mr. Chan Kwok Hung is a director of a non wholly-owned subsidiary. The amount is unsecured, interest free and has no fixed repayment term.

(c) Loans from related parties consist of the following:

	Notes	**2009** **HK$'000**	2008 HK$'000
Asia Century Worldwide Limited ("Asia Century")	(i)	**80,501**	—
北京栢宇興業房地產開發有限公司 (Beijing Grand-Pac Ventures Limited) ("BGPV")	(ii)	**38,270**	—
		118,771	—

35. RELATED PARTY TRANSACTIONS (continued)

(c) Loans from related parties consist of the followings: (continued)

(i) The controlling shareholder, Mr. Ng Chun For, Henry has a controlling interest in Asia Century. The loan from Asia Century consists of two loans of approximately HK$24,200,000 and HK$56,302,000 and carries fixed interest rates at 6% and 8.75% per annum respectively, unsecured and not repayable within the next twelve months. Interest on the loans for the year amounted to approximately HK$2,148,000 (2008: HK$ NIL) was charged to profit or loss.

(ii) BGPV is a company incorporated in the PRC, in which a director of a non wholly-owned subsidiary has equity interest. The amount due is unsecured, interest free and is not repayable before 14 November 2015. The amount was stated at fair value as of the balance sheet date which is estimated by discounting the nominal value of the loan of RMB60,180,000 at current market interest rate of similar financial instruments over the repayment period. Imputed interest on the nominal value of the loan for the year amounted to approximately HK$1,218,000 (2008: HK$ NIL) and was charged to profit or loss.

(d) Amounts due to minority shareholders comprise the following:

	Notes	**2009 HK$'000**	2008 HK$'000
Uni-Land Property Group Limited	(i)	**771**	698
Dragonwing International Limited	(ii)	**522,424**	—
		523,195	698

(i) The amount is unsecured, interest free and repayable on 31 October 2010. The amount was stated at fair value as of the balance sheet date which is estimated by discounting the nominal value of the loan at current market interest rate of similar financial instruments. The imputed interest on the amount due to it for the year amounted to approximately HK$73,000 (2008: HK$66,000) and was charged to profit or loss.

(ii) The amount includes a pro rata shareholder's loan of approximately HK$272,701,000, which carries fixed interest at 9% per annum and interest payable thereon of approximately HK$21,009,000. The loan and interest payable are unsecured and are not expected to be repayable within the next twelve months. The interest on the loan for the year amounted to approximately HK$8,301,000 (2008: HK$ NIL) was charged to profit or loss. The remaining balance of approximately HK$228,714,000 (2008: HK$ NIL) is unsecured, interest free and in substance represents pro rata quasi equity investment in the subsidiary from the minority shareholder.

35. RELATED PARTY TRANSACTIONS (continued)

(e) Loans from shareholders represent the followings:

	2009 HK$'000	2008 HK$'000
Mr. Ng Chun For, Henry	200,078	—
Mr. Ng Ian	7,687	—
Mr. Ng Eric	7,686	—
Mr. Chan Kwai Ping, Albert	545	—
	215,996	—

The loans from shareholders are unsecured, bearing fixed interest rate at 9% per annum and are not repayable within the next twelve months. Interest on these loans for the year amounted to approximately HK$6,669,000 (2008: HK$ NIL) was charged to profit or loss.

(f) The Company has given a corporate guarantee in favour of a bank to secure bank facilities granted to a non-wholly owned subsidiary to the extent of approximately HK$950,000 (2008: HK$950,000) of which approximately HK$944,000 (2008: HK$423,000) was utilised as at 31 March 2009.

(g) During the year, the Group acquired two subsidiaries, in which Mr. Ng Chun For, Henry was the controlling shareholder. Details are set out in note 29.

(h) During the year, Grand Fly Enterprises Limited, an indirect non-wholly owned subsidiary, paid consultancy fees in aggregate of HK$4,750,000 (2008: HK$ NIL) to Noble Sino Profits Limited, a company controlled by Mr. Chung Toi Chiu, Steven, being a director of certain subsidiaries and a controlling shareholder of a minority shareholder.

(i) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in note 10.

36. MAJOR NON-CASH TRANSACTIONS

During the year, the Company issued two batches of convertible notes with principal amount in aggregate of HK$35,720,000 as part of the consideration for acquisitions. Details of the convertible notes and acquisitions are set out in notes 24(a) and 29(ii) respectively.

37. CONTINGENT LIABILITIES

As at balance sheet date, the Company had given corporate guarantees to the extent of approximately HK$637 million (2008: HK$427 million) and approximately HK$105 million (2008: HK$ NIL) to banks to secure bank facilities granted to certain subsidiaries and a jointly controlled entity respectively. The Company has not recognised any liability in respect of the guarantees given as their fair value cannot be reliably measured.

38. POST BALANCE SHEET EVENT

After the balance sheet date, High Fly Investments Limited ("High Fly"), an indirect non-wholly owned subsidiary, as lender entered into the supplementary agreement dated 6 May 2009 with Grandyear Estate Limited ("Grandyear"), an indirect non-wholly owned subsidiary, as borrower, pursuant to which High Fly will provide additional shareholder's loan to Grandyear by HK$44.15 million from HK$600 million to HK$644.15 million ("Agreement"). The Agreement constitutes as continuing connected transaction under the Listing Rules and requires a revision of the annual caps from HK$600 million to HK$644.15 million ("Revision of Annual Caps"). The Revision of Annual Caps was approved by independent shareholders of the Company at the special general meeting held on 10 June 2009. The Revision of Annual Caps was disclosed in the announcement dated 8 May 2009 and the Circular dated 22 May 2009.

39. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in note 23, cash and cash equivalents, pledged deposits and equity attributable to equity holders of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio at the year end was as follows:

	2009	2008
	HK$'000	HK$'000
Debts	**1,476,970**	521,616
Less: Pledged deposits	**(140,000)**	—
Less: Cash and bank balances	**(52,509)**	(55,728)
Net debts	**1,284,461**	465,888
Total equity	**1,316,169**	479,242
Net debts-to-adjusted capital ratio	**98%**	97%

40. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 20.

(ii) Liquidity risk

The Group and the Company will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates, or if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

40. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but Less than 5 years HK$'000	More than 5 years HK$'000
2009						
Bank borrowings	**689,378**	**811,158**	**25,051**	**21,234**	**85,163**	**679,710**
Convertible notes	**158,095**	**223,052**	**18,072**	**—**	**204,980**	**—**
Other payables, rental deposits and accruals	**105,456**	**105,456**	**99,380**	**1,531**	**4,545**	**—**
Amount due from a related party	**250**	**250**	**250**	**—**	**—**	**—**
Derivative financial instruments	**13,395**	**13,395**	**—**	**—**	**7,658**	**5,737**
Loans from related parties	**118,771**	**158,292**	**—**	**90,069**	**—**	**68,223**
Amounts due to minority shareholders	**523,195**	**560,016**	**—**	**560,016**	**—**	**—**
Loans from shareholders	**215,996**	**245,081**	**—**	**245,081**	**—**	**—**
	1,824,536	**2,116,700**	**142,753**	**917,931**	**302,346**	**753,670**
2008						
Bank borrowings	406,073	538,339	13,541	17,799	56,845	450,154
Convertible notes	114,845	186,156	—	—	186,156	—
Other payables, rental deposits received and accruals	13,652	13,652	9,158	3,198	1,296	—
Amounts due to a minority shareholder	698	777	—	777	—	—
	535,268	738,924	22,699	21,774	244,297	450,154

40. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but Less than 5 years HK$'000	More than 5 years HK$'000
2009						
Convertible notes	**158,095**	**223,052**	**18,072**	**—**	**204,980**	**—**
Other payables	**139**	**139**	**139**	**—**	**—**	**—**
Amounts due to subsidiaries	**99,574**	**99,574**	**99,574**	**—**	**—**	**—**
	257,808	**322,765**	**117,785**	**—**	**204,980**	**—**
2008						
Convertible notes	114,845	186,156	—	—	186,156	—
Other payables	1,050	1,050	1,050	—	—	—
Amount due to a subsidiary	54,824	54,824	54,824	—	—	—
	170,719	242,030	55,874	—	186,156	—

(iii) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings which are at floating rates which expose the Group to cash flow interest rate risk. The Group manages its cash flow risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with counterparties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating rates interest amounts calculated by reference to the agreed notional amounts.

40. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest rate risk (continued)

The following table details the interest rate profile of the Group's net borrowings at the balance sheet date.

	The Group				The Company			
	2009		2008		**2009**		2008	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000	**Effective interest rate**	**HK$'000**	Effective interest rate	HK$'000
Fixed rate borrowings								
Convertible notes	**12.34%**	**158,095**	11.78%	114,845	**12.34%**	**158,095**	11.78%	114,845
Loans from related parties	**7.40%**	**80,501**	—	—	**—**	**—**	—	—
Amounts due to minority shareholders	**9.00%**	**272,701**	—	—	**—**	**—**	—	—
Loans from shareholders	**9.00%**	**215,996**	—	—	**—**	**—**	—	—
		727,293		114,845		**158,095**		114,845
Net variable rate borrowings								
Bank borrowings	**(Note)**	**689,378**	3.66%	406,073	**—**	**—**	—	—
Bank balances (included pledged deposits)	**0.87%**	**(192,509)**	1.9%	(55,721)	**0.18%**	**(1,221)**	2%	(39,972)
		496,869		350,352		**(1,221)**		(39,972)
Fixed rate borrowings as a percentage of total net borrowings		**59%**		25%		**101%**		153%

Note: Details of the Group's bank borrowings are set out in note 23 to the financial statements.

At 31 March 2009, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after taxation by approximately HK$3,498,000 (2008: decrease/increase profit by HK$2,929,000). Accumulated losses will increase/decrease by the same amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2008.

40. FINANCIAL RISK MANAGEMENT (continued)

(iv) Foreign exchange risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the Group entities. In particular, all the Group's borrowings are denominated in the functional currency of the entity taking out the loan. As such, management does not expect there will be any significant currency risk associated with the Group's borrowings.

(v) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2009 and 2008.

41. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2009 and 2008 are categorised as follows:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and bank balances)	**234,633**	64,652
Financial liabilities		
Financial liabilities measured at amortised cost	**1,582,427**	535,268
Financial liabilities measured at fair value	**13,395**	—

42. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2009 were as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Henry Group Asset Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
New Treasure Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	100%	Investment holding
Henry Group Holdings Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Gold Matrix Holdings Ltd	The British Virgin Islands/ Hong Kong	Ordinary US$1	100%	—	Investment holding
Henry Group Property Management Limited	Hong Kong	Ordinary HK$1	—	100%	Securities investment
Henry Group Management Limited	Hong Kong	Ordinary HK$1	100%	—	Provision of administration service to group companies
Uni-Land Property Consultants Limited	Hong Kong	Ordinary HK$100	—	55%	Provision of property agency and consultancy services
Rose City Group Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Top Bright Properties Limited ("Top Bright")	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	—	100% (note)	Property investment
Seedtime International Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Land Base Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment

42. SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ establishment/ operations	Issued and paid up share capital/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Maxwing Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment holding
Winning Pride Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment Holding
Honeyguide Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$100	—	100%	Investment Holding
Uptodate Management Limited	The British Virgin Islands/ Hong Kong	Ordinary US$100	—	100%	Investment Holding
High Pitch Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$10,000	—	54.55%	Investment Holding
High Fly Investments Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment Holding
High Luck International Limited	The British Virgin Islands/ Hong Kong	Ordinary US$10,000	—	61.11%	Investment Holding
Grandyear Estate Limited	Hong Kong	Ordinary HK$100,000	—	90%	Investment Holding
Shanghai Tian Shun Economy Development Company Limited	The PRC	Ordinary US$60,000,000	—	100%	Property investment
Grand Fly Enterprises Limited	The British Virgin Islands/ Hong Kong	Ordinary US$1	—	100%	Investment Holding

Note: One non-voting deferred share of Top Bright is held by an outside party. Pursuant to the Article of Association of Top Bright, on a winding up, the holder of the deferred share shall be entitled out of the surplus assets of Top Bright to a return of the capital paid up on the one non-voting share but only after a holder of ordinary share has received in full the return of capital paid on them and, in aggregate, a total sum of HK$100,000,000,000,000.

FIVE-YEAR FINANCIAL SUMMARY

	Year ended 31 March				
	2005 HK$000 (Restated)	2006 HK$000 (Restated)	2007 HK$000 (Restated)	2008 HK$000	**2009** **HK$000**
CONTINUING OPERATIONS					
Turnover	—	—	6,318	23,592	**25,886**
Other income and gains	—	—	626	834	**2,272**
(Decrease)/increase in fair value of investment properties	—	—	—	38,900	**(94,790)**
Impairment loss of properties under development	—	—	—	—	**(18,478)**
Goodwill written off	—	—	(3,883)	(18,634)	**—**
Staff costs	—	—	(8,891)	(13,857)	**(11,139)**
Depreciation on property, plant and equipment	—	—	(93)	(284)	**(666)**
Other operating expenses	—	—	(6,105)	(6,172)	**(15,699)**
(Loss)/profit from operations	—	—	(12,028)	24,379	**(112,614)**
Finance costs	—	—	(60)	(18,079)	**(31,680)**
Share of losses on jointly-controlled entities	—	—	—	—	**(14,641)**
(Loss)/profit before tax	—	—	(12,088)	6,300	**(158,935)**
Taxation credit/(charge)	—	—	—	(3,632)	**21,335**
(Loss)/profit for the year from continuing operations	—	—	(12,088)	2,668	**(137,600)**
DISCONTINUED OPERATIONS					
(Loss)/profit for the year from discontinued operations	(7,206)	(11,722)	(7,179)	6,688	**—**
(Loss)/profit for the year	(7,206)	(11,722)	(19,267)	9,356	**(137,600)**
Attributable to:					
Equity holders of the Company	(7,206)	(11,722)	(19,267)	9,356	**(118,469)**
Minority interests	—	—	—	—	**(19,131)**
	(7,206)	(11,722)	(19,267)	9,356	**(137,600)**
Dividend	—	—	—	—	**—**
(Loss)/earnings per share					
FROM CONTINUING AND DISCONTINUED OPERATIONS					
— Basic (in HK cents)	(3.53)	(5.34)	(8.57)	2.53	**(21.08)**
— Diluted (in HK cents)	N/A	N/A	N/A	2.47	**N/A**
FROM CONTINUING OPERATIONS					
— Basic (in HK cents)	N/A	N/A	(5.38)	0.72	**(21.08)**
— Diluted (in HK cents)	N/A	N/A	N/A	0.71	**N/A**

	As at 31 March				
	2005 HK$000	2006 HK$000	2007 HK$000	2008 HK$000	**2009** **HK$000**
ASSETS AND LIABILITIES					
Total assets	35,859	27,482	12,570	1,109,976	**3,643,816**
Total liabilities	23,075	15,523	16,389	630,734	**2,327,647**
	12,784	11,959	(3,819)	479,242	**1,316,169**

SCHEDULE OF PROPERTIES HELD BY THE GROUP

As at 31 March 2009

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 March 2009 were as follows:

Investment properties

Location	Use	Group's interest	Approximate gross area
Jardine Center No. 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	52,800 (sq. ft.)
L'hart No 487–489 Lockhart Road, Causeway Bay, Hong Kong	Commercial	100%	32,600 (sq. ft.)

Properties under development

Location	Use	Group's interest	Approximate site area
8 Hau Fook Street Tsim Sha Tsui Kowloon	Commercial	50%	3,300 (sq. ft.)
No. 68 Yuyuan Road, Jingan District, Shanghai, the PRC	Commercial	30%	11,400 (sq. m.)