"One who is endowed with both benevolence and wisdom is a sage" ....from Mencius

Annual Report **2011**

Sage International Group Limited

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code: 8082

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This report, for which the directors of Sage International Group Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Sage International Group Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in this report misleading.

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EXECUTIVE DIRECTORS

Mr. Chui Bing Sun *(Chairman)*
Mr. Kwok Kwan Hung

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Wai Man
Mr. Leung Chi Kong
Mr. Siu Hi Lam, Alick

COMPANY SECRETARY

Mr. Kwok Kwan Hung

COMPLIANCE OFFICER

Mr. Kwok Kwan Hung

AUDIT COMMITTEE

Mr. Chan Wai Man *(Chairman)*
Mr. Leung Chi Kong
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Leung Chi Kong *(Chairman)*
Mr. Chan Wai Man
Mr. Siu Hi Lam, Alick

AUTHORISED REPRESENTATIVES

Mr. Chui Bing Sun
Mr. Kwok Kwan Hung

INDEPENDENT AUDITORS

Parker Randall CF (H.K.) CPA Limited
Chartered Accountants
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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353 Lockhart Road,
Wanchai, Hong Kong

COMPANY HOMEPAGE

http://www.sig.hk

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
Bank of Communications Co., Limited

STOCK CODE

8082

Corporate Information and Corporate Profile

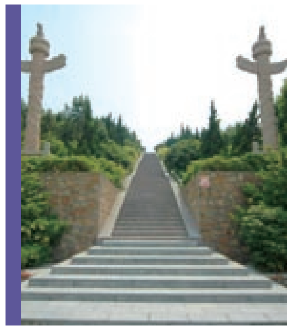
CORPORATE PROFILE

SAGE International Group Limited is a company listed on the Growth Enterprise Market (GEM) of the Stock Exchange of Hong Kong Limited since 2001 and is engaged in the development of the professional deathcare services and cemetery operation in the Greater China Region.

We currently operate two cemeteries in China with total gross land areas of approximately 200,000 square metres. Our operations consist of cemetery operation, funeral and related deathcare services. We are committed to revolutionize the funeral industry and act of remembrance by providing innovative and comprehensive solutions to the markets. We will build our own professional team of management and proprietary knowhow of the deathcare industry that will compassionately serve families at difficult times and honor the memory of lives well-lived. Our mission is to become China's single largest provider of funeral, cremation and cemetery services and we are dedicated to build our brand that will be synonymous with the Chinese funeral industry.

SAGE means "Benevolent and Wisdom". This intrinsic value drives our corporate philosophy and strategy in achieving our organization growth, cultivating culture and values and honoring our social responsibilities. With this objective, we have a strong commitment to the high level of corporate governance, transparency and accountability. Moreover, we advocate fair and equal treatment of all shareholders.





Major Corporate Events 2010

April May June	■ Resumption of trading of its shares on The Stock Exchange of Hong Kong; ■ Fund raising of HK$20,000,000 by issue of convertible bonds to New Brilliant Investments Limited (a connected person of the Company);
July August September	■ Fund raising of approximately HK$12,097,000 by top up placing of shares to independent third parties; ■ Fund raising of HK$30,870,000 by issue of convertible bonds to eight independent third parties;
October November December	■ Capital restructuring ■ Change of Company's name to Sage International Group Limited ■ Acquisition of equity interest in Suzhou Celebrities Cemetery Industries Co., Limited, a jointly-controlled entity of the Group, with a cemetery operation in Suzhou, Jiangsu Province, the People's Republic of China (the "PRC");

Major Corporate Events 2011

January — Acquisition of equity interest in Huai Ji Luck Mountain Funeral Tarlour Limited, a subsidiary of the Group operating a funeral home business in Guangdong province, the PRC;

February — Disposal of Infosky Group Limited and its subsidiaries (the "Disposal Group"), the exhibition business of the Group; and

March — The Company entered into a subscription agreement in relation to the issue of a five years zero coupon convertible bonds to AXA Direct Asia II, L.P. amounted to US$12,500,000. The Completion was executed in May 2011.

Chairman's Statement

On behalf of the Board of Directors (the "Board") of the Sage International Group Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011.

RESULTS AND DIVIDENDS

For the year ended 31 March 2011, the Group recorded a turnover of approximately HK$66,099,000, including revenue from exhibition business (2010: approximately HK$49,108,000 (restated)) and a net loss attributable to owners of the Company of approximately HK$41,617,000 (2010: approximately HK$9,840,000). The basic loss per share was HK$23.7 cents (2010: HK$10.1 cents).

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 March 2011 (2010: nil).

BUSINESS AND OPERATION REVIEW

Business review

During the year ended 31 March 2011, the Group's consolidated revenue of approximately HK$66,099,000 increased by 35% when compared with that of the prior year. The Group's consolidated revenue consisted of revenue from continuing operations amounted to HK$19,821,000 (2010: nil) and revenue from discontinued operation amounted to HK$46,278,000 (2010: HK$49,108,000 (restated)). Accordingly, 70% of which was attributed to the Group's discontinued operation, which is the exhibition business segment. This segment recorded a loss after tax of HK$6,428,000 for the period from 1 April 2010 up to the date of its disposal on 4 March 2011. Given the unsatisfactory operating environment and continuous loss-making situation, the Board made a strategic restructuring of the Group's business during the year and disposed of the entire interest to a connected person in March 2011. Moreover, approximately 5% of the Group's consolidated revenue was attributed to the Group's newly-established deathcare services business, which revenues included services fee from funeral services and sales of burial units/columbarium units. Since the inception of this business in the second half of the year under review, a consolidated revenue of approximately HK$3,589,000 was recorded by the Group. Due to the initial stage of development of this new segment, the revenue contribution was relatively insignificant during the year. The remaining 25% share of consolidated revenue was contributed by the trading of the automobiles during the year which amounted to approximately HK$16,232,000 (2010: nil).

The Group's loss for the year was HK$41,346,000, which consisted of loss from continuing operations of HK$34,918,000 (2010: HK$12,277,000) and loss from discontinued operation of HK$6,428,000 (2010: profit of HK$2,450,000) representing an increase of 321% when compared with that of the prior year (2010: loss of HK$9,827,000). The significant rise was mainly due to (i) equity-settled share-based payments expense of approximately HK$9,312,000 (2010: nil); (ii) increase in loss of the exhibition business which has been disposed of during the year under review; and (iii) the increase in legal and professional fees for extensive corporate restructuring and fund raising exercises..

Chairman's Statement

Operation review

The year ended 31 March 2011 is a challenging year of the Group and founded an important milestone of the Group in its future development. The Company successfully underwent restructuring in its operation and capital structures through a number of extensive corporate exercises as highlighted below:

May 2010	Resumption of trading of its shares on The Stock Exchange of Hong Kong;
June 2010	Fund raising of HK$20,000,000 by issue of convertible bonds to New Brilliant Investments Limited (a connected person of the Company);
July 2010	Fund raising of approximately HK$12,097,000 by top up placing of shares to independent third parties;
August 2010	Fund raising of HK$30,870,000 by issue of convertible bonds to eight independent third parties;
October 2010	Capital restructuring
	Change of Company's name to SAGE International Group Limited
	Acquisition of equity interest in Suzhou Celebrities Cemetery Industries Co., Limited, a jointly-controlled entity of the Group, with a cemetery operation in Suzhou, Jiangsu Province, the People's Republic of China (the "PRC");
January 2011	Acquisition of equity interest in Huai Ji Luck Mountain Funeral Tarlour Limited, a subsidiary of the Group operating a funeral home business in Guangdong province, the PRC;
March 2011	Disposal of Infosky Group Limited and its subsidiaries (the "Disposal Group"), the exhibition business of the Group; and
May 2011	Completion of a subscription agreement in relation to the issue of a five years zero coupon convertible bonds to AXA Direct Asia II, L.P. amounted to US$12,500,000.

It is the Board's objective to create shareholder's value by re-vitalizing the operation of the Group and by investing in business with potential growth opportunities. To accomplish this goal, the Group, during the year under review, has disposed of its continuous loss-making exhibition businesses and changed its main business focus to deathcare business which includes the cemetery operation and provision of funeral-related services. The Group believes there is huge untapped potential in the PRC deathcare market fuelled by the country's rapidly ageing population and rising income level. The Company aspires to be a pioneer revolutionizing the funeral industry and act of remembrances by providing innovative and comprehensive solutions to the market. Through value-focused strategies in developing niche market, distribution network and resourceful business partners, the Company intends to become a market leader in the PRC deathcare industry.

In January 2011, the Company entered into a subscription agreement with AXA Direct Asia II, L. P. for an issue of a five year zero coupon Convertible Bonds and the completion was executed on 21 May 2011. A gross proceeds of approximately HK$97,000,000 was raised from such issue and the proceeds will be used for the operation of the deathcare business. The Directors considered the issue of the Convertible Bonds to AXA Direct Asia II, L. P. a good opportunity for the Group in extending its shareholder's base and developing its deathcare business with strong financial support. Following the completion of this issue and a number of other corporate and fund raising exercises described above, the Group expanded and strengthened its shareholders bases significantly and a total fund of approximately HK$160,000,000 was raised since April 2010 up to the date of this report. Such proceeds raised will provide a sound financial back up for the Group to invest and operate in this new deathcare business and for the future investment opportunities in the same industry.

Chairman's Statement

FUTURE PROSPECTS

Following the adoption of the new company name, SAGE International Group Limited, in October 2010, the Group entered into a new era in its history. With the intrinsic meaning of the new name "SAGE" – benevolent and wisdom which gives shape and direction to the organisation's future, the Company will promote a new set of corporate culture and values. The Directors will allocate the Company's major resources to the newly established deathcare services segment and, other non-core business will be phased out gradually or will be monitored closely. The Directors are optimistic that Sage will develop its deathcare business through both merger & acquisition opportunities and organic growth. The Group will continue to increase its number of cemetery if suitable opportunities arise and work on branding and establishing unique distribution platform and sales channel to Interment spaces. Management training centre will also be created to train a competent team of funeral service professionals to maintain the services at the highest standard. Sage will remain deeply committed to growth while serving those in need.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its daily operations from internally generated cash flows and fund raised in capital raising exercises. As at 31 March 2011, the total equity of the Group was approximately HK$60,488,000 (2010: HK$9,219,000), which have been significantly increased by 556%. Such growth was due to the additional capital and funding raised of approximately HK$62,967,000 by new issuance of equity and convertible bonds during the year. Total assets of the Group also increased by 482% from HK$27,268,000 to HK$158,697,000 as at 31 March 2011. Increase in total assets is a result of the Group's acquisition of a subsidiary and a jointly-controlled entity during the year.

The Group's cash and bank balances as at 31 March 2011 was amounted to approximately HK$5,971,000 (2010: HK$18,927,000). The total liabilities amounted to HK$98,209,000 (2010: HK$18,049,000) which mainly consist of convertible bonds of HK$44,597,000 (2010: nil) and other borrowing of HK$40,403,000 (2010: HK$4,000,000). There was no bank borrowing as at 31 March 2011. The gearing ratio, defined as net debt divided by the adjusted capital plus net debt, is 59% as at 31 March 2011 (2010: 66%). In calculating gearing ratio, net debt includes current and non-current liabilities, while capital includes equity attributable to owners of the Company. The gearing ratio will be reduced to 32% if all the convertible bonds are full converted.

Despite there is net current liabilities of HK$23,086,000 (2010: net current assets of HK$5,728,000) due to a temporary advance of HK$25,000,000 made by the substantial shareholder for financing its acquisition of a subsidiary in January 2011, the financial position of the Group as at 31 March 2011 is still considered sound by the Board. It was because that, subsequent to the balance sheet date, the Company has completed the issue of convertible bonds to AXA Direct Asia II, L.P. and raised a funding of approximately HK$97,000,000. The temporary advance was refinanced by part of the proceed from this convertible bond. Following the completion of this convertible bond in May 2011 and the repayment of the temporary advance to the substantial shareholder, the Group has cash and cash equivalents of approximately HK$74,000,000. The convertible bonds have a maturity period of five years and bear zero coupon interest rate. Therefore, it provides a relatively longer term and low cost financing for the Group.

The Board will continue to review the capital structure of the Group and to capture favourable capital raising opportunity in order to ensure a healthy foundation for the Group to meet its future business growth and expansion.

EMPLOYEES AND REMUNERATION POLICIES

The Group recognises the importance of training to its staff. In addition to on-the-job training, the Group regularly provides external training to its staff to enhance technical or product knowledge.

As at 31 March 2011, the Group had 88 (2010: 80) employees, including Directors. Total staff costs for the year under review, including Directors' remuneration, amounted to approximately HK$38,083,000 (2010: approximately HK$20,652,000). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. The Group also provides provident fund schemes and medical insurance scheme for its employee.

The Group has adopted a share option scheme pursuant to which the Directors may grant options to individuals including Directors, employees or consultant of the Group to acquire shares of the Company. The Directors consider that the share option scheme facilitates in the recruitment and retention of high caliber executives and employees.

Chairman's Statement

CHARGES ON GROUP'S ASSETS

As at 31 March 2011, there was no charge on the Group's assets (2010: HK$136,000).

CONTINGENT LIABILITIES

There was no significant contingent liabilities as at 31 March 2011.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollar and Renminbi ("RMB"). Therefore, the Group is exposed to RMB exchange risk. The Group has not implemented any foreign currency hedging policy at the moment. However, continuous monitoring on the foreign exchange exposure is carried out by the management and the management will consider to hedge the foreign exchange exposure if it is significant to the Group.

SIGNIFICANT INVESTMENT HELD AND MATERIAL ACQUISITIONS AND DISPOSALS

On 3 September 2010, a wholly-owned subsidiary of the Company entered into an agreement to acquire an equity interest in Suzhou Celebrities Cemetery Industry Co Limited, details of which are set out in the announcement and the circular of the Company dated 5 September 2010 and 28 September 2010 respectively. The acquisition was completed in October 2010.

The Group had also acquired a 70% effective interest in Huai Ji Luck Mountain Funeral Tarlour Limited in January 2011, details of which are disclosed in the announcement of the Company dated 2 December 2010.

On 22 December 2010, the Company has entered into an agreement to sell 99.5% of the issued share capital of Infosky Group Limited, which engaged in exhibition business. The completion of disposal has taken place on 4 March 2011. Details of the disposal are disclosed in the announcement and the circular of the Company dated 14 January 2011 and 14 February 2011 respectively.

APPRECIATION

On behalf of the Directors, I would like to express my heartfelt thanks to our shareholders, customers and suppliers for their continued support to the Group. Moreover, I would like to thank all staff of the Group for their tremendous efforts and contributions. With a focused senior management and professional team, I believe the Group will succeed in realising its business goal and create significant value for its shareholders in the forthcoming years.

Chui Bing Sun
Chairman

Hong Kong, 21 June 2011

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Chui Bing Sun, aged 34, has over eight years of experience in hedge fund and portfolio management, finance and accounting. Mr. Chui has been a fund manager of two global hedge funds for five years before joining the group. Prior to this, Mr. Chui has worked for two international accounting firms. Mr. Chui is a certified public accountant and a Chartered Financial Analyst charterholder. Mr. Chui was an executive director (from August 2006 to December 2008) of Sun International Group Limited, the shares of which are listed on GEM.

Mr. Kwok Kwan Hung, aged 45, is a practicing certified public accountant and has extensive experience in investment banking, corporate finance, financial management and auditing. Mr. Kwok has held various senior positions in listed companies, investment banking groups and an international accounting firm. Mr. Kwok is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Directors. Mr. Kwok holds a Bachelor's degree in Science from the University of London. Mr. Kwok is also an independent non-executive director of Regent Manner International Holdings Limited, a company listed on the main board of The Hong Kong Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Chi Kong, aged 41, obtained his Bachelor's Degree in Economics and Social Studies from the Victoria University of Manchester and Master's Degree in Business Administration with merit from the University of Birmingham in the United Kingdom. Mr. Leung is a qualified Chartered Financial Analyst and he was admitted as a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Leung is currently manager of a securities company in Hong Kong.

Mr. Chan Wai Man, aged 46, is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and also a fellow member of the Association of Chartered Certified Accountants. Mr. Chan has extensive experience in auditing, taxation and finance. Mr. Chan is also an independent non-executive director of Computech Holdings Limited, a Company listed on GEM.

Mr. Siu Hi Lam, Alick, aged 56, is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. Mr. Siu had been the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America. Mr. Siu was responsible for business development and credit risk management. Mr. Siu obtained a Master degree in Business Administration from the University of Hull in 1995. Mr. Siu is currently an independent non-executive director of BEP International Holdings Limited and China Investment Fund Company Limited, the shares of which are listed on the main board of The Hong Kong Stock Exchange, and Mr. Siu was an independent non-executive director of Sun International Group Limited, the shares of which are listed on the GEM, from August 2006 to January 2009.

SENIOR MANAGEMENT

Mr. Duan Luwen, Kevin, aged 45, is the director of Suzhou Celebrities Cemetery Industry Co., Limited ("Suzhou Celebrities"), a jointly-controlled entity of the Group. His working experience began from late 1980's with AJ Corp, which is a listing company of Shanghai Stock Exchange. Mr. Duan practised management level position within several joint ventures invested by the corporation. In the early 1990's, Mr. Duan started his own business in the fields of consulting and international trading. In 1994, Mr. Duan established Suzhou Celebrities in Jiangsu, China, focusing on cemetery service to worldwide Chinese.

Mr. Zhang Yaoyu, aged 57, is the General Manager of Suzhou Celebrities. Mr. Zhang has extensive business experience for over 30 years. He was person in charge in many companies, which were invested by Shanghai Luwan District Commercial Service Company (a state own company). The businesses were varied from retailing, trading to manufacturing. Mr. Zhang joined Suzhou Celebrities in 2005.

Ms. Wong Shun Oi, aged 44, is the Project Director of Reliance Cemetery Sales & Management Limited, has over ten years of experience in funeral services, death education & counselling with elderly centre. Prior to joining the Group in March 2011, she has been a Vice Managing Director of Cheung Shing Funeral Limited last six years. Ms. Wong has worked for over 1,000 elderly people for the Enhancement of Life and Death Education in Hong Kong.

Mr. Connell Richard Andrew, aged 57, was appointed as the Senior Advisor to the board of directors in June 2011. Mr. Connell is responsible for providing strategic advice to the board in business development and operation of the deathcare services of the Group. Prior to joining the group, Mr. Connell was the chairman or non-executive director of a number of listed and unlisted companies in the United Kingdom for over 10 years. Mr. Connell was also the chairman of Dignity plc, a FTSE250 Company which engaged in the business of funeral services, for the period from 2002 to 2008 and responsible for the strategic planning and development of funeral business. Mr. Connell also worked for a number of private equity and venture capital funds for 18 years.

Directors' Report

The Board have pleasure in submitting their annual report together with the audited consolidated financial statements of Sage International Group Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group principally engages in operation of cemetery and funeral services in the PRC. It also engages in the trading of automobile and related accessories. Details of the principal activities and other particulars of the subsidiaries are set out in note 21 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and segment results by business segment and geographical segment for the year ended 31 March 2011 is set out in note 8 to the consolidated financial statements.

FINANCIAL RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated income statement on page 25 of this annual report.

The directors (the "Directors") do not recommend the payment of a final dividend in respect of the year ended 31 March 2011 (2010: Nil).

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 33 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 35 to the consolidated financial statements.

As at 31 March 2011, no reserves of the Company were available for distribution to the equity holders of the Company (2010: nil).

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2011.

PRE-EMPTIVE RIGHTS

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

COMMITMENTS

There was no significant commitment.

As at 31 March 2011, the Group had operating leases commitments in respect of rented office premises of approximately HK$3,882,000 (2010: approximately HK$1,058,000).

DONATIONS

Charitable and other donations made by the Group during the year amounted to approximately HK$344,000 (2010: approximately HK$746,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes are set out in note 6 to the consolidated financial statements.

Directors' Report

SHARE OPTION SCHEME

Details of the share option scheme are set out in note 34 to the consolidated financial statements.

DIRECTORS

The Directors of the Company in office during the financial year and up to the date of this annual report were:

Executive Directors

Mr. Chui Bing Sun *(Chairman)*
Mr. Lee Chi Shing, Caesar (resigned on 1 September 2010)
Mr. Kwok Kwan Hung (re-designated from an independent non-executive Director on 2 February 2010)

Independent Non-executive Directors

Mr. Chan Wai Man
Mr. Leung Chi Kong
Mr. Siu Hi Lam, Alick

The Company has received from each of the independent non-executive Directors an annual confirmation regarding their independence, and the Directors considered their independence to the Company.

In accordance with the Bye-laws of the Company, Mr. Chui Bing Sun and Mr. Leung Chi Kong will retire at the forthcoming annual general meeting and, being eligible, Mr. Chui Bing Sun offer him for re-election.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2011, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company and its associated corporation (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 "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 provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company were as follows:

Interests in shares of the Company

Number of shares and underlying shares beneficially held

Name of Directors	Capacity	*Notes*	Number of shares held	Number of underlying shares held	Total number of shares and underlying shares held	Percentage of issued shares
Mr. Chui Bing Sun	Interest of a controlled corporation	*1*	25,099,000	80,000,000	105,099,000	41.68%
Mr. Chui Bing Sun	Personal	*2*	1,000	2,200,000	2,201,000	0.87%
			25,100,000	82,200,000	107,300,000	42.55%
Mr. Siu Hi Lam, Alick	Personal		95,000	–	95,000	0.04%

Notes

(1) New Brilliant Investments Limited ("New Brilliant") is interested in 25,099,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.25 per share. Accordingly, New Brilliant was interested in 80,000,000 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui Bing Sun ("Mr. Chui"), an executive Director of the Company.

(2) Mr. Chui has a personal interest in 1,000 shares and 2,200,000 underlying shares of the Company. The underlying shares represent the share options granted by the Company to Mr. Chui to subscribe for 2,200,000 shares at exercise price of HK$2

Directors' Report

Interests in underlying shares of the Company

Pursuant to the share option scheme adopted by the Company on 22 October 2001 (as more particularly described in Appendix IV to the Company's prospectus), certain Directors were granted share options to subscribe for the Company's shares, details of share options outstanding and exercisable as at 31 March 2011 are as follows:

	Number of share options						
Name of Directors	**Adjusted outstanding as at 1 April 2010**	**Granted during the year**	**Exercised during the year**	**Outstanding and exercisable as at 31 March 2011**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price per share**
Mr. Chui Bing Sun	–	2,200,000	–	2,200,000	22 March 2011	22 March 2011 - 21 March 2021	HK$2
Mr. Kwok Kwan Hung	80,000	–	–	80,000	15 February 2008	15 February 2008 - 14 February 2018	HK$3.3
	–	850,000	–	850,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.85
	–	320,000	–	320,000	12 August 2010	12 August 2010 - 11 August 2020	HK$2.35
	–	950,000	–	950,000	3 December 2010	3 December 2010 - 2 December 2020	HK$2.13
Mr. Lee Chi Shing, Caesar (resigned with effective on 1 September 2010)	800,000	–	–	800,000	14 December 2007	14 December 2007 - 13 December 2017	HK$2.8
	175,000	–	(175,000)	–	14 August 2008	14 August 2008 - 13 August 2018	HK$1.87
Mr. Chan Wai Man	50,000	–	–	50,000	15 February 2008	15 February 2008 - 14 February 2018	HK$3.3
	–	45,000	–	45,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.85
Mr. Leung Chi Kong	50,000	–	–	50,000	15 February 2008	15 February 2008 - 14 February 2018	HK$3.3
	–	45,000	–	45,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.85
Mr. Siu Hi Lam, Alick	–	95,000	(95,000)	–	7 July 2010	7 July 2010 - 6 July 2020	HK$0.85
	1,155,000	**4,505,000**	**(270,000)**	**5,390,000**			

Note

(i) Save as disclosed above, as at 31 March 2011, none of the Directors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the 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 provision of the SFO) or which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the required standard of dealings by Directors of the Company.

Directors' Report

OUTSTANDING SHARE OPTIONS

Save as those share options granted to the Directors as disclosed above, certain share options were granted by the Company under the share option scheme to several individuals who are employees and consultants of the Company at the date of grant, details of the share options outstanding and exercisable as at 31 March 2011 were as follows:

	Number of share options						
Category of participants	Adjusted outstanding as at 1 April 2010	Granted during the year	Exercised during the year	Outstanding and exercisable as at 31 March 2011	Date of grant of share options	Exercise period of shares options	Exercise price per share
Employee	50,000	–	(50,000)	–	25 March 2008	25 March 2008 - 24 March 2018	HK$2.5
Employees	30,000	–	(30,000)	–	14 August 2008	14 August 2008 - 13 August 2018	HK$1.87
Employees	–	3,550,000	(600,000)	2,950,000	7 July 2010	7 July 2010 - 6 July 2020	HK$0.85
Consultant	–	1,160,000	–	1,160,000	12 August 2010	12 August 2010 - 11 August 2020	HK$2.35
Consultant	–	1,040,000	(757,000)	283,000	6 September 2010	6 September 2010 - 5 September 2020	HK$1.98
Consultant	–	500,000	(500,000)	–	7 September 2010	7 September 2010 - 6 September 2020	HK$2.08
Employees	–	2,150,000	–	2,150,000	9 September 2010	9 September 2010 - 8 September 2020	HK$2.29
Employees	–	1,600,000	–	1,600,000	13 September 2010	13 September 2010 - 12 September 2020	HK$2.14
Employees	–	2,500,000	–	2,500,000	3 December 2010	3 December 2010 - 2 December 2020	HK$2.13
Consultant	–	2,200,000	–	2,200,000	22 March 2011	22 March 2011 - 21 March 2021	HK$2
	80,000	**14,700,000**	**(1,937,000)**	**12,843,000**			

There were no share options cancelled, lapsed or forfeited during the year ended 31 March 2011.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARE AND DEBENTURES OF THE COMPANY

As at 31 March 2011, the following shareholders (including Directors) had interests or short position in the shares, underlying shares or debentures 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 were as follows:

Interests in shares of the Company

Number of ordinary shares and underlying shares beneficially held

Name	Capacity	*Notes*	Number of shares	Number of underlying shares	Total number of shares and underlying shares held	Percentage of interests
New Brilliant Investments Limited	Beneficial owner	*1*	25,099,000	80,000,000	105,099,000	41.68%
Mr. Chui Bing Sun	Interest of a controlled corporation	*1*	25,099,000	80,000,000	105,099,000	41.68%
Mr. Chui Bing Sun	Beneficial owner	*2*	1,000	2,200,000	2,201,000	0.87%
			25,100,000	82,200,000	107,300,000	42.55%
MM3 International Limited	Beneficial owner	*3*	30,000,000	–	30,000,000	11.90%
Forrex (Holding) Inc	Beneficial owner	*4*	–	25,000,000	25,000,000	9.91%
Mr. Luwen Kevin Duan	Interest of controlled corporations	*3 and 4*	30,000,000	25,000,000	55,000,000	21.81%
Capital VC Limited	Beneficial owner		24,678,000	–	24,678,000	9.79%
Mr. Li Siu Kim	Beneficial owner		22,666,666	–	22,666,666	8.99%
Mr. Wang Zhen Ze	Beneficial owner		20,000,000	–	20,000,000	7.93%

Notes

(1) New Brilliant is interested in 25,099,000 shares and, pursuant to a subscription agreement dated 22 April 2010 (as supplemented by the supplemental agreement), New Brilliant agreed to subscribe for the convertible bonds in the principal amount of HK$20,000,000 to be issued by the Company at an initial conversion price of HK$0.04 per share and subsequently adjusted to HK$0.25 per share. Accordingly, New Brilliant was interested in 80,000,000 underlying shares of the Company derived from the convertible bonds. New Brilliant is wholly and beneficially owned by Mr. Chui, an executive director of the Company.

(2) Mr. Chui had a personal interest in 1,000 shares and 2,200,000 underlying shares of the Company.

(3) MM3 International Limited is wholly and beneficially owned by Mr. Luwen Kevin Duan ("Mr. Duan").

(4) The 3% convertible bonds of the Company in an aggregate principal amount of HK$30,750,000 was held by Forrex (Holding) Inc ("Forrex"), which are convertible into 25,000,000 shares at the adjusted conversion price of HK$1.23. Forrex is wholly and beneficially owned by Mr. Duan. Also, Forrex is a Director of Era Investment (Holding) Inc., a jointly-controlled entity of the Company.

Save as disclosed above, as at 31 March 2011, the Directors were not aware of any other person who had an interest or short position in the shares, underlying shares or debentures 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 who was interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The Group's total revenue to the five largest customers accounted for 27% of the Group's revenue during the year (2010: less than 30%).

The information in respect of the Group's purchases attributable to the major suppliers during the year is as follow:

	Percentage of the services provided to the Group	
	2011	2010
The largest supplier	**55%**	15.2%
Five largest suppliers in aggregate	**78%**	37.2%

At no time during the year have the Directors, their respective associates and any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and suppliers of the Group.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in note 39 to the consolidated financial statements.

Rentals

During the year ended 31 March 2011, the Group paid rent totaling HK$817,000 (2010: HK$102,000) and HK$330,000 (2010: HK$360,000) to a Director of the Company and a Director of Disposal Group respectively for the lease of premises owned by them. The Directors consider that the rental was calculated by reference to open market rentals.

Other related parties transactions

Details of balance with related parties at the year end date are set out in note 31 to the consolidated financial statements.

The above continuing connected transactions have been reviewed by the independent non-executive Directors of the Company. The independent non-executive Directors have confirmed that the continuing connected transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Directors, including the independent non-executive Directors, of the Company are of the view that all of the above transactions were on normal commercial terms and in the ordinary and usual course of business of the Group and that the terms of the relevant agreements were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company confirms that the continuing connected transactions as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that the Company has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in the consolidated financial statements, no contracts of significance (as defined in Rule 18.25 of the GEM Listing Rules) in relation to the Group's business to which the Company, its parent company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' SERVICE IN CONTRACTS

Each of the executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and will continue thereafter, until terminated by not less than two months notice in writing served by either party.

Each of the independent non-executive Directors of the Company has entered into a service contract with the Company for an initial term of one year from the date of appointment and will continue thereafter, until terminated by not less than one month notice in writing served by either party.

All Directors are subject to rotation in accordance with the Bye-laws of the Company.

Save as disclosed above, none of the Directors offering themselves for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACTS

Save as disclosed in this report, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has established written guidelines for the required standard of dealings in securities by Directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of Directors of the Company and the Directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company maintained the allowable lower minimum prescribed public float under the GEM Listing Rules and shall comply with the public float requirement under Rule 11.23 of the GEM Listing Rules as stipulated under Rule 17.38A of the GEM Listing Rules.

COMPETING INTERESTS

The Directors are not aware of, as at 31 March 2011, any business or interest of each of the Directors, management shareholders (as defined in the GEM Listing Rules) and their respective associates that competes or may compete with business of the Group or any other conflicts of interest which any such person has or may have with the Group.

AUDITORS

The accompanying consolidated financial statements were audited by Parker Randall CF (H.K.) CPA Limited.

Parker Randall CF (H.K.) CPA Limited will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chui Bing Sun
Chairman

Hong Kong, 21 June 2011

Corporate Governance Report

Sage International Group Limited (the "Company") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer" the Company has met all the Code provisions in Code on Corporate Governance Practices (the "CG Code") during the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors (the "Board") assumes overall responsibilities for leadership and control of the Company and is collectively responsible for promoting the success of the Company and its business by directing and supervising the Company's affairs. The Board focuses on overall corporate strategies and policies with attention particularly paid to the financial performance of the Company.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

There is a clear division of the responsibilities of the Board and the management. The Board delegated its responsibilities to directors and senior management to deal with day-to-day operations and review those arrangements on a periodic basis. Management has to report back to the Board and obtain prior approval before making decisions for key matters or entering into any commitments on behalf of the Company. The Board has a balance of skill and experience appropriate for the requirements of the business of the Company.

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

BOARD MEETINGS

The Board regularly meets in person to discuss and formulate overall strategic direction and objectives and also approve annual, interim and quarterly results as well as other significant matters of the Company. Execution of daily operational matters is delegated to management.

The Company Secretary assists the Chairman in preparing notice and agenda for the meetings, and ensures that the Company complied with the corporate governance practices and other compliance matters. Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance. At least 14 days notice of all regular board meetings were given to all directors, who were all given an opportunity to include matters in the agenda for regular discussion. Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each regular board meeting or committee meeting to keep directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

All directors have access to the Company Secretary who is responsible for the Company's compliance with the continuing obligations of the GEM Listing Rules, Code on Takeover and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordinance and other applicable laws, rules and regulations etc.

Minutes of the Board/committee meetings are recorded in significant detail for any decision and recommendation made during the meetings. Draft and final versions of minutes are circulated to directors or committee members within a reasonable time after the meetings are held and taken as the true records of the proceedings of such meetings. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any director. All directors are entitled to have access to board papers and related materials unless there are legal or regulatory restrictions on disclosure due to regulatory requirements.

Corporate Governance Report

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by way of a Board/committee meeting and the interested shareholder or director shall not vote nor shall he/she be counted in the quorum present at the relevant meeting. Independent non-executive director who, and whose associates, have no material interest in the transaction, should be present at such a board meeting.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has established written guidelines for the required standard of dealings in securities by directors of the Company on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of directors of the Company and the directors confirmed that they have fully complied with the required standard with respect to the securities dealings of the Company and there was no event of non-compliance.

BOARD COMPOSITION

The Board comprises two executive directors, including the Chairman of the Board, and three independent non-executive directors. Each of the Directors has the relevant experience, competence and skills appropriate to the requirements of the business of the Company. The name of independent non-executive directors are expressly identified and disclosed in all corporate communications of the Company. Independent non-executive directors are invited to serve on the Audit and Remuneration Committees of the Company.

None of the members of the Board is related to one another.

During the year ended 31 March 2011, the Board at all times met the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive director an annual confirmation regarding his independence pursuant to the requirements of the GEM Listing Rules. The Board considers all independent non-executive directors to be independent in accordance with the independence guidelines as set out in the listing rules.

The Board held at least four regular meetings for the financial year ended 31 March 2011. Details of attendance of individual director at board meetings are presented as below:

	Number of meetings attended
Executive Directors	
Mr. Chui Bing Sun *(Chairman)*	15/15
Mr. Lee Chi Shing, Caesar (resigned on 1 September 2010)	2/3
Mr. Kwok Kwan Hung	15/15
Independent Non-executive Directors	
Mr. Chan Wai Man	14/14
Mr. Leung Chi Kong	14/14
Mr. Siu Hi Lam, Alick	14/14

Corporate Governance Report

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Chui Bing Sun currently holds the offices of Chairman and Chief Executive Officer ("CEO") of the Company. The Board believes that vesting the roles of both Chairman and CEO in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the separation of the roles of Chairman and CEO, are necessary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a Remuneration Committee ("RC") with specific terms of reference which deals clearly with its authorities and duties. The RC comprised of three members, namely Mr. Leung Chi Kong (Chairman of RC), Mr. Chan Wai Man and Mr. Siu Hi Lam, Alick, all of them are independent non-executive directors of the Company.

The role and function of RC is to oversee board remuneration matters, including recommend the Board on the Company's policies and structure for the remuneration of the directors and senior management, determine the remuneration packages of all executive directors and senior management, review and approving their performance-based remuneration, review and approving compensation to directors and senior management in connection with any loss or termination of their office or appointment, and to ensure that no director or any of his associates is involved in deciding his own remuneration.

The RC is also authorised to investigate any matter within its terms of reference and seek any information it requires from any employee and obtain outside legal or other independent professional advice at the cost of the Company if necessary.

A meeting of the RC was held to review the compensation of directors and senior management. Details of attendance of individual member at the RC meetings are presented as below:

	Number of meetings attended
RC Members	
Mr. Leung Chi Kong	1/1
Mr. Chan Wai Man	1/1
Mr. Siu Hi Lam, Alick	1/1

The RC of the Company considered that the existing terms of employment of all executive directors and appointment letters of independent non-executive directors of the Company are fair and reasonable.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The Board as a whole is responsible for the appointment of its own members and does not establish a Nomination Committee. The Chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidates recommended by the Chairman and make recommendations on the appointment, re-election and retirement of directors. Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties and will review the need for Nomination Committee at a later time.

Corporate Governance Report

Newly appointed director will be briefed and updated to ensure that he has a proper understanding of the operations and business of the Company and that he is fully aware of his responsibilities of the latest changes under the GEM Listing Rules, Companies Ordinance, Securities and Futures Ordinance, and other regulatory requirements.

The independent non-executive directors are appointed for an initial term of one year from the date of appointment and will continue thereafter, until terminated by not less than one month notice in writing served by either party. They are subject to retirement by rotation and re-election by shareholders at Annual General Meeting ("AGM") after their appointment and thereafter at least once every three years in accordance with the Bye-laws of the Company.

In accordance with the Bye-laws of the Company, one-third of the Directors who have been longest in office since their last election or re-election are also subject to retirement by rotation at the AGM. All retiring directors are eligible for re-election.

AUDIT COMMITTEE

The Company has established an Audit Committee ("AC") with specific terms of reference explaining its role and authorities delegated by the Board. The AC consists of three independent non-executive Directors, namely Mr. Chan Wai Man (Chairman of AC), Mr. Leung Chi Kong and Mr. Siu Hi Lam, Alick, who together have sufficient accounting and financial management expertise, legal and business experience to discharge their duties and none of them is a former partner of the external auditors of the Company. In accordance with the provisions of the CG Code, the terms of reference of the AC were also revised which are substantially the same as the provisions set out in the CG Code.

The AC's principal duties include reviewing the Group's financial controls, internal control and risk management systems, reviewing and monitoring integrity of consolidated financial statements and reviewing annual, interim and quarterly consolidated financial statements and reports before submission to the Board and considering and recommending the appointment, re-appointment and removal of external auditors of the Company. The AC meets with the external auditors and the management of the Group to ensure that the audit findings are addressed properly. The AC is authorised to take independent professional advice at Company's expense, if necessary.

The AC has reviewed the annual, interim and quarterly results of the Company for the year ended 31 March 2011 and was consent that the accounting policies of the Group are in accordance with the generally accepted accounting practices in Hong Kong.

Four meetings of the AC were held during the year ended 31 March 2011 and details of attendance of individual member at the AC meetings are presented as below:

	Number of meetings attended
AC Members	
Mr. Chan Wai Man	4/4
Mr. Leung Chi Kong	4/4
Mr. Siu Hi Lam, Alick	4/4

The consolidated financial statements of the Company for the year have been audited by Parker Randall CF (H.K.) CPA Limited ("Parker"). During the year, remuneration of approximately HK$380,000 was paid to Parker for the provision of audit services and approximately HK$156,000 was paid for the provision of non-audit services including financial consulting.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2011.

Corporate Governance Report

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The Directors are responsible for the preparation of the consolidated financial statement of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give a true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the annual, interim and quarterly results of the Company for the year ended 31 March 2011, the Directors have adopted suitable accounting policies and applied them consistently.

The responsibility of the auditors with respect to these consolidated financial statements is set out in the Independent Auditors' Report on page 23 to 24 of this Annual Report.

INTERNAL CONTROLS

The Board has, through the Audit Committee, conducted review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions for the year ended 31 March 2011 in respect of the major operations of the Group. The company has set up an internal control department to monitor the overall internal control system of the Group. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational systems and achievements of the Group's objectives.

COMMUNICATION WITH SHAREHOLDERS

Communication with shareholders is given high priority. The Company aims to provide its shareholders with high standards of disclosure and financial transparency through the publication of annual, interim and quarterly reports, press announcements and circulars made through Exchange's websites.

The Board also maintains an on-going dialogue with shareholders and use general meeting to communicate with shareholders. The Company encourages all shareholders to attend general meeting which provides a useful forum for shareholders to exchange views with the Board. The Chairman of the Board and members of relevant committees and senior management of the Company are also available to answer the shareholders' questions. The notice of AGM was sent to shareholders at least 20 clear business days before the AGM. For general meeting other than AGM, notice was sent to shareholders at least 10 clear business days before the general meeting.

SHAREHOLDER RIGHTS

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

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Independent Auditors' Report

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

To the shareholders of
SAGE INTERNATIONAL GROUP LIMITED
(FORMERLY KNOWN AS INFO COMMUNICATION HOLDINGS LIMITED)
(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Sage International Group Limited (formerly known as Info Communication Holdings Limited) (the "Company") and its subsidiaries (together the "Group") set out on pages 25 to 87 which comprise the consolidated and company statements of financial position as at 31 March 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229
Hong Kong

21 June 2011

Consolidated Income Statement

For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
CONTINUING OPERATIONS			
Revenue	*9*	**19,821**	–
Cost of sales		**(16,632)**	–
Gross profit		**3,189**	–
Other income	*9*	**744**	4,154
Equity-settled share option expense		**(9,312)**	–
Administrative expenses		**(25,353)**	(12,266)
Finance costs	*10*	**(4,184)**	(4,165)
LOSS BEFORE TAX	*11*	**(34,916)**	(12,277)
Income tax expense	*14*	**(2)**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(34,918)**	(12,277)
DISCONTINUED OPERATION			
(Loss)/profit for the year from a discontinued operation	*15*	**(6,428)**	2,450
LOSS FOR THE YEAR		**(41,346)**	(9,827)
Attributable to:			
Owners of the Company		**(41,617)**	(9,840)
Non-controlling interests		**271**	13
		(41,346)	(9,827)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*16*		
Basic			
– For loss for the year		**HK$(0.237)**	HK$(0.101)
– For loss from continuing operations		**HK$(0.201)**	HK$(0.126)
Diluted			
– For loss for the year		**N/A**	N/A
– For loss from continuing operations		**N/A**	N/A

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
Loss for the year	**(41,346)**	(9,827)
Other comprehensive income:		
Reclassification adjustments for loss on disposal of subsidiaries included in the consolidated income statement	**(1,590)**	–
Exchange differences on translation of foreign operations	**(47)**	6
Other comprehensive (loss)/income for the year, net of tax	**(1,637)**	6
Total comprehensive loss for the year	**(42,983)**	(9,821)
Attributable to:		
Owners of the Company	**(43,254)**	(9,834)
Non-controlling interests	**271**	13
	(42,983)	(9,821)

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	At 31 March 2011 HK$'000	At 31 March 2010 HK$'000 (Restated)	At 1 April 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	*17*	**14,110**	3,491	3,414
Prepaid land lease payments	*18*	**2,064**	–	–
Goodwill	*19*	**126,807**	–	–
Intangible assets	*20*	**–**	–	–
Available-for-sale financial assets	*22*	**–**	–	–
TOTAL NON-CURRENT ASSETS		**142,981**	3,491	3,414
CURRENT ASSETS				
Inventories	*24*	**2,434**	–	–
Trade receivables	*25*	**–**	954	758
Prepayments, deposits and other receivables	*26*	**7,311**	3,896	13,989
Deposit for acquisition		**–**	–	156,000
Cash and cash equivalents	*27*	**5,971**	18,927	19,654
TOTAL CURRENT ASSETS		**15,716**	23,777	190,401
CURRENT LIABILITIES				
Trade payables	*28*	**733**	593	589
Other payables and accruals	*29*	**12,471**	11,698	16,112
Income tax payable		**5**	1,746	2,027
Finance lease payables	*30*	**–**	12	35
Other borrowings	*31*	**25,593**	4,000	156,000
TOTAL CURRENT LIABILITIES		**38,802**	18,049	174,763
NET CURRENT (LIABILITIES)/ASSETS		**(23,086)**	5,728	15,638
TOTAL ASSETS LESS CURRENT LIABILITIES		**119,895**	9,219	19,052
NON-CURRENT LIABILITIES				
Finance lease payables	*30*	**–**	–	12
Other borrowings	*31*	**14,810**	–	–
Convertible bonds	*32*	**44,597**	–	–
TOTAL NON-CURRENT LIABILITIES		**59,407**	–	12
NET ASSETS		**60,488**	9,219	19,040
CAPITAL AND RESERVES				
Share capital	*33*	**2,522**	9,756	9,756
Reserves	*35*	**64,732**	(592)	9,242
Equity attributable to owners of the Company		**67,254**	9,164	18,998
Non-controlling interests		**(6,766)**	55	42
TOTAL EQUITY		**60,488**	9,219	19,040

The consolidated financial statements on pages 25 to 87 were approved and authorised for issue by the Board of Directors on 21 June 2011 and are signed on its behalf by:

Chui Bing Sun
Director

Kwok Kwan Hung
Director

Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Intangible assets	20	**–**	–
Investments in subsidiaries	21	**78**	80
Amounts due from subsidiaries	21	**147,852**	2,486
TOTAL NON-CURRENT ASSETS		**147,930**	2,566
CURRENT ASSETS			
Other receivables		**860**	587
Cash and bank balances		**1,448**	1,017
TOTAL CURRENT ASSETS		**2,308**	1,604
CURRENT LIABILITIES			
Other payables and accruals		**5,335**	2,952
Other borrowings	31	**25,000**	4,000
Amount due to a subsidiary	21	**58**	78
TOTAL CURRENT LIABILITIES		**30,393**	7,030
NET CURRENT LIABILITIES		**(28,085)**	(5,426)
TOTAL ASSETS LESS CURRENT LIABILITIES		**119,845**	(2,860)
NON-CURRENT LIABILITY			
Convertible bonds	32	**44,597**	–
NET ASSETS/(LIABILITIES)		**75,248**	(2,860)
CAPITAL AND RESERVES			
Share capital	33	**2,522**	9,756
Reserves	35	**72,726**	(12,616)
TOTAL EQUITY		**75,248**	(2,860)

Chui Bing Sun
Director

Kwok Kwan Hung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company											
	Share capital HK$'000 *(note 33)*	**Share premium** HK$'000 *(note 35)*	**Contributed surplus** HK$'000 *(note 35)*	**Translation reserve** HK$'000	**Capital reserve** HK$'000	**PRC statutory reserve** HK$'000	**Share options reserve** HK$'000 *(note 34)*	**Convertible bonds equity reserve** HK$'000 *(note 35)*	**Accumulated losses** HK$'000	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2009	9,756	28,857	–	1,388	900	741	811	–	(23,455)	18,998	42	19,040
Total comprehensive (loss)/income for the year	–	–	–	6	–	–	–	–	(9,840)	(9,834)	13	(9,821)
At 31 March 2010 and 1 April 2010	9,756	28,857	–	1,394	900	741	811	–	(33,295)	9,164	55	9,219
Total comprehensive (loss)/income for the year	–	–	–	(1,637)	–	–	–	–	(41,617)	(43,254)	271	(42,983)
Issue of shares for top-up placing	1,951	10,146	–	–	–	–	–	–	–	12,097	–	12,097
Share issue expenses	–	(406)	–	–	–	–	–	–	–	(406)	–	(406)
Share consolidation and capital reduction	(19,866)	(59,872)	31,713	–	–	–	–	–	48,025	–	–	–
Issue of convertible bonds	–	–	–	–	–	–	–	22,693	–	22,693	–	22,693
Issue of shares for conversion of convertible bonds	10,590	58,667	–	–	–	–	–	(15,247)	–	54,010	–	54,010
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,199)	(1,199)
Purchase of shareholding in a jointly-controlled entity	–	–	–	–	–	–	–	–	–	–	(5,864)	(5,864)
Disposal of a subsidiary	–	–	–	–	(900)	(741)	–	–	1,641	–	(29)	(29)
Equity-settled share option arrangements	–	–	–	–	–	–	9,313	–	–	9,313	–	9,313
Issue of shares for exercise of share options	91	4,856	–	–	–	–	(1,310)	-	–	3,637	–	3,637
At 31 March 2011	**2,522**	**42,248**	**31,713**	**(243)**	**–**	**–**	**8,814**	**7,446**	**(25,246)**	**67,254**	**(6,766)**	**60,488**

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Cash Flows from Operating Activities			
(Loss)/profit before tax:			
From continuing operations		**(34,916)**	(12,277)
From a discontinued operation		**(5,274)**	2,736
		(40,190)	(9,541)
Adjustments for:			
Depreciation		**1,383**	944
Amortisation on prepaid land lease payments		**55**	–
Equity-settled share option expense		**9,312**	–
Impairment loss on trade receivables		**–**	125
Loss on disposal of property, plant and equipment		**485**	339
Loss on disposal of subsidiaries		**2,162**	–
Gain on initial recognition of other borrowings at fair value		**(557)**	–
Interest income		**–**	(4,162)
Finance costs		**4,184**	4,167
		(23,166)	(8,128)
Increase in inventories		**(90)**	–
Decrease/(increase) in trade receivables		**756**	(320)
(Increase)/decrease in prepayments, deposits and other receivables		**(6,746)**	10,092
(Decrease)/increase in trade payables		**(665)**	5
Increase/(decrease) in other payables and accruals		**7,332**	(4,430)
Cash used in operations		**(22,579)**	(2,781)
Interest received		**–**	24
Interest paid		**(330)**	(29)
Overseas income taxes paid		**(1,260)**	(552)
Net Cash Used in Operating Activities		**(24,169)**	(3,338)
Cash Flows from Investing Activities			
Purchase of property, plant and equipment		**(4,046)**	(1,357)
Acquisition of a subsidiary	*36(a)*	**(17,772)**	–
Purchase of shareholding in a jointly-controlled entity	*36(b)*	**(39,984)**	–
Disposal of a subsidiary	*37*	**(14,459)**	–
Net Cash Used in Investing Activities		**(76,261)**	(1,357)
Cash Flows from Financing Activities			
Proceeds from issue of shares for top-up pricing	*33(ii)*	**12,097**	–
Share issue expenses		**(406)**	–
Proceeds from issue of convertible bonds		**50,870**	–
Proceeds from exercise of share options		**3,638**	–
Capital element of finance lease rental payments		**(12)**	(35)
Proceeds from other borrowings		**21,914**	4,000
Interest paid on convertible bonds		**(630)**	–
Net Cash from Financing Activities		**87,471**	3,965
Net decrease in cash and cash equivalents		**(12,959)**	(730)
Cash and cash equivalents at the beginning of the year		**18,927**	19,654
Effects of foreign exchange rate changes, net		**3**	3
Cash and cash equivalents at the end of the year	*27*	**5,971**	18,927

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

1. CORPORATE INFORMATION

Sage International Group Limited (formerly known as Info Communication Holdings Limited) (the "Company") was incorporated in the Cayman Islands on 12 July 2001 and continued in Bermuda as an exempted company with limited liability under the Companies Law of the Bermuda. On 8 October 2010, the domicile of the Company was changed from the Cayman Islands to Bermuda by way of de-registration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. With effect from 8 October 2010, the Company name was changed from "Info Communication Holdings Limited" to "Sage International Group Limited" and the Company changed its Chinese name from "訊通控股有限公司" to "仁智國際集團有限公司".

The Company's shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 2 November 2001. The registered office and principal place of business are disclosed in the section headed "Corporate Information and Corporate Profile" of the Company's Annual Report.

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 21 to the consolidated financial statements.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

They have been prepared under the historical cost convention. These consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

As at 31 March 2011, the current liabilities of the Group exceeded its current assets by HK$23,086,000 and the Group incurred a loss of HK$41,346,000 for the year ended 31 March 2011. The Group's ability to continue its business depends upon its future profitable operating results and the continued support from the directors of the Company and a director of the Company has also confirmed that he will not request repayment of the balance due to him of HK$25,000,000 as at 31 March 2011 until such time as the Group is in a position to repay. Accordingly, the directors are satisfied that the Group will be able to meet its financial obligations in the next twelve months and the financial statements have been prepared on a going concern basis.

Should the Group be unable to continue in basis as a going concern, adjustments would have to be made to reclassify non-current assets as current assets, to reduce the value of asset to its recoverable amount and to provide for any further liabilities which might arise.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

2. BASIS OF PRESENTATION *(Continued)*

Basis of consolidation

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.

Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all of the new and revised HKFRSs which are relevant to its operations and effective for accounting periods beginning on or after 1 April 2010.

The adoption of the new and revised HKFRSs has had no significant financial effect on these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

4. CHANGE IN ACCOUNTING POLICIES

In prior years, the Group's investments in jointly-controlled entities were accounted for using the equity method. During the year, the directors of the Company determined to change the accounting policy for the Group's investments in jointly-controlled entities from the equity method to proportionate consolidation method since the directors of the Company are of the view that such change in accounting policy would provide more comparable, reliable and relevant information to the readers of the consolidated financial statements and would result in a better presentation of the nature, the substance and economic reality of a venturer's interests in its jointly-controlled entities. Such change in accounting policy is accounted for retrospectively and involves recognising a proportionate share of each of the jointly controlled entity's assets, liabilities, income and expenses into similar items in the consolidated financial statements on a line-by-line basis.

The change in accounting policy has had no effect on the results and the net assets of the Group as previously reported. The consolidated statements of financial position as at 31 March 2010 and 1 April 2009, the consolidated income statement and the consolidated statement of cash flows for the year ended 31 March 2010 as previously reported by the Group have been restated to reflect the effect on the application of proportionate consolidation method for the interests in jointly-controlled entities.

The effects of the above change are summarised as below:

	2011 **HK$'000**	2010 HK$'000
Consolidated income statement for the year ended 31 March		
Decrease in share of result of a jointly-controlled entity	**–**	(54)
Increase in loss for the year from a discontinued operation	**–**	54
	–	–

	At **31 March** **2011** **HK$'000**	At 31 March 2010 HK$'000	At 1 April 2009 HK$'000
Consolidated statement of financial position			
Decrease in investment in a jointly-controlled entity	**–**	(220)	(166)
Increase in property, plant and equipment	**–**	2	1
Increase in cash and cash equivalents	**–**	229	165
Increase in other payables and accruals	**–**	(11)	–
	–	–	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

	2011 **HK$'000**	2010 HK$'000
Consolidated statement of cash flows for the year ended 31 March		
Increase in net cash from operating activities	**–**	65
Decrease in net cash from investing activities	**(229)**	(1)
Increase in cash and cash equivalents at beginning of the year	**229**	165
Increase in cash and cash equivalents at end of the year	**–**	229

5. ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	*Limited Exemption from Comparative and HKFRS 7 Disclosures for First-time Adopters*	1 July 2010
HKFRS 1 (Amendment)	*Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
HKFRS 7 (Amendments)	*Transfers of Financial Assets*	1 July 2011
HKFRS 9	*Financial Instruments*	1 January 2013
HKAS 12 (Amendments)	*Deferred Tax: Recovery of Underlying Assets*	1 January 2012
HKAS 24 (Revised)	*Related Party Disclosures*	1 January 2011
HK(IFRIC) Int – 14 (Amendments)	*Prepayments of a Minimum Funding Requirement*	1 January 2011
HK(IFRIC) Int – 19	*Extinguishing Financial Liabilities with Equity Instruments*	1 July 2010
HKFRS (Amendments)	*Improvements to HKFRSs 2010*	
	– amendments to HKFRS 3 and 7	1 July 2010
	– amendments to other HKFRSs	1 January 2011

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is to be expected in the period of initial application. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in its jointly-controlled entities are accounted for by the proportionate consolidation method, which involves recognising its share of the jointly-controlled entities' assets, liabilities, income and expenses with similar items in the consolidated financial statements on a line-by-line basis. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of jointly-controlled entities are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in jointly-controlled entities are treated as non-current assets and are stated at cost less any impairment losses.

Business combination and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Business combinations from 1 April 2010 *(Continued)*

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 April 2010 but after 1 April 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combination and goodwill *(Continued)*

Business combinations prior to 1 April 2010 but after 1 April 2005 *(Continued)*

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

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

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

Property, plant and equipment and depreciation

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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

Buildings	$3^{1}/_{3}\%$ – $33^{1}/_{3}\%$
Leasehold improvements	20%
Machineries	5% – 10%
Furniture and equipment	20% – $33^{1}/_{3}\%$
Motor vehicles	10% – $33^{1}/_{3}\%$

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

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

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets (other than goodwill) *(Continued)*

Advertising rights

Advertising rights represent the costs of acquiring operating rights for the placement of advertisements in advertising display panels in the People's Republic of China and include any directly attributable costs of bringing advertising display panels to their present condition and location for their intended use. Advertising rights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of ten years.

Business information

Business information represents the database of customers/vendors, potential exhibitors as well as market information, operations, financial and business plans in respect of the exhibition business acquired from a business partner. In the opinion of the directors of the Company, the business information is estimated to be indefinite because various studies including product life cycle studies, market, competitive trends and brand extension opportunities have been performed by the management of the Group. Business information is stated at cost less any impairment losses, and is not amortised.

Inventories

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

Financial assets

Initial recognition and measurement

Financial assets of the Group within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or not, directly attributable transaction costs.

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

The Group's financial assets include trade and other receivables, available-for-sale financial assets and cash and cash equivalents.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets valuation reserve until the financial asset is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the financial asset is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale financial assets valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Derecognition of financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derecognition of financial assets *(Continued)*

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

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

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

Cash and cash equivalents

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

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group within the scope of HKAS 39 are classified as financial liabilities at amortised costs. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, other borrowings and convertible bonds.

Subsequent measurement

Financial liabilities at amortised cost

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

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

Convertible bonds

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

Derecognition of financial liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Revenue recognition

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

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

(b) from the rendering of services including cremation, funeral arrangement and funeral services in funeral parlours and funeral service centres, exhibition organisation income and promotion and marketing income, on the percentage of completion basis, when the services are rendered;

(c) publication income, when the relevant publications are issued; and

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

Government grants

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

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

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

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

Share-based payment transactions

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a black-scholes option pricing model, further details of which are given in note 34 to the financial statements.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions *(Continued)*

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

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

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

Other employee benefits

Pension schemes

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

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are recognised in the income statement in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and jointly-controlled entities are currencies other than the Hong Kong dollars. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

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

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

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

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;

(b) the party is an associate;

(c) the party is a joint venture;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

7. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate present value.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2011 was HK$126,807,000 (2010: nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

8. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable continuing operating segments as follows:

(a) cemetery and funeral services; and

(b) trading of automobile and accessories

The exhibition organisation operation was discontinued in the current year. The segment information reported on the followings does not include any amounts for the discontinued operation, which are described in more details in note 15.

The following is an analysis of the Group's revenue and results by reportable segment for the year ended 31 March 2011:

	Cemetery and funeral services HK$'000	Trading of automobile and accessories HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	**3,589**	**16,232**	**19,821**
Revenue from continuing operations			**19,821**
Segment results	**865**	**(17)**	**848**
Reconciliation:			
Other income			**744**
Corporate and other unallocated expenses			**(32,324)**
Finance costs			**(4,184)**
Loss before tax from continuing operations			**(34,916)**
Segment assets	**147,568**	**1,584**	**149,152**
Reconciliation:			
Corporate and unallocated assets			**9,545**
Total assets			**158,697**
Other segment information:			
Depreciation and amortisation	**183**	**–**	**183**
Capital expenditure	**9**	**–**	**9**

For the year ended 31 March 2010, over 90% of the Group's revenue was derived from exhibition organisation operation, accordingly, no segment information is presented.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

8. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

	2011 HK$'000
Japan	**16,232**
The People's Republic of China (the "PRC")	**3,589**
	19,821

The revenue information from continuing operations above is based on the location of the customers.

(b) Non-current assets

	2011 HK$'000
The PRC	**138,588**
Hong Kong	**4,393**
	142,981

The non-current assets information from continuing operations above is based on the location of assets.

Information about a major customer

Revenue from continuing operations of approximately HK$16,232,000 (2010: nil) was derived from sales by the trading of automobile and accessories segment to a single customer.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

9. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and the value of services rendered during the year.

An analysis of revenue, other income and gains from continuing operations is as follow:

	2011 **HK$'000**	2010 HK$'000
Revenue		
Cemetery and funeral services income	**3,589**	–
Sales of automobile and accessories	**16,232**	–
	19,821	–
Other income and gains		
Gain on initial recognition of other borrowings at fair value	**557**	–
Other interest income on deposit for acquisition	**–**	4,138
Foreign exchange gain, net	**4**	–
Sundry income	**183**	16
	744	4,154
	20,565	4,154

10. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2011 **HK$'000**	2010 HK$'000
Interest on:		
– Other borrowings wholly repayable within five years	**327**	4,165
– Other borrowings wholly repayable after five years	**444**	–
– Convertible bonds	**3,410**	–
Bank overdraft	**3**	–
	4,184	4,165

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

11. LOSS BEFORE TAX

The Group's loss before tax from continuing operations is arrived at after charging:

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	16,632	–
Depreciation	842	394
Amortisation of prepaid land lease payments	55	–
Auditors' remuneration	380	1,030
Minimum lease payments under operating leases in respect of land and buildings	1,230	425
Employee benefits expense (including directors' remuneration note 12):		
– Salaries and other benefits	7,379	4,622
– Equity-settled share option expense	9,312	–
	16,691	4,622
– Pension schemes contributions	87	63
	16,778	4,685
Loss on disposal of subsidiaries	2,162	–
Loss on disposal of property, plant and equipment	485	339

12. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Year ended 31 March 2011	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Chui Bing Sun	–	2,175	–	1,191	12	3,378
Mr. Lee Chi Shing, Caesar (resigned on 1 September 2010)	–	110	–	–	5	115
Mr. Kwok Kwan Hung	–	1,300	–	1,097	12	2,409
	–	3,585	–	2,288	29	5,902
Independent non-executive directors:						
Mr. Chan Wai Man	144	–	–	18	–	162
Mr. Leung Chi Kong	144	–	–	18	–	162
Mr. Siu Hi Lam, Alick	144	–	–	37	–	181
	432	–	–	73	–	505
	432	3,585	–	2,361	29	6,407

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

12. DIRECTORS' REMUNERATION *(Continued)*

Year ended 31 March 2010	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000	Equity-settled share option expense HK$'000	Pension schemes contributions HK$'000	Total remuneration HK$'000
Executive directors:						
Mr. Chui Bing Sun	–	1,300	–	–	12	1,312
Mr. Lee Chi Shing, Caesar	–	282	–	–	12	294
Mr. Kwok Kwan Hung *(Note i)*	–	79	–	–	2	81
Mr. Chai Wei *(Note ii)*	–	15	–	–	–	15
Dr. Hsieh Robert Chih Hung *(Note ii)*	–	15	–	–	–	15
	–	1,691	–	–	26	1,717
Independent non-executive directors:						
Mr. Kwok Kwan Hung *(Note i)*	141	–	–	–	–	141
Mr. Chan Wai Man	180	–	–	–	–	180
Mr. Leung Chi Kong	180	–	–	–	–	180
Mr. Siu Hi Lam, Alick *(Note iii)*	23	–	–	–	–	23
	524	–	–	–	–	524
	524	1,691	–	–	26	2,241

Notes:

(i) Re-designated on 2 February 2010

(ii) Appointed on 14 July 2009 and resigned on 28 July 2009

(iii) Appointed on 2 February 2010

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: nil).

Notes to the Consolidated Financial Statements

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13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: one) directors, details of whose remuneration are set out in note 12 above. Details of the remuneration of the remaining three (2010: four) non-director, highest paid employees for the year are as follows:

	2011 **HK$'000**	2010 HK$'000
Salaries, allowances and benefits in kind	**1,386**	4,203
Performance related bonuses	**–**	–
Equity-settled share option expense	**2,513**	–
Pension schemes contributions	**20**	50
	3,919	4,253

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

	Number of employees	
	2011	2010
Nil – HK$1,000,000	**1**	3
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	–
	3	4

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For the year ended 31 March 2011

14. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
Current:		
PRC Enterprise Income Tax ("EIT")	**2**	–

Hong Kong profits tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for the year (2010: nil).

The PRC subsidiaries are subject to the PRC EIT at 25% (2010: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries (or jurisdictions) in which the Company, its subsidiaries and jointly-controlled entities are domiciled to the tax expense at the effective tax rates are as follows:

	2011 HK$'000	2010 HK$'000
Loss before tax from continuing operations	**(34,916)**	(12,277)
Tax at statutory tax rates	**(958)**	(2,026)
Income not subject to tax	**(300)**	–
Expenses not deductible for tax	**485**	–
Tax losses not recognised	**775**	2,026
Tax charge at the Group's effective rate	**2**	–

The Group has tax losses arising in Hong Kong of HK$14,402,000 (2010: HK$7,447,560) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses arising in the PRC of HK$14,793,000 (2010: nil) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the near future.

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15. DISCONTINUED OPERATION

On 5 January 2011, the Company announced the decision of its board of directors to dispose of its subsidiary, Infosky Group Limited. Infosky Group Limited and its subsidiaries (collectively "Infosky Group") engage in the provisions of exhibition organisation, promotion and marketing and publication services. The Group has decided to dispose of Infosky Group Limited because the Company plans to focus its resources on its core businesses. The disposal of Infosky Group Limited was completed on 4 March 2011.

The results of Infosky Group for the year are presented below:

	2011 **HK$'000**	2010 HK$'000
Revenue	**46,278**	49,108
Other income	**409**	888
Expenses	**(51,960)**	(47,258)
Finance costs	**–**	(2)
(Loss)/profit before tax	**(5,273)**	2,736
Income tax expense	**(1,155)**	(286)
(Loss)/profit for the year from the discontinued operation	**(6,428)**	2,450

The net cash flows incurred by Infosky Group are as follows:

	2011 **HK$'000**	2010 HK$'000
Operating activities	**810**	4,473
Investing activities	**(608)**	(100)
Financing activities	**–**	(35)
Net cash inflow	**202**	4,338

	2011 **HK$**	2010 HK$
(Loss)/earnings per share:		
From the discontinued operation		
– Basic	**(0.036)**	0.025
– Diluted	**N/A**	0.025

The calculations of basic and diluted (loss)/earnings per share from the discontinued operation are based on the loss for the year from a discontinued operation of HK$6,428,000 (2010: profit of HK$2,450,000) and the denominators detailed in note 16 for both basic and diluted (loss)/earnings per share.

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For the year ended 31 March 2011

16. LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 175,357,123 (2010: 97,564,000 (restated)) in issue during the year, as adjusted to reflect the share consolidation during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of the basic and diluted loss per share attributable to the owners of the Company are based on:

	2011 **HK$'000**	2010 HK$'000
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company used in the basic (loss)/earnings per share calculation:		
– From continuing operations	**(35,215)**	(12,277)
– From a discontinued operation	**(6,402)**	2,437
	(41,617)	(9,840)
Interest on convertible bonds	**3,410**	–
Loss attributable to owners of the Company before interest on convertible bonds	**(38,207)**	(9,840)
Attributable to:		
Continuing operations	**(31,805)**	(12,277)
Discontinued operation	**(6,402)**	2,437
	(38,207)	(9,840)

	2011	2010 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**175,357,123**	97,564,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,472,621**	–
Convertible bonds	**72,561,644**	–
Weighted average number of ordinary shares used in the diluted (loss)/earnings per share calculation	**249,391,388**	97,564,000

Note: The weighted average number of ordinary shares for the year ended 31 March 2010 was adjusted for the effect of share consolidation on 28 October 2010.

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For the year ended 31 March 2011

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machineries	Furniture and equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost:						
At 1 April 2009	–	1,218	–	5,930	2,153	9,301
Additions	–	647	–	169	530	1,346
Disposals	–	(497)	–	–	–	(497)
Exchange realignment	–	–	–	12	1	13
At 31 March 2010	–	1,368	–	6,111	2,684	10,163
Additions	–	2,705	–	532	808	4,045
Acquisition of a subsidiary	11,448	–	639	130	1,359	13,576
Purchase of shareholding in a jointly-controlled entity	1,846	–	–	37	146	2,029
Disposals	–	(647)	–	–	–	(647)
Disposal of a subsidiary	–	(721)	–	(5,359)	(2,072)	(8,152)
Exchange realignment	76	–	2	23	10	111
At 31 March 2011	**13,370**	**2,705**	**641**	**1,474**	**2,935**	**21,125**
Accumulated depreciation and impairment:						
At 1 April 2009	–	282	–	4,464	1,141	5,887
Charge for the year	–	251	–	429	265	945
Written back on disposals	–	(158)	–	–	–	(158)
Exchange realignment	–	–	–	(16)	14	(2)
At 31 March 2010	–	375	–	4,877	1,420	6,672
Charge for the year	102	384	7	511	382	1,386
Acquisition of a subsidiary	4,035	–	236	126	1,021	5,418
Purchase of shareholding in a jointly-controlled entity	315	–	–	24	70	409
Written back on disposals	–	(162)	–	–	–	(162)
Disposal of a subsidiary	–	(475)	–	(4,915)	(1,361)	(6,751)
Exchange realignment	21	–	1	14	7	43
At 31 March 2011	**4,473**	**122**	**244**	**637**	**1,539**	**7,015**
Net carrying amounts:						
At 31 March 2011	**8,897**	**2,583**	**397**	**837**	**1,396**	**14,110**
At 31 March 2010	–	993	–	1,234	1,264	3,491

The net carrying amount of the Group's property, plant and equipment held under finance lease included in the total amounts of motor vehicles at 31 March 2011 amounted to nil (2010: HK$136,000).

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For the year ended 31 March 2011

18. PREPAID LAND LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
Net carrying amount:		
At beginning of the year	–	–
Acquisition of a subsidiary	2,081	–
Amortisation charge for the year	(55)	
Exchange realignment	38	–
At end of the year	2,064	–

The Group's prepaid land lease payments represent the payments for land use rights in the PRC held under long term lease.

19. GOODWILL

	2011 HK$'000	2010 HK$'000
Cost:		
At beginning of the year	7,790	7,790
Disposal of a subsidiary	(7,790)	–
Acquisition of a subsidiary	9,125	–
Purchase of shareholding in a jointly-controlled entity	117,682	–
At end of the year	126,807	7,790
Accumulated impairment:		
At beginning of the year	7,790	7,790
Attributable to disposal of a subsidiary	(7,790)	–
At end of the year	–	7,790
Net carrying amount:		
At 31 March	126,807	–

For the purposes of impairment testing, goodwill has been allocated to individual cash generating unit ("CGU"), that comprise one subsidiary and a jointly-controlled entity both in the cemetery and funeral service segment.

During the year ended 31 March 2011, the management of the Group determines that there is no impairment of the above CGU containing goodwill.

The recoverable amount of the above CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on the financial budgets approved by the management covering a ten-year period, and discount rate of 20% (2010: nil). Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the CGU's past performance and management's expectation for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of this CGU to exceed its aggregate recoverable amount.

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20. INTANGIBLE ASSETS

The Group

	Advertising rights HK$'000	Business information HK$'000	Total HK$'000
Cost:			
At 1 April 2009 and 2010	6,645	1,800	8,445
Disposals	(6,645)	–	(6,645)
Disposal of a subsidiary	–	(1,800)	(1,800)
At 31 March 2011	**–**	**–**	**–**
Accumulated amortisation and impairment:			
At 1 April 2009 and 2010	6,645	1,800	8,445
Written back on disposals	(6,645)	–	(6,645)
Written back on disposal of a subsidiary	–	(1,800)	(1,800)
At 31 March 2011	**–**	**–**	**–**
Net carrying amount			
At 31 March 2011	**–**	**–**	**–**
At 31 March 2010	–	–	–

The Company

	Advertising rights	
	2011 HK$'000	2010 HK$'000
Cost:		
At beginning of the year	**6,645**	6,645
Disposals	**(6,645)**	–
At end of the year	**–**	6,645
Accumulated amortisation and impairment:		
At beginning of the year	**6,645**	6,645
Written back on disposals	**(6,645)**	–
At end of the year	**–**	6,645
Net carrying amount:		
At 31 March	**–**	–

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21. INVESTMENTS IN SUBSIDIARIES

	2011 **HK$'000**	2010 HK$'000
Unlisted shares, at cost	**78**	80

The amounts due from and to subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary/ paid-up registered capital**	**Percentage of equity attributable to the Company** **2011** **%**	2010 %	**Principal activities**
Billion Station Limited#	British Virgin Islands ("BVI")	US$10,000	**100**	100	Investment holding
Grand Creation Investment Limited#	BVI	US$1	**100**	–	Investment holding
Infosky Group Limited#	BVI	US$201	**–**	99.5	Investment holding
Global Challenge Limited	BVI	US$10	**–**	99.5	Exhibition organisation and provision of promotion and marketing services
Paper Communication Publications Limited	Hong Kong ("HK")	HK$1,000	**–**	99.5	Publication of trade magazine
廣東訊展會議展覽有限公司 (Guangdong Xunzhan Convention & Exhibition Limited*)	The PRC	HK$1,000,000	**–**	99.5	Exhibition organisation
上海訊展會議展覽有限公司 (Shanghai Xunzhan Convention & Exhibition Limited*)	The PRC	US$140,000	**–**	99.5	Exhibition organisation
Glory Prospect Limited	HK	HK$1	**100**	100	Provision of administrative services
Billion Legend Trading Limited	HK	HK$1	**100**	–	Trading of automobile and accessories

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

21. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up registered capital	Percentage of equity attributable to the Company 2011 %	2010 %	Principal activities
Sage Death Care Services Holdings Limited	BVI	US$1	**100**	–	Investment holding
Luck Point Investments Limited	BVI	US$200	**100**	–	Investment holding
懷集萬福山殯儀館有限公司 (Huai Ji Luck Mountain Funeral Tarlor Limited*)	The PRC	Renminbi ("RMB") 10,080,070	**70**	–	Operation of cemetery and funeral business

\# Held by the Company directly

* English name is for identification purpose only

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

22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**–**	300
Impairment	**–**	(300)
At 31 March	**–**	–

The available-for-sale financial assets were fully written off during the year upon the deregistration of the invested company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

23. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

The following table illustrates the summarised financial information of the Group's jointly-controlled entities included in the consolidated statement of financial position and consolidated income statement:

	2011 HK$'000	2010 HK$'000
Share of the jointly-controlled entities' assets and liabilities:		
Non-current assets	**3,677**	2
Current assets	**5,384**	229
Current liabilities	**(9,268)**	(11)
Non-current liabilities	**(24,936)**	–
Net (liabilities)/assets	**(25,143)**	220
Share of the jointly-controlled entities' income and expenses:		
Income	**3,280**	1,332
Expenses	**(2,128)**	(1,262)
Income tax expense	**(2)**	(16)
Profit after tax	**1,150**	54

Particulars of the jointly-controlled entities are as follows:

Name of entity	Particulars of issued shares held	Place of incorporation/ registration	Percentage of Ownership interest 2011	Ownership interest 2010	Voting power 2011	Voting power 2010	Profit sharing 2011	Profit sharing 2010	Principal activities
Era Investment (Holding) Inc. ("EIHI")	Ordinary shares of US$50,000	BVI	**50%**	–	**50%**	–	**50%**	–	Investment holding
余姚市訊展會議展覽有限公司 (Yuyao Xunzhan Convention & Exhibition Co., Limited*)	Registered capital of RMB547,172	The PRC	**–**	30%	**–**	30%	**–**	30%	Exhibition organisation
蘇州名流陵園實業有限公司 (Suzhou Celebrities Cemetery Industry Co., Limited#*)	Registered capital of RMB20,000,000	The PRC	**90%**	–	**80%**	–	**75%**	–	Provisions of cemetery and funeral services

\# Held by EIHI directly

* English name is for identification purpose only

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

24. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	289	–
Work in progress	1,478	–
Finished goods	667	–
	2,434	–

25. TRADE RECEIVABLES

	2011 HK$'000	2010 HK$'000
Trade receivables	–	2,702
Impairment	–	(1,748)
	–	954

For the year ended 31 March 2011, the Group's trading terms with its customers are mainly in advance, the customers are required to pay deposit before delivery of goods or rendering of services.

For the year ended 31 March 2010, for the exhibition organising business, customers are normally required to pay a 50% deposit upon signing of agreements and the remaining 50% prior to the opening of exhibitions. A credit period of up to 9 months may be given to those customers who have longstanding business relationships with the Group for the remaining 50% balance, following financial assessment by the senior management and based on the established payment records of the customers. For the promotion and marketing services, the Group normally requires full payment before rendering of services and the advertising fees from placement of advertisements in newspapers and magazines are normally payable on per issue basis 30 days before the date of publication. For the publication business, customers are required to make full payment at the time of subscription to the trade magazines published by the Group.

The Group maintains strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing.

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

	2011 HK$'000	2010 HK$'000
Within 30 days	–	277
31 – 60 days	–	76
Over 60 days	–	601
	–	954

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For the year ended 31 March 2011

25. TRADE RECEIVABLES *(Continued)*

The movements in provision for impairment of trade receivables are as follows:

	2011	2010
	HK$'000	HK$'000
At beginning of the year	**1,748**	3,795
Impairment losses recognised	**–**	171
Impairment losses reversed	**–**	(2,218)
Disposal of a subsidiary	**(1,748)**	–
At end of the year	**–**	1,748

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2011	2010
	HK$'000	HK$'000
Nether past due nor impaired	**–**	–
Less than 30 days past due	**–**	954
	–	954

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, the directors of the Company were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral or other credit enhancements over these balances.

26. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011	2010
	HK$'000	HK$'000
Prepayments and other receivables	**4,384**	866
Rental and utility deposits	**1,679**	1,964
Trade deposits	**1,248**	1,066
	7,311	3,896

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

27. CASH AND CASH EQUIVALENTS

	2011 HK$'000	2010 HK$'000
Cash and bank balances	**5,971**	18,927

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted equivalent to HK$1,637,000 (2010: HK$9,712,000). The RMB is not freely convertible into other currencies. Cash at banks earns interest at floating rates based on daily bank deposit rates.

28. TRADE PAYABLES

An aged analysis of trade payables which are non-interest bearing at the end of the reporting period, based on the invoice date, is as follows:

	2011 HK$'000	2010 HK$'000
Within 30 days	**–**	540
31 – 60 days	**–**	53
61 – 90 days	**28**	–
91 days – 1 year	**351**	–
Over 1 year	**354**	–
	733	593

The average credit period on purchases of certain goods is 30 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

29. OTHER PAYABLES AND ACCRUALS

	2011 HK$'000	2010 HK$'000
Other payables and accruals	**11,453**	8,303
Trade deposits received	**1,018**	3,395
	12,471	11,698

Other than other payables to employees of a subsidiary amounted to HK$59,000 which are interest bearing at 10% per annum, unsecured and repayable on or before 19 July 2011, other payables and accruals are non-interest bearing.

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30. FINANCE LEASE PAYABLES

During the year, the Group leased a motor vehicle. The lease was classified as finance lease and had remaining lease term of three months. The lease had no terms of renewal or purchase options and escalation clauses. No arrangements have been entered into for contingent rental payments.

At 31 March 2011, the total future minimum lease payments under finance leases and their present values as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Amounts payable:				
Within one year	**–**	12	**–**	12
Future finance charges	**–**	–	**–**	–
Finance lease payables	**–**	12	**–**	12
Portion classified as current liabilities			**–**	(12)
Non-current portion			**–**	–

31. OTHER BORROWINGS

	The Group		The Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Current				
Loan from a director *(Note (i))*	**25,000**	–	**25,000**	–
Loan from a related company *(Note (ii))*	**–**	4,000	**–**	4,000
Current portions of loan from an independent third party *(Note (iii))*	**593**	–	**–**	–
	25,593	4,000	**25,000**	4,000
Non-current				
Loan from an independent third party *(Note (iii))*	**14,810**	–	**–**	–
	40,403	4,000	**25,000**	4,000

Notes:

(i) The advancement from a director of the Company, Mr. Chui Bing Sun ("Mr. Chui") is interest bearing at 5% per annum, unsecured and has no fixed terms of repayment.

(ii) The loan from TLX Holdings Limited which is controlled by Mr. Chui was interest bearing at 3% per annum, unsecured and repayable on demand. The loan was fully repaid during the year.

(iii) The loan from an independent third party, 蘇州市吳中區金庭鎮集體資產經營公司 which is wholly-owned by the government of the PRC, to the jointly-controlled entity of the Group totalling of RMB39,656,000 (equivalent to HK$47,008,000) is non-interest bearing, secured by the shares of EIHI and the subsidiary of EIHI and fully repayable on December 2020 by instalment annually. The amount was initially recognised at fair value of approximately HK$30,763,000, determined using cash flows discounted at an effective interest rate of 5.94% for year 2009 and 2010 and 6.4% for year 2011. The difference of approximately HK$15,456,000 between the nominal value and the fair value of the amount on its inception date was recognised as gain on initial recognition of other borrowings at fair value. During the year, HK$557,000 was recognised as other income in the consolidated income statement.

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32. CONVERTIBLE BONDS

The Group and the Company

(a) On 23 June 2010, the Company issued the convertible bonds with principal amount of HK$20,000,000 (the "CB1") to New Brilliant Investments Limited, which is wholly-owned by Mr. Chui. The CB1 bears interest at 1.5% per annum (calculated on a 360 days basis) on the principal amount of the convertible bonds outstanding from time to time, payable annually in arrear. The CB1 can be converted into conversion shares at initial conversion price of HK$0.04, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 31 March 2015. As at 31 March 2011, the conversion price has been adjusted to HK$0.25 as a result of the anti-dilution adjustments.

If the CB1 has not been converted, they will be redeemed at par on 31 March 2015. Interest will be paid annually until the maturity date.

(b) On 11 August 2010, the Company issued the convertible bonds with aggregate principal amount of HK$30,870,000 (the "CB2") to eight convertible bonds subscribers (the "CB Subscribers"), each of the CB Subscribers is independent third party. The CB2 bears interest at 1% per annum (calculated on a 360 days basis) on the principal amount of the convertible bonds outstanding from time to time, payable annually in arrear. The convertible bonds can be converted into conversion shares at conversion price of HK$0.03, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 31 March 2015.

On the same date upon the issue, the CB2 was fully converted into 1,028,999,999 ordinary shares by all the CB Subscribers at a conversion price of HK$0.03 per ordinary share. There was no outstanding liability for the CB2 as at 31 March 2011.

(c) On 26 October 2010, the Company issued the convertible bonds with aggregate principal amount of HK$67,650,000 (HK$36,900,000 (the "CB3") and HK$30,750,000 (the "CB4")) to Forrex (Holding) Inc, which is an independent third party. The CB3 and CB4 bear interest at 0% and 3% per annum (calculated on a 360 days basis) on the principal amounts of the convertible bonds outstanding from time to time, payable in arrear on the maturity date. The CB3 and CB4 can be converted into conversion shares at initial conversion price of HK$0.123, which is subject to anti-dilution adjustments, from the day immediately following the date of the issue of the convertible bonds to the maturity date which is on 30 September 2011 and 30 September 2012 respectively. As at 31 March 2011, the conversion price has been adjusted to HK$1.23 as a result of the share consolidation.

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For the year ended 31 March 2011

32. CONVERTIBLE BONDS *(Continued)*

The Group and the Company *(Continued)*

(c) *(Continued)*

On 30 March 2011, the CB3 was fully converted into 30,000,000 ordinary shares at the adjusted conversion price of HK$1.23 upon the holder of convertible bonds exercised the conversion right of the convertible bonds.

Each of convertible bonds is bifurcated into liability component and equity component. The equity component is presented in equity heading ("convertible bonds equity reserve"). The movement of the liability and equity components of the convertible bonds for the year is set out below:

	CB1	**CB2**	**CB3**	**CB4**	
Date of issue	**23.06.2010**	**11.08.2010**	**26.10.2010**	**26.10.2010**	
Maturity date	**31.03.2015**	**31.03.2015**	**30.09.2011**	**30.09.2012**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Nominal value of convertible bonds issued during the year	20,000	30,870	36,900	30,750	118,520
Equity component	(3,031)	(11,695)	(3,552)	(4,415)	(22,693)
Liability component at the issuance date	16,969	19,175	33,348	26,335	95,827
Interest expense	653	–	1,487	1,270	3,410
Interest accrued	(231)	–	–	(399)	(630)
Exercise of conversion options	–	(19,175)	(34,835)	–	(54,010)
Liability component at 31 March 2011	17,391	–	–	27,206	44,597

Interest charged of CB1, CB2 and CB4 on the convertible bonds was calculated using the effective interest method by applying the effective interest rate of 5%, 11.2% and 11.33% respectively to the liability component.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

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33. SHARE CAPITAL

	Notes	Number of shares 2011 '000	Number of shares 2010 '000	Amount 2011 HK$'000	Amount 2010 HK$'000
Authorised:					
Ordinary shares of HK$0.01 each at beginning of the year		**2,000,000**	2,000,000	**20,000**	20,000
Increase in authorised capital	*(i)*	**6,000,000**	–	**60,000**	–
Ordinary shares of HK$0.01 each at end of the year		**8,000,000**	2,000,000	**80,000**	20,000
Issued and fully paid:					
Before capital restructuring					
Ordinary shares of HK$0.01 each at beginning of the year		**975,640**	975,640	**9,756**	9,756
Top-up placing	*(ii)*	**195,120**	–	**1,951**	–
Share options exercised	*(iii)*	**7,550**	–	**76**	–
Conversion of convertible bonds	*(iv)*	**1,029,000**	–	**10,290**	–
Share consolidation and capital reduction	*(v)*	**(1,986,579)**	–	**(19,866)**	–
After capital restructuring					
Ordinary shares of HK$0.01 each		**220,731**	975,640	**2,207**	9,756
Share options exercised	*(iii)*	**1,452**	–	**15**	–
Conversion of convertible bonds	*(iv)*	**30,000**	–	**300**	–
Ordinary shares of HK$0.01 each at end of the year		**252,183**	975,640	**2,522**	9,756

Notes:

(i) On 6 August 2010, pursuant to the passing of an ordinary resolution by the shareholders of the Company in the extraordinary general meeting, the authorised share capital of the Company has been increased from HK$20,000,000, being comprised of 2,000,000,000 ordinary share of HK$0.01 each, to HK$80,000,000, being comprised of 8,000,000,000 ordinary share of HK$0.01 each.

(ii) On 6 July 2010, the Company entered into a placing agreement, with two placing agents and TLX Holdings Limited ("TLX"), for the placement of 195,120,000 ordinary shares of the Company held by TLX at the price of HK$0.062 per share. The top-up placing was completed on 15 July 2010 by the new issue of 195,120,000 ordinary shares at HK$0.062 per share and raised total consideration of HK$12,097,440.

(iii) Details of the Company's share option scheme and the share options issued under the scheme are included in note 34 to the consolidated financial statement.

(iv) Details of the Company's convertible bonds are included in note 32 to the consolidated financial statements.

(v) Pursuant to a special resolution passed in an extraordinary general meeting of the Company, the Company effected the share consolidation on 28 October 2010 which involved every ten issued shares of HK$0.01 each in the share capital of the Company shall be consolidated into one issued consolidated share of HK$0.10 each, to be followed by a reduction of issued share capital by reducing the par value of each of the issued consolidated share from HK$0.10 each to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 on each issued consolidated share.

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34. SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to the share option scheme (the "Share Option Scheme") adopted by the Company on 22 October 2001, the Directors may at their discretion grant options to (i) any director, employee or consultant of the Group or a company in which the Group holds an equity interest or a subsidiary of such company (the "Affiliate"); or (ii) any discretionary trust whose discretionary objects include any director, employee or consultant of the Group or an Affiliate; or (iii) a company beneficially owned by any director, employee or consultant of the Group or an Affiliate; or (iv) any person or entity whose service to the Group or business with the Group contributes or is expected to contribute to the business or operation of the Group, to subscribe for shares of the Company during such period as may be determined by the directors of the Company (which shall not be more than ten years from the date of issue of the relevant options).

The aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other scheme(s) of the Company shall not exceed 30% of the shares of the Company in issue from time to time. Options may be granted without any initial payment at a price (subject to adjustments as provided therein) equal to the higher of (i) the nominal value of the shares; (ii) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (iii) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one share.

The following table discloses movements of the Company's share options held by directors, consultants and employees during the year ended 31 March 2011:

	Number of share options						
Name/category of participants	**At 1 April 2010**	**Granted during the year**	**Exercised during the year**	**At 31 March 2011**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price per share**
Directors							
Mr. Lee Chi Shing, Caesar (resigned with effective on 1 September 2010)	800,000	–	–	800,000	14 December 2007	14 December 2007 – 13 December 2017	HK$2.8
	175,000	–	(175,000)	–	14 August 2008	14 August 2008 – 13 August 2018	HK$1.87
Mr. Kwok Kwan Hung	80,000	–	–	80,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
	–	850,000	–	850,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.85
	–	320,000	–	320,000	12 August 2010	12 August 2010 – 11 August 2020	HK$2.35
	–	950,000	–	950,000	3 December 2010	3 December 2010 – 2 December 2020	HK$2.13
Mr. Leung Chi Kong	50,000	–	–	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
	–	45,000	–	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.85
Mr. Chan Wai Man	50,000	–	–	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
	–	45,000	–	45,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.85
Mr. Siu Hi Lam, Alick	–	95,000	(95,000)	–	7 July 2010	7 July 2010 – 6 July 2020	HK$0.85
Mr. Chui Bing Sun	–	2,200,000	–	2,200,000	22 March 2011	22 March 2011 – 21 March 2021	HK$2.0

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34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Name/category of participants	At 1 April 2010	Granted during the year	Exercised during the year	At 31 March 2011	Date of grant of share options	Exercise period of share options	Exercise price per share
	Number of share options						
Employee	50,000	–	(50,000)	–	25 March 2008	25 March 2008 – 24 March 2018	HK$2.5
Employees	30,000	–	(30,000)	–	14 August 2008	14 August 2008 – 13 August 2018	HK$1.87
Employees	–	3,550,000	(600,000)	2,950,000	7 July 2010	7 July 2010 – 6 July 2020	HK$0.85
Consultant	–	1,160,000	–	1,160,000	12 August 2010	12 August 2010 – 11 August 2020	HK$2.35
Consultant	–	1,040,000	(757,000)	283,000	6 September 2010	6 September 2010 – 5 September 2020	HK$1.98
Consultant	–	500,000	(500,000)	–	7 September 2010	7 September 2010 – 6 September 2020	HK$2.08
Employees	–	2,150,000	–	2,150,000	9 September 2010	9 September 2010 – 8 September 2020	HK$2.29
Employees	–	1,600,000	–	1,600,000	13 September 2010	13 September 2010 – 12 September 2020	HK$2.14
Employees	–	2,500,000	–	2,500,000	3 December 2010	3 December 2010 – 2 December 2020	HK$2.13
Consultant	–	2,200,000	–	2,200,000	22 March 2011	22 March 2011 – 21 March 2021	HK$2.0
Total	1,235,000	19,205,000	(2,207,000)	18,233,000			
Weighted average exercise price	HK$2.71	HK$1.82	HK$1.65	HK$1.90			

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Notes:

(i) There were no share options cancelled, lapsed or forfeited during the year ended 31 March 2011.

(ii) The number of share options are adjusted due to share consolidation.

The following table discloses movements of the Company's share options held by directors and employees during the year ended 31 March 2010:

	Number of share options						
Name/category of participants	**At 1 April 2009**	**Granted during the year**	**Exercised during the year**	**At 31 March 2010**	**Date of grant of share options**	**Exercise period of share options**	**Exercise price per share**
Directors							
Mr. Lee Chi Shing, Caesar	800,000	–	–	800,000	14 December 2007	14 December 2007 – 13 December 2017	HK$2.8
	175,000	–	–	175,000	14 August 2008	14 August 2008 – 13 August 2018	HK$1.87
Mr. Kwok Kwan Hung	80,000	–	–	80,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
Mr. Leung Chi Kong	50,000	–	–	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
Mr. Chan Wai Man	50,000	–	–	50,000	15 February 2008	15 February 2008 – 14 February 2018	HK$3.3
Employee	50,000	–	–	50,000	25 March 2008	25 March 2008 – 24 March 2018	HK$2.5
Employees	30,000	–	–	30,000	14 August 2008	14 August 2008 – 13 August 2018	HK$1.87
Total	1,235,000	–	–	1,235,000			
Weighted average exercised price	HK$2.71	–	–	HK$2.71			

Notes to the Consolidated Financial Statements

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34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Notes:

(i) There were no share options cancelled, lapsed or forfeited during the year ended 31 March 2010.

(ii) The number of share options are adjusted due to share consolidation.

The fair value of the options granted during the year ended 31 March 2011 was estimated as at the date of grant using the black-scholes option pricing model with the following assumptions:

(a) Risk-free interest rate-the yields of 10-year Hong Kong Exchange Fund Note;

(b) Expected volatility of share price – the 52 weeks historical volatility of closing prices of the shares of the Company from Bloomberg;

(c) Expected life of share options – one to two years;

(d) Dividend yield – Nil; and

(e) No other feature of the options granted was incorporated into the measurement of fair values.

The variables and assumptions used in computing the fair values of the share options are based on the Directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The 2,207,000 (2010: nil) share options (of which 755,000 before share consolidation) exercised during the year resulted in the issue of 2,207,000 (2010: nil) ordinary shares of the Company and new share capital of HK$22,070 (2010: nil) and share premium of HK$4,856,000 (2010: nil) (before share issue expenses), as further detailed in note 33 to the financial statements.

At the end of the reporting period, the Company had 18,233,000 (2010: 12,350,000) share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 18,233,000 (2010: 12,350,000) additional ordinary shares of the Company and additional share capital of HK$182,330 and share premium of HK$34,492,000 (before share issue expenses).

At the date of approval of these consolidated financial statements, the Company had 17,533,000 share options outstanding under the Share Option Scheme, which represented approximately 6.93% of the Company's shares in issue as at that date.

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For the year ended 31 March 2011

35. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 29 of the consolidated financial statements.

Contributed surplus

Pursuant to a special resolution passed in the extraordinary general meeting of the Company on 1 September 2010, a contributed surplus account was designated by the Company within the meaning of the Companies Act 1981 of Bermuda so as to carry the amounts as follows: (i) the entire amounts standing to the credit balance of the share premium account of HK$59,873,000 of the Company were cancelled and transfer the credits arising from such cancellation to the contributed surplus account of the Company, (ii) transfer of the share premium arising from the Capital Reduction to the contributed surplus account of the Company, and (iii) offset the accumulated losses in full effective as at 31 August 2010.

The contributed surplus of the Company arose as a result of capital reorganisation and represents the entire amounts standing to the credit of the share premium account of the Company as at 31 August 2010 and the credits arising from capital reduction for eliminating or setting off the accumulated losses of the Company from time to time. Under the Companies Act 1981 of Bermuda, the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay dividend, or make a distribution out of the contributed surplus, if there are reasonable grounds for believing that: (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Capital reserve

The capital reserve of the Company arose as a result of the reorganisation and represents the excess of the combined net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange thereof.

For the year ended 31 March 2010, the capital reserve of the Group comprises (i) an amount of HK$600,000 representing the difference between the nominal value of the capital of the subsidiaries/businesses acquired pursuant to the Group reorganisation, and the nominal value of the shares in the Company issued in exchange therefor; and (ii) an amount of HK$300,000 representing the cost of investment in Inforchain Digital Technology Co., Limited acquired by the Group pursuant to the Group reorganisation in October 2001.

PRC statutory reserve

In accordance with the PRC laws and regulations, PRC companies require to provide statutory reserve. Statutory reserve is appropriated of 10% from net profits after tax as reported in the financial statements of the PRC subsidiaries. Provision for the statutory reserve ceases when the aggregate amount exceeded 50% of the registered capital of the PRC subsidiaries. All statutory reserves are for specific purposes and are not distributed in the form of cash dividends.

Notes to the Consolidated Financial Statements

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35. RESERVES *(Continued)*

The Company

	Share premium HK$'000	Contributed surplus HK$'000	Share options reserve HK$'000	Convertible bonds equity reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	28,857	–	811	–	(34,018)	(4,350)
Loss for the year	–	–	–	–	(8,266)	(8,266)
At 31 March 2010 and 1 April 2010	28,857	–	811	–	(42,284)	(12,616)
Loss for the year	–	–	–	–	(23,236)	(23,236)
Issue of shares for top-up placing	10,146	–	–	–	–	10,146
Share issue expenses	(406)	–	–	–	–	(406)
Share consolidation and capital reduction	(59,872)	31,713	–	–	48,025	19,866
Issue of convertible bonds	–	–	–	22,693	–	22,693
Issue of shares for conversion of convertible bonds	58,667	–	–	(15,247)	–	43,420
Equity-settled share option arrangements	–	–	9,313	–	–	9,313
Issue of shares for exercise of share options	4,856	–	(1,310)	–	–	3,546
At 31 March 2011	**42,248**	**31,713**	**8,814**	**7,446**	**(17,495)**	**72,726**

Note: On 28 October 2010, every ten issued shares of HK$0.01 each in the share capital of the Company was consolidated into one issued consolidated share of HK$0.10 each. The par value of each of the issued consolidated shares of HK$0.10 each is reduced to HK$0.01 each by cancelling the paid-up capital to the extent of HK$0.09 on each issued consolidated share and the entire amount standing to the credit of the share premium account of the Company was reduced and cancelled.

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36. BUSINESS COMBINATION

(a) Acquisition of 100% equity interests in a subsidiary

On 27 January 2011, the Group acquired 100% equity interests in Luck Point Investments Limited ("LPIL"). LPIL is holding the investment in 70% of the registered capital of Huai Ji Luck Mountain Funeral Tarlor Limited (懷集萬福山殯儀館有限公司). The total consideration for the acquisition was HK$17,800,000 in cash.

The fair values of the identifiable assets and liabilities of LPIL and its subsidiary as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	8,157
Inventories	439
Trade and other receivables	118
Cash and cash equivalents	28
Trade and other payables	(1,266)
Total identifiable net assets at fair value	7,476
Non-controlling interests	1,199
	8,675
Goodwill on acquisition	9,125
Consideration	17,800
Satisfied by Cash	17,800

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	2011 **HK$'000**
Cash consideration	**(17,800)**
Cash and bank balances acquired	**28**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(17,772)**

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

36. BUSINESS COMBINATION *(Continued)*

(b) Purchase of 50% shareholding in a jointly-controlled entity

On 26 October 2010, the Group acquired 50% equity interests in EIHI which is holding the investment in 90% registered capital of Suzhou Celebrities Cemetery Industry Co., Limited (蘇州名流陵園實業有限公司) with profit sharing ratio of 75%. The purchase consideration for the acquisition totaling HK$107,650,000 was in the form of cash of HK$40,000,000 and convertible bonds of aggregate principal amounts of HK$67,650,000.

The fair values of the identifiable assets and liabilities of EIHI and its subsidiary as at the date of acquisition are as follows:

	Fair value recognised on acquisition HK$'000
Property, plant and equipment	3,240
Prepaid land lease payments	4,161
Inventories	3,811
Trade and other receivables	2,940
Cash and cash equivalents	32
Trade and other payables	(16,774)
Other borrowings	(29,203)
Total identifiable net liabilities at fair value	(31,793)
Non-controlling interests	11,729
	(20,064)
Share of 50% of equity interests	(10,032)
Goodwill on acquisition	117,682
Consideration	107,650
Satisfied by:	
Cash	40,000
Convertible bonds	67,650
	107,650

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

36. BUSINESS COMBINATION *(Continued)*

(b) Purchase of 50% shareholding in a jointly-controlled entity *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	2011 **HK$'000**
Cash consideration	**(40,000)**
Cash and bank balances acquired	**16**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(39,984)**

37. DISPOSAL OF A SUBSIDIARY

On 4 March 2011, the Group disposed its entire equity interests in Infosky Group Limited. The disposal was made to a director of Infosky Group Limited, Mr. Leung Tin Fu ("Mr. Leung"). The consideration for the disposal was HK$3,000,000 in cash.

The fair values of the identifiable assets and liabilities of Infosky Group as at the date of disposal were as follows:

	2011 **HK$'000**
Property, plant and equipment	**1,401**
Trade and other receivables	**5,117**
Cash and cash equivalents	**17,459**
Trade and other payables	**(15,556)**
Tax payable	**(1,640)**
Total identifiable net assets at fair value	**6,781**
Non-controlling interests	**(29)**
	6,752
Loss on disposal of a subsidiary	**(2,162)**
Exchange adjustment	**(1,590)**
Consideration	**3,000**
Satisfied by Cash	**3,000**

Notes to the Consolidated Financial Statements

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37. DISPOSAL OF A SUBSIDIARY *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal is as follows:

	2011 HK$'000
Cash consideration	**3,000**
Cash and bank balances disposed of	**(17,459)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(14,459)**

38. OPERATING LEASES

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated and rentals are fixed for terms ranging from one to two years. (2010: one to two years).

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

	2011 HK$'000	2010 HK$'000
Within one year	**2,340**	836
In the second to fifth years inclusive	**1,542**	222
	3,882	1,058

39. SIGNIFICANT RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into the following significant related party transactions during the year:

	2011 HK$'000	2010 HK$'000
Rent paid to director of the Company's subsidiary	**330**	360
Rent paid to director of the Company	**817**	102
	1,147	462
Disposal of a subsidiary to Mr. Leung (note 37)	**3,000**	–

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

39. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

Compensation to key management personnel

The remuneration of directors of the Group during the year is as follow:

	2011 **HK$'000**	2010 HK$'000
Short-term benefits	**4,046**	2,241
Share-based payments	**2,361**	–
	6,407	2,241

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Other related parties balances and transactions

Details of balances and transactions with other related parties at the end of the reporting period are set out in note 31 to the consolidated financial statements.

40. FINANCIAL INSTRUMENTS BY CATEGORIES

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

Financial assets

2011

	Loans and receivables HK$'000	**Available-for-sale financial assets HK$'000**	**Total HK$'000**
Available-for-sale financial assets	**–**	**–**	**–**
Trade and other receivables	**7,311**	**–**	**7,311**
Cash and cash equivalents	**5,971**	**–**	**5,971**
	13,282	**–**	**13,282**

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40. FINANCIAL INSTRUMENTS BY CATEGORIES *(Continued)*

Financial assets *(Continued)*

2010

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Available-for-sale financial assets	–	–	–
Trade and other receivables	4,850	–	4,850
Cash and cash equivalents	18,927	–	18,927
	23,777	–	23,777

Financial liabilities

	2011 HK$'000	2010 HK$'000
Financial liabilities at amortised costs		
Trade and other payables	**13,204**	12,291
Other borrowings	**40,403**	4,000
Convertible bonds	**44,597**	–
	98,204	16,291

41. FAIR VALUE AND FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at the end of the reporting periods, all the assets measured at fair value including available-for-sale financial assets is based on Level 3 to determine their fair values.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables, other borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Market risk comprises foreign currency exchange rates, and interest rates. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Based on the evaluation of the Group's operations, the Directors of the Company consider that the Group does not expose to significant market risk.

Credit risk

The Group's principal financial assets included trade and other receivables and cash and cash equivalents. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group's primary cash requirements have been for capital investments and repayment of related debts. The Group finances its working capital requirements primarily through funds generated from operations.

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

	Less than 3 months or payable on demand HK$'000	**3 months to 1 year HK$'000**	**1-5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
2011					
Trade and other payables	**13,204**	**–**	**–**	**–**	**13,204**
Other borrowings	**25,000**	**593**	**5,930**	**16,279**	**47,802**
	38,204	**593**	**5,930**	**16,279**	**61,006**

	Less than 3 months or payable on demand HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total HK$'000
2010				
Trade and other payables	12,291	–	–	12,291
Other borrowings	4,000	–	–	4,000
	16,291	–	–	16,291

Notes to the Consolidated Financial Statements

For the year ended 31 March 2011

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Capital risk management

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

The Group manages its capital structure and makes adjustments to its in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any external imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes current and non-current liabilities. Capital includes equity attributable to owners of the Company. The gearing ratio as at 31 March 2011 and 2010 were as follows:

	2011 **HK$'000**	2010 HK$'000
Current liabilities	**38,802**	18,049
Non-current liabilities	**59,407**	–
Total liabilities	**98,209**	18,049
Capital	**67,254**	9,164
Adjusted capital plus net debt	**165,463**	27,213
Gearing ratio	**59%**	66%

43. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in these consolidated financial statements, subsequent to the end of the reporting period, the Group had the following material events:

In January 2011, the Company entered into a subscription agreement with AXA Direct Asia II, L.P., for an issue of a five year zero coupon convertible bonds and the completion was executed on 21 May 2011. A gross proceeds of approximately HK$97,000,000 was raised from such issue and the proceeds will be used for the operation of the deathcare business.

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For the year ended 31 March 2011

44. COMPARATIVE FIGURES

As further explained in note 4 to the consolidated financial statements, due to change of accounting policy during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised. Accordingly, certain prior year adjustments have been made, certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented. In addition, the comparative consolidated income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative periods (note 15).

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2011.

Financial Summary

The following table summaries the results, assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements:

	2011	2010	2009	2008	2007
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Revenue	**66,099**	49,108	68,869	88,545	79,621
(Loss)/Profit attributable to owners of the Company	**(41,617)**	(9,840)	(36,136)	7,432	19,787
Total assets	**158,697**	27,268	193,815	41,065	52,908
Total liabilities	**(98,209)**	(18,049)	(174,775)	(13,318)	(20,045)
Net assets	**60,488**	9,219	19,040	27,747	32,863

Notes

(i) The results and assets and liabilities of the Group for the year ended 31 March 2011 have been extracted from the consolidated income statement and consolidated statement of financial position as set out on pages 25 and 27 respectively of the accompanying consolidated financial statements.

(ii) The financial summary of the Group has been included is for information only and does not form part of the audited consolidated financial statements.