ANNUAL 2009
REPORT

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

CAO Jing *(Executive Chairman)*
ZHANG Shaohua *(Managing Director)*

NON-EXECUTIVE DIRECTOR

MO Tianquan

INDEPENDENT NON-EXECUTIVE DIRECTORS

YE Jianping
PALASCHUK Derek Myles
YAO Xusheng

AUDIT COMMITTEE

PALASCHUK Derek Myles *(Chairman)*
YE Jianping
YAO Xusheng

REMUNERATION COMMITTEE

YAO Xusheng *(Chairman)*
YE Jianping
CAO Jing

NOMINATION COMMITTEE

YE Jianping *(Chairman)*
PALASCHUK Derek Myles
CAO Jing

COMPANY SECRETARY

POON Yan Wai

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre
111 Connaught Road Central
Hong Kong

AUDITORS

Ernst & Young
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

STOCK CODE

SEHK 650

WEBSITE

http://www.irasia.com/listco/hk/shuncheong

Directors' and Senior Management's Biographies

EXECUTIVE DIRECTORS

MS. CAO JING – EXECUTIVE CHAIRMAN

Ms. Cao, aged 41, was appointed as a director of the Company on 2 May 2006. She has over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America ("USA"). Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the People's Republic of China (the "PRC"), and a Master's Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

MR. ZHANG SHAOHUA – MANAGING DIRECTOR

Mr. Zhang, aged 45, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designated as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 19 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has a large market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor's Degree in Science from the South China University of Technology and a Master's Degree in Business Administration from the Capital University of Economics and Business, the PRC.

NON-EXECUTIVE DIRECTOR

MR. MO TIANQUAN

Mr. Mo, aged 45, was appointed as a director of the Company on 2 May 2006. He has over 11 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor's Degree in Mechanical Engineering from South China University of Technology, a Master's Degree in Engineering from Tsinghua University, the PRC and a Degree of Master of Arts from Indiana University, USA. He is a director and the chief executive officer of SouFun Holdings Limited, a wholly-foreign-owned company conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 60.39% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

PROF. YE JIANPING

Prof. Ye, aged 48, was appointed as an independent non-executive director of the Company on 29 July 2006. He has been teaching in the Renmin University of China since 1985 and is the professor and department head of the Department of Land and Real Estate Management of the Renmin University of China. He is also a council member of the China Land Science Society and the vice chairman of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor's Degree in Engineering from the Wuhan University, a Master's Degree in Economics and Doctorate in Management from the Renmin University of China. He is also a fellow member of The Royal Institute of Chartered Surveyors, a China Real Estate Appraiser and a China Land Appraiser.

Directors' and Senior Management's Biographies

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

MR. PALASCHUK DEREK MYLES

Mr. Palaschuk, aged 45, was appointed as an independent non-executive director of the Company on 25 February 2008. He has been chief financial officer of Longtop Financial Technologies since September 2006, a New York Stock Exchange listed company. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

MR. YAO XUSHENG

Mr. Yao, aged 47, was appointed as an independent non-executive director of the Company on 6 March 2008. He has been chairman of Shanghai K Land Investments Company Limited since 2005, a company registered in Shanghai. He was previously the chief executive officer of Asia Pulp and Paper ("APP") China, from 2001 to 2005 and was the chief financial officer of APP from 1999 to 2001, APP is one of the world's leading pulp and paper companies. Prior to this, he is an assistant professor in Tsinghua University, China from 1986 to 1990. He holds a Master's Degree in Business Administration from the University of California Berkeley in USA, Master Degree in Economics from Clemson University in USA, Master Degree in economic and management and Bachelor Degree in Electrical Engineering both from Tsinghua University, the PRC.

SENIOR MANAGEMENT

CHAN Yuen Keung, Zuric, aged 55, is an executive director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Hon Kwok Land Investment Company, Limited and Chinney Alliance Group Limited the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan has over 35 years of experience in the construction industry and is a member of the Chartered Institute of Building and The Hong Kong Society of Builders.

YU Sek Kee, Stephen, aged 57, is the managing director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Chinney Alliance Group Limited the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Yu had worked with three North American banks for over 17 years during which he held various posts including the chief executive of a Canadian bank in Hong Kong. He holds a Bachelor's Degree in Computer Science from the University of Western Ontario, Canada and a Master's Degree in Finance from the University of British Columbia, Canada.

POON Yan Wai, aged 39, is the company secretary and financial controller of the Company. He joined the Company in September 2007. He has over 18 years of experience in the auditing and accounting field. He holds a Master's Degree in Corporate Finance and Bachelor Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

Chairman's Statement

BUSINESS REVIEW

The Group recorded revenue of HK$73.6 million for the year ended 31 March 2009 (2008: HK$130.7 million) and loss for the year of HK$12.8 million (2008: HK$8.7 million).

Consolidated revenue of HK$73.6 million for the year ended 31 March 2009, showing a 43.6% decrease from HK$130.7 million for the previous year. The decrease in business volume was primarily due to the reduction of work orders received from the Group's customers.

On 23 January 2009, the Group had completed the acquisition of the Guangxi Nanning Wharton International Hotel Limited ("the Nanning Hotel"). The discount on acquisition arising from the Nanning Hotel was HK$4.1 million. The Nanning Hotel reported an average room rate of HK$533 and occupancy rate of 59% during the period.

As at 31 March 2009, net asset value attributable to equity holders of the parent amounted to approximately HK$196.4 million, 85.4% higher than the amount of HK$105.9 million in 2008.

BUSINESS PROSPECTS

The Group is principally engaged in the provision of building related maintenance services. Although the Company intends to carry on the existing building related maintenance services business, the Board is also looking to business opportunities in the PRC for development and expansion. In order to expand into the PRC, the Group has carried out the fund raising activity of right issues for the hotel acquisition in last year. After the successful acquisition of the Nanning Hotel on 23 January 2009, the Group will broaden its source of income and extend the business in PRC.

Recognising the efforts of the PRC government in promoting the economies of the less developed regions and the rapid development of local tourism industry in the second tier cities in the PRC, the Directors consider that increasing number of investors as well as overseas and local travellers and tourists would be attracted to these cities in the PRC, thereby creating demand for hotel services and enhancing the value of Nanning Hotel. Looking ahead to 2010 and beyond, the Directors are confident that Nanning Hotel will enable the Group to capture the results of economic boom in Guangxi Zhuang Autonomous Region.

ACKNOWLEDGEMENT

Finally, I would like to express my appreciation to our shareholders for their continuous support and fellow directors and all members of staff for their dedication and contribution during this year.

Cao Jing
Executive Chairman

Hong Kong
27 July 2009

Corporate Governance Report

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interests of its shareholders. The monitoring and assessment of certain governance matters are allocated to three committees: Audit Committee, Remuneration Committee and Nomination Committee which operate under the defined terms of reference and are required to report to full Board on a regular basis.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2009, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this report.

BOARD OF DIRECTORS

COMPOSITION AND ROLE

The Board comprises:

Executive Directors	–	Ms. Cao Jing *(Executive Chairman)*
	–	Mr. Zhang Shaohua *(Managing Director)*
Non-executive Director	–	Mr. Mo Tianquan
Independent Non-executive Directors	–	Prof. Ye Jianping
	–	Mr. Palaschuk Derek Myles
	–	Mr. Yao Xusheng

The Board comprises of two executive directors, one non executive directors and three independent non-executive directors. The biographical details of the directors are set out in the section "Directors' and Senior Management's Biographies" on pages 3 to 4 of the annual report.

All directors are updated on governance and regulatory matters. Directors can obtain independent advice from the legal counsel of the Company for the furtherance of their duties. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors and the management. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 16 of the annual report.

Except for Mr. Mo Tianquan and Ms. Cao Jing who are spouses, no directors have any relationship (including financial, business, family or other material/relevant relationship) with any other directors of the Company.

Corporate Governance Report

BOARD OF DIRECTORS *(continued)*

The Board held four board meetings during the year. Due notice and board papers were given to all directors prior to the meeting in accordance with the Bye-laws of the Company. The attendance of each director is set out as follows:

Name of director	Number of meetings attended
Executive Directors	
Ms. Cao Jing *(Executive Chairman)*	4/4
Mr. Zhang Shaohua *(Managing Director)*	4/4
Non Executive Director	
Mr. Mo Tianquan	4/4
Independent Non-Executive Directors	
Professor Ye Jianping	2/4
Mr. Palaschuk Derek Myles	2/4
Mr. Yao Xusheng	1/4

CG Code provision A.1.1 stipulates that the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year, four board meetings were held to review and discuss the annual and interim results together with all corporate transactions happened during the year. Although the board meetings held during the year were not convened on a quarterly basis, the directors considered that sufficient meetings had been held to cover all aspects of the Company's business.

Drafts minutes of board meetings are circulated to directors for comments and the signed minutes are kept by the company secretary. All directors can access to board papers and related materials.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company was Ms. Cao Jing and the Managing Director of the Company was Mr. Zhang Shaohua. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual.

The executive directors and management team, are all experienced in building related maintenance services and hotel management, implements the decisions from the Board and proposes management proposals for the Board's consideration. The team assumes full accountability to the Board for all operations of the Group.

Corporate Governance Report

RE-ELECTION OF DIRECTORS

CG Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term and subject to re-election and that code provision A.4.2 stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The existing independent non-executive directors of the Company do not have a specific term of appointment but are subject to retirement by rotation and re-election at the Company's annual general meeting under the Bye-laws of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

According to the provisions of the Company's Bye-laws, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to one-third) shall retire from office by rotation provided that the Executive Chairman and/or the Managing Director of the Company shall not be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year.

The Board will ensure the retirement of each director, other than those hold office as Executive Chairman or Managing Director, by rotation at least once every three years in order to comply with the CG Code. The Board presently considered that the continuity of office of the Executive Chairman and the Managing Director provides the Group a strong and consistent leadership and is of great importance to the smooth operations. As a result, the Board concurred that the Executive Chairman and the Managing Director need not be subject to retirement by rotation.

REMUNERATION COMMITTEE

The remuneration committee of the Company ("Remuneration Committee") comprises three directors, of which Mr. Yao Xusheng (Chairman) and Professor Ye Jianping are independent non-executive directors and Ms. Cao Jing is an executive director. The Remuneration Committee is responsible for reviewing the Company's policy and structure for the remuneration of the executive directors and senior management and giving advices on the establishment of a formal and transparent procedure for developing policy on such remuneration.

During the year, the Remuneration Committee held one meetings, during which the committee reviewed and discussed matters related to directors' fee and remuneration.

CG Code provision B.1.3 stipulates that the terms of reference of the Remuneration Committee should include, as a minimum, those specific duties as set out in the CG Code provisions. The Company has adopted the terms of reference for the Company's Remuneration Committee on 21 December 2006, which was subsequently amended. Pursuant to the terms of reference for the Remuneration Committee, it is stipulated that the Remuneration Committee has the duty to "review" as opposed to "determine" the specific remuneration packages of executive directors and senior management.

The remuneration of the executive directors and senior management of the Company is reviewed by the Remuneration Committee and recommended to the Board and the Chairman of the Board respectively for determination, taking into account of market pay and individual performance. In the opinion of the directors, the current practice serves the same purpose as laid down by the CG Code.

Corporate Governance Report

REMUNERATION COMMITTEE *(continued)*

Details of remuneration packages of the directors during the year are set out under headings "Directors' Remuneration" on pages 47 to 48 of this annual report. A committee meeting was held one time and the attendance of each member is shown as below.

Name of member	Number of meetings attended
Executive Director	
Ms. Cao Jing	0/1
Non Executive Director	
Mr. Mo Tianquan	1/1
Independent Non-Executive Directors	
Mr. Yao Xusheng *(Chairman)*	1/1
Professor Ye Jianping	1/1
Mr. Palaschuk Derek Myles	1/1

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") comprises three directors, all of which are independent non-executive directors, namely Mr. Palaschuk Derek Myles (Chairman), Professor Ye Jianping and Mr. Yao Xusheng.

The terms of reference for the Audit Committee have been adopted in line with the CG Code. Regular meetings have been held by the Audit Committee since establishment and it meets at least twice each year to review and supervise the Group's financial reporting process and internal control. The Board considers that each of the Audit Committee members has broad commercial experience and that there is an appropriate balance of experiences and skills covering business, accounting and financial management disciplines on the Committee. The composition and the membership of the Audit Committee comply with the requirement under Rule 3.21 of the Listing Rules.

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters and internal controls including a review of the account for the year ended 31 March 2009.

The Audit Committee met two times during the year and the attendance of each member is shown as below:

Name of member	Number of meetings attended
Independent Non-Executive Directors	
Mr. Palaschuk Derek Myles *(Chairman)*	2/2
Professor Ye Jianping	2/2
Mr. Yao Xusheng	1/2

Corporate Governance Report

AUDIT COMMITTEE *(continued)*

Drafts minutes of the Audit Committee meetings are circulated to members of Audit Committee for comments and the signed minutes are kept by the company secretary.

NOMINATION COMMITTEE

The nomination committee of the Company ("Nomination Committee") comprises three directors, of which Professor Ye Jianping (Chairman) and Mr. Palaschuk Derek Myles, are independent non-executive directors and Ms. Cao Jing is an executive director. The Nomination Committee shall meet when necessary to consider the appointment of directors.

Pursuant to the terms of reference, the Nomination Committee has the power from time to time and at any time to nominate any person as a director to fill a casual vacancy or as an addition to the Board. In assessing the nomination of new directors, the Nomination Committee has taken into consideration of the nominee's qualification, ability and potential contributions to the Company.

The Committee met one time during the year and the attendance of the Nomination Committee meeting is shown below:

Name of member	Number of meetings attended
Executive Director	
Ms. Cao Jing	0/1
Non Executive Director	
Mr. Mo Tianquan	1/1
Independent Non-Executive Directors	
Professor Ye Jianping *(Chairman)*	1/1
Mr. Palaschuk Derek Myles	1/1
Mr. Yao Xusheng	1/1

AUDITORS' REMUNERATION

For the year ended 31 March 2009, services provided to the Group by its auditors and the respective fees paid and payable were:

Services rendered	Fees HK$'000
Audit services	850

Corporate Governance Report

DIRECTOR'S SECURITIES TRANSACTIONS

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

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2009.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining the Group's systems of internal control and reviewing their effectiveness. The internal control systems of the Group are designed to provide reasonable assurance to minimise risk of failure in operational systems, and to assist in the achievement of the Group's goals. The systems are also structured to safeguard the Group's assets, to ensure the maintenance of proper accounting records and compliance with applicable laws, rules and regulations.

The audit committee has the final authority to review and approve the annual audit plan and all major changes to the plan. In addition, special reviews may also be performed on areas of concern identified by management or the audit committee from time to time.

In respect of the year ended 31 March 2009, the Board and the Audit Committee conduct annual review of the effectiveness of the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board consider that the Group's internal control systems are effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 20 to 21 of this annual report.

Corporate Governance Report

COMMUNICATION WITH SHAREHOLDERS

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2008 annual general meeting due to other business engagement. An executive director had chaired the 2008 annual general meeting and answered questions from the shareholders.

The Company communicates with the shareholders of the Company through the publication of annual and interim reports, press announcements and circulars. The annual general meeting also provides a useful and convenient forum for shareholders to exchange views with the Board, and with each other. At the annual general meeting, the Chairperson of the annual general meeting and chairman/member of the Audit Committee, Remuneration Committee and Nomination Committee are available to answer the questions raised by shareholders.

SHAREHOLDERS VOTING RIGHTS

To safeguard the shareholders' rights and interests, separate resolutions are proposed at the general meetings at each substantially separate issue, including the election of individual directors. Details of rights to demand poll and procedures are included in the circular convening a general meeting to be dispatched to shareholders of the Company.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of the provision of building related maintenance services and hotel operation. Details of the principal subsidiaries and their activities are set out in note 15 to the financial statements.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 76.

The directors do not recommend the payment of any dividend in respect of the year (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATION REVIEW

A review of the Group's business operations and prospects is included in the Chairman's Statement.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2009, the Group had unpledged cash and bank deposit balances of approximately HK$72.6 million (2008: HK$165.4 million). As at 31 March 2009, the Group had outstanding bank borrowings for the amount of HK$259.9 million (2008: Nil). The gearing ratio of the Group which represented the net debt divided by the total capital plus net debt, was 49% (2008: Nil).

TREASURY AND FUNDING POLICY

The assets and liabilities of the Group are mainly in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime rate of the People's Bank of China. The maximum bank borrowing granted by bank given to the Group and a subsidiary is HK$361.6 million (2008: Nil). Taking into account of cash on hand and available credit facilities, the Group has sufficient working capital for its present requirement. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to foreign exchange fluctuation.

PLEDGE OF ASSETS

At 31 March 2009, the hotel properties held with an aggregate net book value of approximately HK$313.6 million (2008: Nil) were mortgaged to a bank to secure banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICY

The Group employed approximately 595 employees as at 31 March 2009 (2008: 65). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below:

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATION					
REVENUE	**73,572**	130,682	210,512	195,871	123,780
Loss for the year from a continuing operation	**(12,790)**	(8,704)	(2,726)	(2,912)	(14,381)
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	**–**	–	–	(8,411)	(20,186)
LOSS FOR THE YEAR	**(12,790)**	(8,704)	(2,726)	(11,323)	(34,567)
Loss attributable to:					
Equity holders of the parent	**(12,684)**	(8,361)	(2,508)	(11,102)	(33,729)
Minority interests	**(106)**	(343)	(218)	(221)	(838)
	(12,790)	(8,704)	(2,726)	(11,323)	(34,567)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**636,983**	239,471	121,153	124,912	351,109
TOTAL LIABILITIES	**(439,173)**	(132,875)	(67,341)	(68,374)	(266,478)
MINORITY INTERESTS	**(1,397)**	(665)	(1,008)	(1,226)	(18,217)
	196,413	105,931	52,804	55,312	66,414

The information set out above does not form part of the audited financial statements.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the Company's share capital during the year are set out in note 27 to the financial statements. Details of movements in the convertible bonds issued by the Company during the year are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws in Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to approximately HK$22,040,000 as at 31 March 2009.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 44% of the total sales for the year and sales to the largest customer included therein amounted to 24%. Purchases from the Group's five largest suppliers accounted for 77% of the total purchases for the year and purchases from the largest supplier included therein amounted to 42%.

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

Report of the Directors

DIRECTORS

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

Executive directors:
Cao Jing
Zhang Shaohua

Non-executive director:
Mo Tianquan

Independent non-executive directors:
Ye Jianping
Palaschuk Derek Myles
Yao Xusheng

In accordance with the Company's Bye-laws, Messrs. Mo Tianquan and Ye Jianping, will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 3 to 4 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The Company's remuneration policy is built upon the principle of providing an equitable, motivating and market-competitive remuneration package that can stimulate and drive staff at all levels to work towards achieving the Group's strategic objectives.

The remuneration of the directors of the Company is reviewed by the Remuneration Committee, having regard to directors' duties, responsibilities, the Group's operating results and comparable market statistics.

Details of the directors' remuneration and the five highest paid individuals in the Group are set out in notes 9 and 10 to the financial statements, respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements and in the section headed "Connected transactions" below, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

Report of the Directors

CONNECTED TRANSACTIONS

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca" as subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear interest at 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of issue. The conversion price of the Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 60.32% of the total issued share capital of the Company as at 31 March 2009. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the connected transaction and the subscription agreement was duly passed by the independent shareholders at the Special General Meeting by way of poll on 7 December 2007. The issue of the Bonds was completed on 28 March 2008.

As a result of the Company's rights issue which was completed in June 2008, pursuant to the terms of the Bonds, the conversion price of the Bonds has been adjusted from HK$0.60 per share to HK$0.3695 per share and the number of shares falling to be issued upon full conversion of the Bonds has been adjusted from 200,000,000 shares to 324,763,193 shares.

During the year, the Group paid the Bonds interests for the amount of HK$1.2 million to Tanisca.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2009, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares directly beneficially owned	Percentage of the Company's issued share capital
Mo Tianquan	Corporate	209,493,409 *(Note 1)*	60.32
Cao Jing	Family	209,493,409 *(Note 2)*	60.32

Report of the Directors

Note 1: These shares are held by Upsky Enterprises Limited, a company in which Mr. Mo Tianquan is a director and a sole shareholder.

Note 2: Ms. Cao Jing is interested in the shares held by Upsky Enterprises Limited by virtue of her marital relationship with Mr. Mo Tianquan.

Save as disclosed above, as at 31 March 2009, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2009, the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Upsky Enterprises Limited	Directly beneficially owned	209,493,409	60.32

Save as disclosed above, as at 31 March 2009, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, none of the directors or management shareholders of the Company has an interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

Report of the Directors

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cao Jing
Director

Hong Kong
27 July 2009

Independent Auditors' Report

ERNST & YOUNG
安 永

To the shareholders of Shun Cheong Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the financial statements of Shun Cheong Holdings Limited set out on pages 22 to 76, which comprise the consolidated and company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Independent Auditors' Report (continued)

To the shareholders of Shun Cheong Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the 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.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
27 July 2009

Consolidated Income Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
REVENUE	6	**73,572**	130,682
Cost of sales		**(66,349)**	(124,541)
Gross profit		**7,223**	6,141
Other income	6	**2,472**	1,577
Administrative expenses		**(17,826)**	(14,467)
Other expenses		**(300)**	(1,666)
Excess over the cost of a business combination	29	**4,089**	–
Finance costs	8	**(8,439)**	(229)
LOSS BEFORE TAX	7	**(12,781)**	(8,644)
Tax	11	**(9)**	(60)
LOSS FOR THE YEAR		**(12,790)**	(8,704)
Attributable to:			
Equity holders of the parent	12	**(12,684)**	(8,361)
Minority interests		**(106)**	(343)
		(12,790)	(8,704)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK(4.14) cents**	HK(6.51) cents
Diluted		**N/A**	N/A

Consolidated Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**509,637**	2,488
Deferred tax assets	26	**1,025**	–
Total non-current assets		**510,662**	2,488
CURRENT ASSETS			
Inventories	16	**3,556**	–
Gross amount due from contract customers	17	**3,111**	28,147
Trade receivables	18	**22,661**	26,428
Retention money receivables	17	**255**	171
Prepayments, deposits and other receivables	19	**24,159**	16,846
Tax recoverable		**19**	–
Cash and cash equivalents	20	**72,560**	165,391
Total current assets		**126,321**	236,983
CURRENT LIABILITIES			
Gross amount due to contract customers	17	**12,789**	15,014
Trade payables	21	**11,831**	20,929
Retention money payables	17	**696**	696
Other payables and accruals	22	**48,036**	19,877
Advance from a shareholder	23	**22,600**	–
Interest-bearing bank borrowing – current portion	24	**3,390**	–
Total current liabilities		**99,342**	56,516
NET CURRENT ASSETS		**26,979**	180,467
TOTAL ASSETS LESS CURRENT LIABILITIES		**537,641**	182,955
NON-CURRENT LIABILITIES			
Convertible bonds	25	**83,321**	76,359
Interest-bearing bank borrowing	24	**256,510**	–
Total non-current liabilities		**339,831**	76,359
Net assets		**197,810**	106,596

Consolidated Balance Sheet (continued)

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	27	**3,473**	1,389
Equity component of convertible bonds	25	**43,272**	43,272
Reserves	28(a)	**149,668**	61,270
		196,413	105,931
Minority interests		**1,397**	665
Total equity		**197,810**	106,596

Cao Jing
Director

Zhang Shaohua
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2009

	Attributable to equity holders of the parent								
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Capital redemption reserve	Retained profits/ (accumulated losses)	Total	Minority interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	1,159	–	46,909	–	132	4,604	52,804	1,008	53,812
Issue of shares *(note 27)*	230	17,986	–	–	–	–	18,216	–	18,216
Issue of convertible bonds *(note 25)*	–	–	–	43,272	–	–	43,272	–	43,272
Loss for the year	–	–	–	–	–	(8,361)	(8,361)	(343)	(8,704)
At 31 March 2008 and 1 April 2008	1,389	17,986	46,909	43,272	132	(3,757)	105,931	665	106,596
Issue of shares *(note 27)*	2,084	102,114	–	–	–	–	104,198	–	104,198
Share issue expenses	–	(1,032)	–	–	–	–	(1,032)	–	(1,032)
Capital injection during the year	–	–	–	–	–	–	–	838	838
Loss for the year	–	–	–	–	–	(12,684)	(12,684)	(106)	(12,790)
At 31 March 2009	3,473	119,068*	46,909*	43,272	132*	(16,441)*	196,413	1,397	197,810

* These reserve accounts comprise the consolidated reserves of HK$149,668,000 (2008: HK$61,270,000) in the consolidated balance sheet.

Consolidated Cash Flow Statement

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(12,781)**	(8,644)
Adjustments for:			
Excess over the cost of a business combination	29	**(4,089)**	–
Finance costs	*8*	**8,439**	229
Interest income	*6*	**(2,450)**	(1,321)
Depreciation	*7*	**4,895**	209
Impairment of trade receivables	*7*	**211**	1,650
Loss on disposal of items of property, plant and equipment	*7*	**9**	16
		(5,766)	(7,861)
Decrease in inventories		**109**	–
Decrease in gross amount due from contract customers		**25,036**	299
Decrease in trade receivables		**3,556**	4,908
Decrease/(increase) in retention money receivables		**(84)**	481
Decrease/(increase) in prepayments, deposits and other receivables		**(6,217)**	6,290
Increase/(decrease) in gross amount due to contract customers		**(2,225)**	1,801
Increase/(decrease) in trade payables		**(9,098)**	3,588
Decrease in retention money payables		**–**	(856)
Increase/(decrease) in other payables and accruals		**22,985**	(15,344)
Cash generated for/(used in) operations		**28,296**	(6,694)
Interest paid		**(1,477)**	(229)
Hong Kong profits tax paid, net		**(28)**	(74)
Net cash inflow/(outflow) from operating activities		**26,791**	(6,997)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,450**	1,321
Acquisition of a subsidiary	*29*	**(247,485)**	–
Capital injection from minority shareholders		**838**	–
Purchases of items of property, plant and equipment	*14*	**(1,191)**	(118)
Proceeds from disposal of items of property, plant and equipment		**–**	19
Net cash inflow/(outflow) from investing activities		**(245,388)**	1,222

Consolidated Cash Flow Statement (continued)

Year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	**104,198**	18,216
Share issue expenses	27	**(1,032)**	–
Proceeds from issue of convertible bonds		**–**	119,631
Advance from a shareholder		**22,600**	–
Net cash inflow from financing activities		**125,766**	137,847
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(92,831)**	132,072
Cash and cash equivalents at beginning of year		**165,391**	33,319
CASH AND CASH EQUIVALENTS AT END OF YEAR		**72,560**	165,391
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**65,947**	13,909
Non-pledged time deposits with original maturity of less than three months when acquired	20	**6,613**	151,482
		72,560	165,391

Balance Sheet

31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**33**	63
Interests in subsidiaries	15	**263,564**	19,162
Total non-current assets		**263,597**	19,225
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	**2,846**	2,924
Cash and cash equivalents	20	**7,078**	152,606
Total current assets		**9,924**	155,530
CURRENT LIABILITIES			
Other payables and accruals	22	**2,215**	1,820
NET CURRENT ASSETS		**7,709**	153,710
TOTAL ASSETS LESS CURRENT LIABILITIES		**271,306**	172,935
NON-CURRENT LIABILITIES			
Convertible bonds	25	**83,321**	76,359
Net assets		**187,985**	96,576
EQUITY			
Issued capital	27	**3,473**	1,389
Reserves	28(b)	**141,240**	51,915
Equity component of convertible bonds	25	**43,272**	43,272
Total equity		**187,985**	96,576

Cao Jing
Director

Zhang Shaohua
Director

Notes to Financial Statements

31 March 2009

1. CORPORATE INFORMATION

Shun Cheong Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability on 20 August 1992 with its shares listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda, and the Company's head office and principal place of business is located at Suite 2302, Wing On Centre, 111 Connaught Road Central, Hong Kong.

During the year, the Group was involved in the following principal activities:

- provision of building related maintenance services; and
- hotel and restaurant operations in the People's Republic of China (the "PRC").

During the year, the Group acquired the entire equity interest in 廣西沃頓國際大酒店有限公司 ("Guangxi Wharton International Hotel Limited" or "Guangxi Wharton") which is engaged in the hotel and restaurant operations in the PRC.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Upsky Enterprises Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2009. 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 income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements

31 March 2009

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*
HK(IFRIC)-Int 12	*Service Concession Arrangements*
HK(IFRIC)-Int 14	*HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The adoption of these new interpretations and amendments has had no financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* [1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRSs* [3]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations* [1]
HKFRS 3 (Revised)	*Business Combinations* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments* [1]
HKFRS 8	*Operating Segments* [1]
HKAS 1 (Revised)	*Presentation of Financial Statements* [1]
HKAS 23 (Revised)	*Borrowing Costs* [1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [3]
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* [1]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* [3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendment to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives* [2]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes* [4]

Notes to Financial Statements

31 March 2009

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate* [1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation* [5]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners* [3]
HK(IFRIC)-Int 18	*Transfer of Assets from Customers* [6]
Annual Improvements Project	*Improvements to HKFRSs* *[7]
Annual Improvements Project	*Improvements to HKFRSs 2009* **[8]

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods ending on or after 30 June 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

6 Effective for transfers of assets from customers received on or after 1 July 2009

7 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on after 1 July 2009

8 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

** Improvements to HKFRSs 2009 contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

31 March 2009

3. 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 interests in subsidiaries are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed 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.

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than construction contract assets, deferred tax assets, 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 expenses categories consistent with the function of the impaired asset.

An assessment is made at each reporting date 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 and certain financial assets 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.

Related parties

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

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

(b) the party is an associate;

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

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

(e) 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 (c) or (d); or

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

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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:

Land and buildings	2%
Machinery and equipment	20%
Furniture and office equipment	20%
Motor vehicles	20%
Leasehold improvements	3 years or over the lease terms, whichever is shorter

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 balance sheet date.

An item of property, plant and equipment 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.

Leases

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

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under the 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. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

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

The Group assesses whether a contract contains an embedded derivative when the Group first becomes a party to it and assesses whether an embedded derivative is required to be separated from the host contract when the analysis shows that the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost 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 been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement. Loans and receivables together with any associated allowances are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor and significant changes in the technological, market economic or legal environment that have an adverse effect on the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

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 where:

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

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

Where the Group has transferred its rights to receive cash flows from an asset 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. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. The related interest expense is recognised within "Finance costs" in the income statement.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the balance sheet, 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.

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed installation and maintenance overheads.

Revenue from fixed price installation and maintenance contracts is recognised by the percentage of completion method, measured by reference to the percentage of certified work performed to date to the estimated total contract sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Notes to Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period 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.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date 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 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, 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, 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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 Financial Statements

31 March 2009

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(b) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other employee benefits

Retirement benefit schemes

The Group operates two defined contribution retirement benefit schemes, including an Occupational Retirement Schemes Ordinance retirement benefit scheme (the "ORSO Scheme") and a Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees (including executive directors).

The ORSO Scheme is managed by an independent trustee. The Group makes monthly contributions to the scheme at 5% to 15% of the employees' basic salaries while the employees are not required to make any contributions. The employees are entitled to receive 100% of the contributions made by the Group together with the accrued earnings thereon upon retirement or leaving the Group after completing 10 years of service or at a reduced scale of 30% to 90% after completing three to nine years of service. Forfeited contributions and related earnings are used to reduce the contributions payable by the Group.

Under the MPF Scheme, 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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

The assets of both schemes are held separately from those of the Group in independently administered funds.

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 certain percentage 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.

Notes to Financial Statements

31 March 2009

3. 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 are initially recorded using the 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 balance sheet date. 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 are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at exchange rates ruling at the balance sheet dates, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

The preparation of the Group's financial statements requires the use of estimates and assumptions about future events and conditions. In this connection, the directors consider the significant areas where management's judgement is necessary are those in relation to (i) the provision for foreseeable losses on the amounts due from contract customers; and (ii) the recognition of losses on the Group's trade receivables and retention money receivables.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable. It should be noted that actual results could differ from those estimates.

Notes to Financial Statements

31 March 2009

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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.

The Group tests annually whether property, plant and equipment have suffered any impairment, in accordance with the accounting policy for property, plant and equipment stated in note 3. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates such as future revenue and discount rates.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) the building services contracting and maintenance business consists of the provisions of building related maintenance services; and

(b) the hotel business consists of the hotel and restaurant operations in the PRC.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No business segment information was presented for the year ended 31 March 2008 as the Group's revenue for that year was principally derived from the provision of building related maintenance services and thus the Group had only one business segment. No geographical segment information was presented for the year ended 31 March 2008 as over 90% of the Group's revenue in that year was derived from customers based in Hong Kong, and over 90% of the Group's assets as at 31 March 2008 were located in Hong Kong.

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31 March 2009

5. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments for the year ended 31 March 2009.

Year ended 31 March 2009	Building services contracting and maintenance business HK$'000	Hotel business HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	58,270	15,302	73,572
Other revenue	9	13	22
Total	58,279	15,315	73,594
Segment results	(4,370)	(941)	(5,311)
Interest income			2,446
Excess over the cost of a business combination			4,089
Unallocated expenses			(5,780)
Finance costs			(8,225)
Loss before tax			(12,781)
Tax			(9)
Loss for the year			(12,790)
Assets and liabilities			
Segment assets	40,076	534,367	574,443
Unallocated assets			62,540
Total assets			636,983
Segment liabilities	27,766	325,710	353,476
Unallocated liabilities			85,697
Total liabilities			439,173

Notes to Financial Statements

31 March 2009

5. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

Year ended 31 March 2009	Building services contracting and maintenance business HK$'000	Hotel business HK$'000	Total HK$'000
Other segment information:			
Depreciation	189	4,706	4,895
Capital expenditure	–	1,191	1,191
Impairment losses of trade receivables recognised in the income statement	–	389	389
Impairment losses of trade receivables reversed in the income statement	(178)	–	(178)

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments for the year ended 31 March 2009.

Year ended 31 March 2009	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Segment revenue:			
Sales to external customers	58,270	15,302	73,572
Other revenue	9	13	22
Total	58,279	15,315	73,594
Other segment information:			
Segment assets	124,406	508,468	632,874
Capital expenditure	–	1,191	1,191

Notes to Financial Statements

31 March 2009

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered of contract revenue from building services contracting and maintenance businesses and income from hotel and restaurant operation during the year.

An analysis of the Group's revenue and other income is as follows:

	2009	2008
	HK$'000	HK$'000
Revenue		
Building services contracting and maintenance businesses	**58,270**	130,682
Hotel and restaurant operations	**15,302**	–
	73,572	130,682
Other income		
Bank interest income	**2,450**	1,321
Others	**22**	256
	2,472	1,577

Notes to Financial Statements

31 March 2009

7. LOSS BEFORE TAX

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

	Notes	2009 HK$'000	2008 HK$'000
Cost of maintenance		**59,618**	124,541
Cost of services provided		**6,731**	–
		66,349	124,541
Depreciation	*14*	**4,895**	209
Minimum lease payment under operating leases in respect of land and buildings		**292**	556
Auditors' remuneration		**850**	680
Employee benefit expense (including directors' remuneration (note 9)):			
Wages, salaries and bonuses		**6,823**	18,525
Pension scheme contributions*		**676**	1,148
		7,499	19,673
Less: Amount capitalised in contract costs		**(1,926)**	(10,248)
Amounts charged to administrative expenses		**5,573**	9,425
Impairment of trade receivables#	*18*	**211**	1,650
Loss on disposal of items of property, plant and equipment#		**9**	16

* As at 31 March 2009, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2008: Nil).

\# These items are included in "Other expenses" on the face of the consolidated income statement.

8. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**220**	129
Interest on convertible bonds	**8,175**	–
Others	**44**	100
	8,439	229

Notes to Financial Statements

31 March 2009

9. DIRECTORS' REMUNERATION

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

	Group	
	2009	2008
	HK$'000	HK$'000
Fees:		
Executive directors	**103**	60
Non-executive director	**600**	350
Independent non-executive directors	**380**	168
	1,083	578
Other emoluments	**–**	–
	1,083	578

(a) Independent non-executive directors

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

	2009	2008
	HK$'000	HK$'000
Ye Jianping	**100**	73
Palaschuk Derek Myles (appointed on 25 February 2008)	**180**	17
Yao Xusheng (appointed on 6 March 2008)	**100**	8
Yu Hon To, David (resigned on 24 October 2007)	**–**	70
	380	168

There were no other emoluments payable to the independent non-executive directors during the year (2008: Nil).

Notes to Financial Statements

31 March 2009

9. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2009					
Executive directors:					
Cao Jing	–	–	–	–	–
Zhang Shaohua	103	–	–	–	103
	103	–	–	–	103
Non-executive director:					
Mo Tianquan	600	–	–	–	600

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2008					
Executive directors:					
Cao Jing	–	–	–	–	–
Zhang Shaohua (redesignation on 6 March 2008)	60	–	–	–	60
	60	–	–	–	60
Non-executive director:					
Mo Tianquan (redesignation to non-executive director on 6 March 2008)	350	–	–	–	350

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

Notes to Financial Statements

31 March 2009

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include four directors (2008: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration of the non-director, highest paid employee (2008: five) for the year are as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**770**	3,161
Pension scheme contributions	**12**	176
	782	3,337

The remuneration of the non-director, highest paid employees (2008: five) fell within the band of HK$1 to HK$1,000,000.

11. TAX

The Company is exempt from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2008: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2009	2008
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**34**	60
Overprovision in prior years	**(25)**	–
Total tax charge for the year	**9**	60

Notes to Financial Statements

31 March 2009

11. TAX *(continued)*

A reconciliation of the tax credit applicable to loss before tax using the statutory rate in Hong Kong to the tax charge for the year is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Loss before tax	**(12,781)**	(8,644)
Tax at the statutory tax rate of 16.5% (2008: 17.5%)	**(2,109)**	(1,513)
Different tax rate enacted by local authority	**(61)**	–
Adjustments in respect of current tax of previous years	**(25)**	–
Income not subject to tax	**(1,107)**	(231)
Expenses not deductible for tax	**2,335**	860
Tax losses not recognised	**964**	921
Others	**12**	23
Tax charge for the year	**9**	60

12. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The loss attributable to equity holders of the parent for the year ended 31 March 2009 includes a loss of HK$11,757,000 (2008: HK$3,538,000) which has been dealt with in the financial statements of the Company (note 28(b)).

Notes to Financial Statements

31 March 2009

13. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share is based on the loss for the year attributable to equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted loss per share amounts is based on the loss for the year attributable to equity holders of the parent, adjusted to reflect the interest on the convertible bonds of the Company and the dilutive effect on the loss assuming that there is a full conversion of the convertible bonds of the Company, where applicable (see below). The number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation.

The calculations of basic and diluted loss per share are based on:

	Group	
	2009	2008
	HK$'000	HK$'000
Loss		
Loss attributable to equity holders of the parent	**12,684**	8,361
Interests on convertible bonds	**(8,175)**	–
Loss attributable to equity holders of the parent before interests on convertible bonds	**4,509***	8,361*

	Number of shares	
	2009	2008
Shares		
Weighted average number of shares in issue during the year used in the basic loss per share calculation	**306,217,827**	128,470,126
Effect of dilution of the convertible bonds on the weighted average number of shares	**324,763,193**	1,643,836
	630,981,020*	130,113,962*

* Because the diluted loss per share amount is decreased when taking convertible bonds of the Company into account, the convertible bonds of the Company had an anti-dilutive effect on the basic loss per share for the year. Therefore, no diluted loss per share amount is disclosed.

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31 March 2009

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2009						
At 31 March 2008 and at 1 April 2008:						
Cost	3,086	–	856	194	434	4,570
Accumulated depreciation	(854)	–	(736)	(185)	(307)	(2,082)
Net carrying amount	2,232	–	120	9	127	2,488
At 1 April 2008, net of accumulated depreciation	2,232	–	120	9	127	2,488
Acquisition of a subsidiary *(note 29)*	315,005	47,460	22,600	102	125,695	510,862
Additions	–	–	50	1,141	–	1,191
Disposal	–	–	(9)	–	–	(9)
Depreciation provided during the year	(1,515)	(900)	(877)	(108)	(1,495)	(4,895)
At 31 March 2009, net of accumulated depreciation	315,722	46,560	21,884	1,144	124,327	509,637
At 31 March 2009:						
Cost	376,413	118,553	61,907	3,097	151,747	711,717
Accumulated depreciation	(60,691)	(71,993)	(40,023)	(1,953)	(27,420)	(202,080)
Net carrying amount	315,722	46,560	21,884	1,144	124,327	509,637

Notes to Financial Statements

31 March 2009

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Land and buildings HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2008					
At 1 April 2007:					
Cost	3,086	849	271	323	4,529
Accumulated depreciation	(792)	(663)	(216)	(244)	(1,915)
Net carrying amount	2,294	186	55	79	2,614
At 1 April 2007, net of accumulated depreciation	2,294	186	55	79	2,614
Additions	–	7	–	111	118
Disposal	–	–	(35)	–	(35)
Depreciation provided during the year	(62)	(73)	(11)	(63)	(209)
At 31 March 2008, net of accumulated depreciation	2,232	120	9	127	2,488
At 31 March 2008:					
Cost	3,086	856	194	434	4,570
Accumulated depreciation	(854)	(736)	(185)	(307)	(2,082)
Net carrying amount	2,232	120	9	127	2,488

Details of the land and buildings are as follows:

	Group 2009 HK$'000	Group 2008 HK$'000
Medium-term leases:		
Hong Kong	**2,171**	2,232
Mainland China	**313,551**	–
	315,722	2,232

At 31 March 2009, certain of the Group's buildings with a net book value of approximately HK$313,551,000 (2008: Nil) were pledged to secure general banking facilities granted to the Group (note 24).

Notes to Financial Statements

31 March 2009

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture and office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2009			
At 31 March 2008 and 1 April 2008:			
Cost	47	57	104
Accumulated depreciation	(13)	(28)	(41)
Net carrying amount	34	29	63
At 1 April 2008, net of accumulated depreciation	34	29	63
Depreciation provided during the year	(10)	(20)	(30)
At 31 March 2009, net of accumulated depreciation	24	9	33
At 31 March 2009:			
Cost	47	57	104
Accumulated depreciation	(23)	(48)	(71)
Net carrying amount	24	9	33

Notes to Financial Statements

31 March 2009

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Company

	Furniture and office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2008			
At 1 April 2007:			
Cost	46	57	103
Accumulated depreciation	(4)	(8)	(12)
Net carrying amount	42	49	91
At 1 April 2007, net of accumulated depreciation	42	49	91
Additions	1	–	1
Depreciation provided during the year	(9)	(20)	(29)
At 31 March 2008, net of accumulated depreciation	34	29	63
At 31 March 2008:			
Cost	47	57	104
Accumulated depreciation	(13)	(28)	(41)
Net carrying amount	34	29	63

Notes to Financial Statements

31 March 2009

15. INTERESTS IN SUBSIDIARIES

	Company	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**2**	2
Due from subsidiaries	**263,721**	19,319
Due to subsidiaries	**(159)**	(159)
	263,564	19,162

The amounts advanced to the subsidiaries included in the interests in subsidiaries above are unsecured, interest-free, and are not repayable within one year. In the opinion of the Company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The amounts due to subsidiaries are unsecured, interest-free and are not repayable within one year.

The carrying amounts of the balances with subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Aykens Holdings Limited*	British Virgin Islands	US$100	100	–	Investment holding
Hopland Enterprises Limited*	British Virgin Islands	US$100	100	–	Investment holding
Ever Billion Engineering Limited	Hong Kong	HK$100	–	100	Provision of building and electrical maintenance services
廣西沃頓國際大酒店有限公司*#	PRC/ Mainland China	US$26,414,920	–	100	Hotel and restaurant operations
Open Land Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding

Notes to Financial Statements

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15. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries at the balance sheet date are as follows: *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shun Cheong Real Estates Limited	Hong Kong	HK$10,000	–	100	Property holding
Tinhawk Company Limited	Hong Kong	HK$2,000,000	–	90	Installation and maintenance of water pumps and fire prevention and fighting systems

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

Registered as wholly-foreign-owned enterprise under the PRC law and is acquired by the Group during the year. Further details of the acquisition are included in note 29 to the financial statements.

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.

16. INVENTORIES

	Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**915**	–
Low-valued consumables	**1,898**	–
Consumables	**743**	–
	3,556	–

Notes to Financial Statements

31 March 2009

17. GROSS AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

	Group	
	2009	2008
	HK$'000	HK$'000
Gross amount due from contract customers	**3,111**	28,147
Gross amount due to contract customers	**(12,789)**	(15,014)
	(9,678)	13,133
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**1,092,044**	1,056,585
Less: Progress billings	**(1,101,722)**	(1,043,452)
	(9,678)	13,133

At 31 March 2009, retentions held by customers for contract works included in retention money receivables included in the current assets of the Group amounted to approximately HK$255,000 (2008: HK$171,000).

At 31 March 2009, retentions held by the Group for contract works included in retention money payables included in current liabilities of the Group amounted to approximately HK$696,000 (2008: HK$696,000).

18. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**26,270**	30,520
Impairment	**(3,609)**	(4,092)
	22,661	26,428

The Group grants to its trade customers credit periods normally ranging from cash on delivery to 60 days. A longer credit period is granted to a few customers with long business relationships with the Group and with strong financial positions. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

Notes to Financial Statements

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18. TRADE RECEIVABLES *(continued)*

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date and net of impairment of trade receivables, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
0 to 30 days	**7,045**	7,942
31 to 60 days	**1,495**	4,269
61 to 90 days	**2,333**	2,733
Over 90 days	**11,788**	11,484
	22,661	26,428

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

	Group	
	2009	2008
	HK$'000	HK$'000
At 1 April	**4,092**	3,536
Impairment losses recognised *(note 7)*	**211**	1,650
Amounts written off as uncollectible	**(694)**	(1,094)
At 31 March	**3,609**	4,092

The above provision for impairment of trade receivables represented provision for individually impaired trade receivables which related to customers that were in default or delinquency in payments. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2009	2008
	HK$'000	HK$'000
Neither past due nor impaired	**1,654**	1,411
Less than 30 days past due	**5,391**	6,531
31 to 90 days past due	**3,828**	6,921
Past due over 90 days	**11,788**	11,565
	22,661	26,428

Notes to Financial Statements

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18. TRADE RECEIVABLES *(continued)*

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

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 are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**1,237**	236	**151**	142
Deposits and other receivables	**22,922**	16,610	**2,695**	2,782
	24,159	16,846	**2,846**	2,924

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**65,947**	13,909	**465**	1,124
Time deposits	**6,613**	151,482	**6,613**	151,482
Cash and cash equivalents	**72,560**	165,391	**7,078**	152,606

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$13,811,000 (2008: Nil). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one week and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

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21. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	HK$'000
Current to 30 days	**6,080**	10,852
31 to 60 days	**2,048**	610
Over 60 days	**3,703**	9,467
	11,831	20,929

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**38,358**	12,444	**1,282**	581
Accruals	**9,678**	7,433	**933**	1,239
	48,036	19,877	**2,215**	1,820

Except for an outstanding other payable balance of the Group of HK$483,000 (2008: HK$1,074,000) which bears interest at the Hong Kong dollar prime rate per annum, other payables are non-interest-bearing and are payable on demand or to be settled within three months.

23. ADVANCE FROM A SHAREHOLDER

The advance from a shareholder was unsecured, interest-free and repayable on demand. The balance was made for the acquisition of Guangxi Wharton during the year and was subsequently repaid in May 2009.

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24. INTEREST-BEARING BANK BORROWING

Group	2009 Contractual interest rate (%)	2009 Maturity	2009 HK$'000	2008 Contractual interest rate (%)	2008 Maturity	2008 HK$'000
Current						
Current portion of long term bank loan – secured	**floating rate at the prime lending rate of the People's Bank of China**	**February 2010**	**3,390**	–	–	–
Non-current						
Bank loan – secured	**floating rate at the prime lending rate of the People's Bank of China**	**February 2011 to February 2019**	**256,510**	–	–	–
Total			**259,900**			–

	2009 HK$'000	2008 HK$'000
Analysed into bank loan repayable:		
Within one year	**3,390**	–
In the second year	**3,390**	–
In the third to fifth years, inclusive	**74,580**	–
Beyond five years	**178,540**	–
	259,900	–

Notes:

(a) The Group's loan facility amounted to HK$361,600,000 (2008: Nil), of which HK$259,900,000 (2008: Nil) had been utilised as at the balance sheet date, is secured by the pledge of certain of the Group's land and buildings situated in Mainland China of HK$313,551,000 (2008: Nil) (note 14);

(b) The secured bank loan is denominated in RMB.

(c) The carrying amount of the secured bank loan approximates to its fair value.

Notes to Financial Statements

31 March 2009

25. CONVERTIBLE BONDS

On 28 March 2008, the Company issued convertible bonds with a nominal value of HK$120,000,000 (the "Bonds"). There was no movement in the number of the Bonds during the year. The Bonds have a five-year term and were issued at par, resulting in total proceeds of HK$120,000,000. Interest is payable half yearly in arrears at a nominal annual interest rate of 1%. Each bond is convertible at any time from the first anniversary of the issue date to the maturity date, at the holder's option, into 200,000,000 ordinary shares of the Company at an initial conversion price of HK$0.6 per share, subject to adjustments in certain events. The Bonds may be redeemed at the option of the Company in whole or in part, upon the written confirmation has been obtained from the bondholder in accordance with the terms of the Bonds.

On 12 June 2008, the Company allotted and issued 208,395,600 ordinary shares of HK$0.01 each at the price HK$0.5 per share by the right issue. As a result, the conversion price of the Bonds has been adjusted from HK$0.6 per share to HK$0.3695 per share and the number of shares falling to be issued upon full conversion of the Bonds has been adjusted from 200,000,000 to 324,763,193 shares.

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.

The Bonds have been split as to the liability and equity components, as follows:

	2009	2008
	HK$'000	HK$'000
Nominal value of the Bonds issued	**120,000**	120,000
Equity component*	**(43,405)**	(43,405)
Direct transaction costs attributable to the liability component	**(236)**	(236)
Liability component at the issuance date	**76,359**	76,359
Interest expense	**8,175**	–
Interest paid	**(1,213)**	–
Liability component at 31 March	**83,321**	76,359

The effective interest rate of the Bonds was 10.5% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair value of the liabilities component of the Bonds approximates to HK$73,831,000 as at the Balance Sheet date. The carrying amount of the liability component of the Bonds as at 31 March 2008 approximated to their fair values.

* The direct transaction costs attributable to the equity component of the Bonds amounted to HK$133,000.

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26. DEFERRED TAX

The movement in deferred tax asset during the year is as follows:

	Losses available for offsetting against future taxable profits HK$'000
At 1 April 2007, 31 March 2008 and 1 April 2008	–
Acquisition of a subsidiary *(note 29)*	1,025
At 31 March 2009	1,025

The Group has estimated tax losses in Hong Kong of HK$25,402,000 (2008: HK$20,987,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The Group also has estimated tax losses arising in Mainland China of HK$18,637,000 (2008: Nil) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of these losses to the extent that there are sufficient future taxable profits available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding tax on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 March 2009, no deferred tax has been recognised for withholding tax that would be payable on the unremitted earnings that are subject to withholding tax of the Group's subsidiary established in Mainland China since the Group's subsidiary did not have any distributable profits as at the balance sheet date and it did not generate any distributable profits from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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27. SHARE CAPITAL

	Company	
	2009	2008
	HK$'000	HK$'000
Authorised:		
8,000,000,000 ordinary shares of HK$0.01 each (2008: 8,000,000,000 ordinary shares of HK$0.01 each)	**80,000**	80,000
Issued and fully paid:		
347,326,000 ordinary shares of HK$0.01 each (2008: 138,930,400 ordinary shares of HK$0.01 each)	**3,473**	1,389

A summary of the transactions during the current and the prior years with reference to the movements in the Company's issued share capital is as follows:

	Number of shares in issue	Issued capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000
At 1 April 2007	115,930,400	1,159	–	1,159
Issue of shares (a)	23,000,000	230	17,986	18,216
At 31 March 2008 and 1 April 2008	138,930,400	1,389	17,986	19,375
Right issue (b)	208,395,600	2,084	102,114	104,198
	347,326,000	3,473	120,100	123,573
Share issue expenses	–	–	(1,032)	(1,032)
At 31 March 2009	347,326,000	3,473	119,068	122,541

Notes:

(a) On 15 September 2007, the Company allocated and issued 23,000,000 ordinary shares of HK$0.01 each at the price of HK$0.792 per share to two new investors, resulting in total proceeds of HK$18,216,000. The purpose of the issue was to provide additional working capital.

(b) On 12 June 2008, the Company allotted and issued 208,395,600 ordinary shares of HK$0.01 each at the price HK$0.5 per share by the right issue. After net of the share issue expenses, the net proceeds of the right issue were HK$103,166,000. The purpose of the right issue was to provide funding for the acquisition of a subsidiary during the year.

Notes to Financial Statements

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28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 25 of the financial statements.

(b) Company

	Share premium account	Contributed surplus*	Capital redemption reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2007	–	60,918	132	(23,583)	37,467
Issue of shares	17,986	–	–	–	17,986
Loss for the year	–	–	–	(3,538)	(3,538)
At 31 March 2008 and 1 April 2008	17,986	60,918	132	(27,121)	51,915
Issue of shares	102,114	–	–	–	102,114
Share issue expenses	(1,032)	–	–	–	(1,032)
Loss for the year	–	–	–	(11,757)	(11,757)
At 31 March 2009	**119,068**	**60,918**	**132**	**(38,878)**	**141,240**

* Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

29. BUSINESS COMBINATION

On 19 August 2008, the Group entered into a sale and purchase agreement and a debt restructuring agreement (collectively referred to as the "Agreements") to acquire the entire equity interest of Guangxi Wharton from independent third parties (the "Vendors"). The Agreements were supplemented by a supplemental sale and purchase agreement and a supplemental debt restructuring agreement entered into by the Group and the Vendors on 3 December 2008 (collectively referred to as the "Supplemental Agreements"). Guangxi Wharton is engaged in the hotel and restaurant operations in the PRC. The acquisition was completed on 23 January 2009 and the purchase consideration for the acquisition was in the form of (i) cash of HK$248,600,000, (ii) taken over of the Vendors' bank loan of HK$259,900,000; and (iii) assignment of net payable of HK$425,694,000 to the Vendors.

Notes to Financial Statements

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29. BUSINESS COMBINATION *(continued)*

The fair values of the identifiable assets and liabilities of the acquiree after the assumption of the Vendors' bank loan of HK$259,900,000 and the assignment of net payable of HK$425,694,000 to the Vendors as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	**Fair value recognised on acquisition** HK$'000	**Previous carrying amount** HK$'000
Net assets acquired:			
Property, plant and equipment	*14*	**510,862**	482,924
Deferred tax assets	*26*	**1,025**	1,025
Inventories		**3,665**	3,665
Prepayments		**1,018**	1,018
Deposits		**78**	78
Cash and bank balances		**2,069**	2,069
Wages payable		**(440)**	(440)
Various taxes payable		**(4,734)**	(4,734)
Bank loan		**(259,900)**	(259,900)
		253,643	225,705
Excess over the cost of a business combination recognised in the consolidated income statement		**(4,089)**	
		249,554	
Satisfied by:			
Cash consideration		**248,600**	
Relevant costs for acquisition		**954**	
		249,554	

Notes to Financial Statements

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29. BUSINESS COMBINATION *(continued)*

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

	2009 **HK$'000**
Cash consideration paid	(248,600)
Relevant costs for the acquisition	(954)
Cash and bank balances acquired	2,069
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(247,485)

Since its acquisition, the acquiree contributed HK$15,302,000 to the Group's turnover and accounted for HK$941,000 of the consolidated loss for the year ended 31 March 2009.

In the opinion of the directors, disclosures with respect to the revenue and profit or loss of the Group as if the business combination had been effected at the beginning of the year would be impracticable, because the acquiree had a financial year end date of 31 December.

Notes to Financial Statements

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30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 March 2009:

	Note	**2009**	2008
		HK$'000	*HK$'000*
Interest expenses on convertible bonds paid to a related company	(i)	1,213	–

Note:

(i) Interest expenses on convertible bonds were paid to Tanisca Investments Limited ("Tanisca") at 1% per annum. Details of Tanisca are included in note (b) below.

(b) Other transaction with a related party:

In the prior year, on 29 October 2007, the Company (as issuer), Tanisca (as subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear interest at 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of issue. The conversion price of the Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 60.32% of the total issued share capital of the Company as at 31 March 2009. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the connected transaction and the subscription agreement was duly passed by the independent shareholders at the Special General Meeting by way of poll on 7 December 2007. The issue of the Bonds was completed on 28 March 2008.

(c) Outstanding balances with related parties:

Details of the Company's balances with subsidiaries and the Group's advance from a shareholder are included in notes 15 and 23 to the financial statements, respectively.

(d) Compensation of key management personnel of the Group:

The executive directors are the key management personnel of the Group. Details of their remuneration are disclosed in note 9 to these financial statements.

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31. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. A lease for an office property is negotiated for a term of three years (2008: one to two years).

At 31 March 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**558**	547
In the second to fifth years, inclusive	**1,337**	203
	1,895	750

32. COMMITMENT

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitment at the balance sheet date:

	2009	2008
	HK$'000	HK$'000
Contracted, but not provided for, capital contribution payable to a jointly-controlled entity	**11,934**	14,040

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the balance sheet date are as follows:

Group

Financial assets

	Loans and receivables	
	2009	2008
	HK$'000	HK$'000
Trade receivables	**22,661**	26,428
Retention money receivables	**255**	171
Financial assets included in prepayments, deposits and other receivables *(note 19)*	**22,922**	16,610
Cash and cash equivalents	**72,560**	165,391
	118,398	208,600

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	HK$'000	HK$'000
Trade payables	**11,831**	20,929
Retention money payables	**696**	696
Financial liabilities included in other payables and accruals *(note 22)*	**38,358**	12,444
Advance from a shareholder	**22,600**	–
Interest-bearing bank borrowing	**259,900**	–
Convertible bonds	**83,321**	76,359
	416,706	110,428

Notes to Financial Statements

31 March 2009

33. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Company

Financial assets

	Loans and receivables	
	2009	2008
	HK$'000	HK$'000
Financial assets included in prepayments, deposits and other receivables *(note 19)*	**2,695**	2,782
Cash and cash equivalents	**7,078**	152,606
	9,773	155,388

Financial liabilities

	Financial liabilities at amortised cost	
	2009	2008
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals *(note 22)*	**1,282**	581
Convertible bonds	**83,321**	76,359
	84,603	76,940

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are cash and bank balances, and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, retention money receivables and payables, an advance from a shareholder, convertible bonds and interest-bearing bank borrowing which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The management meets periodically to analyse and formulate measures to manage the Group's exposure to these risks. Generally, the Group introduces conservative strategies on its risk management. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The directors review and agree policies for managing each of these risks and they are summarised as follows:

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash and bank balances, short term time deposits and an interest-bearing balance included in other payables are stated at cost and are not revalued on a periodic basis. Interest income and expenses at floating rates are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate borrowings) and the Group's and the Company's equity.

		Group		Company	
	Increase/ (decrease) in basis points	(Increase)/ decrease in loss before tax HK$'000	Increase/ (decrease) in equity HK$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in equity HK$'000
2009					
Hong Kong dollar	**50**	**560**	**468**	**50**	**333**
Hong Kong dollar	**(50)**	**(560)**	**(468)**	**(50)**	**(333)**
RMB	**50**	**(103)**	**(77)**	**50**	**–**
RMB	**(50)**	**103**	**77**	**(50)**	**–**
2008					
Hong Kong dollar	50	497	410	50	380
Hong Kong dollar	(50)	(497)	(410)	(50)	(380)

Credit risk

The Group maintains various credit policies for business operations as detailed in note 18. In addition, all receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which mainly comprise cash and cash equivalents, trade receivables, retention money receivables and deposits and other receivables, the Group's exposure to credit risk arises from default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

Notes to Financial Statements

31 March 2009

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

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

The Group's objective is to maintain a continuity of funding for the Group's operations. The Group's policy is to maintain the Group at net current asset position.

The Group's overall risk management policy focuses on monitoring all potential financial risks to the Group. Whenever necessary, the Group will reduce the risk exposure.

The maturity profile of the Group's financial liabilities as at the balance sheet date, based on the contractual undiscounted payments, is as follows:

Group

2009

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	–	11,831	–	–	11,831
Retention money payables	–	696	–	–	696
Other payables	38,358	–	–	–	38,358
Advance from a shareholder	22,600	–	–	–	22,600
Interest-bearing bank borrowing	–	3,390	77,970	178,540	259,900
Convertible bonds	–	–	120,000	–	120,000
	60,958	15,917	197,970	178,540	453,385

2008

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	20,929	–	20,929
Retention money payables	–	696	–	696
Other payables	11,989	455	–	12,444
Convertible bonds	–	–	120,000	120,000
	11,989	22,080	120,000	154,069

Notes to Financial Statements

31 March 2009

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

Company

2009

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	**1,282**	**–**	**–**	**1,282**
Convertible bonds	**–**	**–**	**83,321**	**83,321**
	1,282	**–**	**83,321**	**84,603**

2008

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	551	30	–	581
Convertible bonds	–	–	120,000	120,000
	551	30	120,000	120,581

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 March 2009 and 31 March 2008.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, retention money payables, other payables and accruals, an advance from a shareholder and interest-bearing bank borrowing, less cash and cash equivalents. Capital includes convertible bonds and equity attributable to equity holders of the parent. As at 31 March 2008, the Group's cash and cash equivalents are in excess of the Group's debts. As such, the gearing ratio as at 31 March 2008 has not been calculated. The gearing ratio as at 31 March 2009 was as follows:

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31 March 2009

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

	Group	
	2009	2008
	HK$'000	HK$'000
Trade payables	**11,831**	20,929
Retention money payables	**696**	696
Other payables and accruals	**48,036**	19,877
Advance from a shareholder	**22,600**	–
Interest-bearing bank borrowing	**259,900**	–
Less: Cash and cash equivalents	**(72,560)**	(165,391)
Net debt	**270,503**	(123,889)
Convertible bonds, the liabilities component	**83,321**	76,359
Equity attributable to equity holders	**196,413**	105,931
Total adjusted capital	**279,734**	182,290
Capital and net debt	**550,237**	58,401
Gearing ratio	**49%**	N/A

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 July 2009.