Annual Report 2010

South East Group Limited
東南國際集團有限公司*

(Incorporated in Bermuda with limited liability)

Stock Code: 726

* *For identification purpose only*

CONTENTS

CORPORATE INFORMATION

DIRECTORS:

Executive:

WU Siu Chung *(Chairman)*
CHEN Xiaoping

Non-executive:

CHEN Yuan Shou, Budiman
Eduard William Rudolf Helmuth WILL
LO Yuk Lam*
WONG Kam Wah*
David R. PETERSON*

* independent non-executive director

QUALIFIED ACCOUNTANT:

LAU Wah Ching

COMPANY SECRETARY:

CHAN Sau Chee

AUDIT COMMITTEE:

LO Yuk Lam
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

REMUNERATION COMMITTEE:

LO Yuk Lam
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

REGISTERED OFFICE:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:

8A-B, Entertainment Building
30 Queen's Road Central
Hong Kong

AUDITORS:

East Asia Sentinel Limited
Certified Public Accountants
22nd Floor, Tai Yau Building
181 Johnston Road
Wanchai
Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM 08
Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

RESULTS

The Group's turnover from continuing operations amounted to approximately HK$244,000 for the year ended 31 March 2010, as compared with its turnover from continuing operations of approximately HK$5,021,000 in the previous year. The Group recorded a loss attributable to owners of the Company of approximately HK$13,067,000 for the year ended 31 March 2010, whereas the loss for the preceding year was approximately HK$17,876,000.

BUSINESS REVIEW

For the year ended 31 March 2010, the Group's turnover from continuing operations was wholly generated by its business of property development and investment, which represented sales of car park units amounted to HK$244,000 (2009: HK$297,000). At 31 March 2010, completed properties held for sale by the Group were located in the People's Republic of China (the "PRC"), which consisted of commercial properties with a gross floor area of approximately 8,137 square metres in Zouping, Shandong, and 28 car park units in Pudong, Shanghai. No sales of commercial properties were recorded during the year (2009: HK$4,502,000). Taking into account of the persistent weak market response, the management might consider selling the inventory of completed properties in Zouping, Shandong in a whole lot so that capital and management resources could be reallocated to other more promising projects. The Group continued to lease out some of the commercial properties held in Zouping, Shandong for expedience sake. Accordingly, rental income of approximately HK$153,000 (2009: HK$238,000) was recorded and was accounted for as other revenues for the year ended 31 March 2010.

During the financial year under review, the Group completed its exit process of the wine business including disposal of its subsidiaries engaged in the operation of manufacturing and trading of wine products in the PRC, the completion of which took place in May 2009. The Group discontinued this business thereafter. As reported previously, the operating model in relation to the trading of data storage media products have become obsolete. Its role as a revenue contributor has completely phased out.

PROSPECTS

The core business of the Group remained property development and investment. During the financial year under review, the Group has taken steps to look for investment opportunities with focus in the PRC market to sustain growth of its property business. However, the efforts made are not rewarding so far. As a result, the Group has slowed down its pace in this business especially when correction in the property market and tight credit policy is still prevailing in the PRC. The Directors realize that the need to develop new business is imminent. The Group will aim at new projects that can meaningfully strengthen the profitability of the Group with a steady and enduring approach going forward. If the Group can successfully pursue these new businesses, it is believed that it will enter into a diversified and high growth development stage in the long run. The Company will announce at appropriate time if any of the potential investment projects becomes materialized.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our employees for their effort and contribution in the past year, and to express our sincere gratitude to our shareholders, creditors and business partners for their continuing support to the Company.

By order of the Board of
SOUTH EAST GROUP LIMITED
Wu Siu Chung
Chairman

Hong Kong, 21 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2010, the Group had cash and bank balances amounted to approximately HK$82,272,000 (2009: HK$96,201,000). Owing to the disposal of the Group's wine business, bank borrowings attributable to this reportable segment were discharged during the financial year under review. At the year-end date, the Group had no bank or other borrowings which are repayable within one year (2009: HK$5,368,000) but had a Convertible Bond (as defined below) with carrying amount of approximately HK$66,074,000 (2009: HK$64,501,000).

During the financial year under review, the Group's business operations were mainly in Hong Kong and the PRC. Hence, the main operational currencies were Hong Kong dollars and Renminbi, the exchange rate of which has remained stable. As there was no significant exposure to foreign exchange fluctuation, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity at 31 March 2010 was HK$45,088,000 (2009: HK$54,484,000), representing a decrease of approximately 17% over last year.

The Group's gearing ratio at 31 March 2010, expressed as the percentage of the Group's total borrowings over total equity, was approximately 147% (2009: 128%).

CAPITAL STRUCTURE

At 31 March 2010, the Company's issued share capital was HK$34,432,588 with 344,325,880 ordinary shares of HK$0.1 each in issue. Apart from the share capital, the Company had an outstanding convertible bond at 31 March 2010. The convertible bond was issued by the Company on 7 May 2008, with a principal amount of HK$68,000,000 bearing an annual interest rate of 2.5% and expiring on the third anniversary of the issue date (the "Convertible Bond"). The holder of the Convertible Bond is entitled to convert any part of the principal amount into new ordinary shares of the Company at a conversion price of HK$1.03 each.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

On 26 March 2009, the Company entered into a sale and purchase agreement with Mr. 羅成山 (Luo Chengshan) in relation to the disposal of the entire equity interest in its wholly owned subsidiary, South Perfect International Limited ("SPI", together with its subsidiaries collectively referred to as the "SPI Group"), at a consideration of HK$1,600,000. The major assets of SPI were attributable to its investment in Qingdao Fushiwang Grape Wine Co., Ltd. ("QFGW"), which was a Sino-foreign equity joint venture owned as to 55% by SPI. The SPI Group was engaged in the business of manufacturing and trading of wine products in the PRC. Completion of the above sale and purchase agreement took place on 13 May 2009. Details of the disposal transaction are set out in the Company's circular dated 22 April 2009.

Following completion of the disposal of the SPI Group, the Company put its PRC incorporated subsidiary, 青島東南商貿有限公司 (Qingdao Southeast Commercial Limited, "QSC"), into voluntary liquidation. QSC was engaged in the trading of wine products and was incorporated for serving the SPI Group. As the wine business ceased operations, there was no purpose for maintaining QSC. QSC completed its liquidation procedures and was de-registered on 21 January 2010 accordingly.

EMPLOYEE INFORMATION

At 31 March 2010, the total number of employees of the Group was 19 (2009: 157). 10 of them worked in the PRC while 9 of them worked in Hong Kong. The significant reduction in work force was mainly due to the disposal by the Group of the SPI Group engaged in wine production and distribution in the PRC. The Group employed about 135 people for the discontinued operations before such disposal.

Employees are basically remunerated based on the nature of their job and their performance as well as the prevailing market trend. Year-end discretionary bonus would be granted to reward and motivate those well-performed employees. The Company also adopted a share option scheme in November 2003 to reward employees for their contributions to the Group.

CHARGES ON GROUP ASSETS

At 31 March 2010, the Group had no significant assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2009: HK$8,147,000). Following completion of the disposal by the Group of the SPI Group which was engaged in the operation of manufacturing and trading of wine products in the PRC, assets and liabilities of the disposed subsidiaries (including the pledged assets and the banks loans attributable to these subsidiaries accounted for in the preceding year) were excluded from consolidation.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2010, the Group had no outstanding capital commitments (2009: nil) and no material contingent liabilities (2009: nil) in view of the entering into final judgment in favour of the Company in respect of the litigation proceedings as set out in the section of “Litigation” below.

LITIGATION

Details of the litigation of the Company are set out in note 33 to the financial statements.

DIRECTORS' BIOGRAPHY

EXECUTIVE DIRECTORS

Mr. WU Siu Chung, aged 52, was appointed as the chairman and an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Wu has rich experience in investment activities and holds senior management positions in various investment companies. Mr. Wu was awarded World Outstanding Chinese in 2008 and received honorary doctorate from York University in the USA. He was also a Fellowship Award recipient 2007/2008 from the Asian Knowledge Management Association. Mr. Wu is the chairman and the beneficial owner of Ricco Capital (Holdings) Limited. He is also the sole director and the sole shareholder of Brilliant Express International Limited, the single largest shareholder of the Company as listed under the section headed "Substantial Shareholders" in the Directors' Report. Mr. Wu is responsible for the overall strategy for business development and corporate planning of the Group.

Mr. CHEN Xiaoping, aged 58, was appointed as an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Chen worked at senior management positions in banking and other business fields in the past twenty years, such as Director of Kleinwort Benson Group, Senior Advisor of Global Interactive Technology AG and Financial Advisor of CNT Group. He is also a director and the chief executive officer of Ricco Capital (Holdings) Limited, which is wholly owned by the chairman of the Company. Mr. Chen assumes the role of chief executive officer of the Company and is responsible for the overall management and monitoring of the Group's activities.

NON-EXECUTIVE DIRECTORS

Mr. CHEN Yuan Shou, Budiman, aged 31, was re-designated as a non-executive director of the Company on 25 September 2007. Up to his re-designation, he had assumed the roles of executive director and chairman of the Company since September 2001 and September 2002 respectively. Mr. Chen was educated at the University of Southern California with an emphasis on Economics. His experience lies in the field of real estate project development and e-business development.

Mr. Eduard William Rudolf Helmuth WILL, aged 68, was appointed as non-executive director of the Company and member of each of the Audit Committee and Remuneration Committee of the Company on 1 January 2008. Mr. Will graduated from University of Hamburg, is a seasoned investment banker specializing in international corporate finance. He has rich experience in cross border mergers and acquisitions in Europe, the USA and the Asia Pacific Region. He worked in management capacity for Morgan Guaranty Trust Company (JP Morgan), Amex Bank Limited (America Express's merchant bank), Bank of America, Bear Stearns and Company, Asian Oceanic Limited (Cigna Group's investment bank) and other big international corporations and is currently serving on the boards of directors of Emerson Radio, a public company listed on the American Stock Exchange; and is a non-executive director of Integrated Data Resources whose shares are quoted on Nasdaq. He is also the vice chairman of Ricco Capital (Holding) Limited, which is wholly owned by the chairman of the Company.

NON-EXECUTIVE DIRECTORS (continued)

Mr. LO Yuk Lam, aged 61, was appointed as an independent non-executive director of the Company on 2 January 2002. He is also a member of the Audit Committee and the Remuneration Committee of the Company respectively. Mr. Lo is presently the Chairman of the Chinese Manufacturers' Association of Hong Kong - Innovation and Technology Committee, and the Honorary Life Chairman of Hong Kong Biotechnology Organization. He was the former Chairman of the Innovation and Technology Fund (Biotechnology Projects) Vetting Committee and the Biotechnology Committee of the Industry and Technology Development Council. Mr. Lo is currently an Adjunct Professor of The Chinese University of Hong Kong, a special advisor to The Hong Kong University of Science and Technology, the court member of the Hong Kong Baptist University and Honorary Professor in several universities in Mainland China. Mr. Lo has been awarded the Honorary Fellowship by The Hong Kong University of Science and Technology and is heavily involved with several committees with the HKSAR Government. Mr. Lo is currently serving as an independent director of Sinovac Biotech Limited whose shares are quoted on Nasdaq.

Mr. WONG Kam Wah, aged 51, was appointed as an independent non-executive director of the Company on 1 December 2002. He is also a member of the Audit Committee and the Remuneration Committee of the Company respectively. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He served in senior positions in a multinational corporation and an audit firm. Mr. Wong is currently the principal of a certified public accountants firm. He has extensive experience in accounting and auditing work. Mr. Wong has been appointed as an independent non-executive director of another company publicly listed in Hong Kong, namely Yardway Group Limited, since December 2009.

Mr. David R. PETERSON, aged 66, was appointed as an independent non-executive director of the Company on 8 April 2008. Mr. Peterson is currently a senior partner and chairman of the Toronto law firm of Cassels Brock & Blackwell LLP, where he practices corporate/commercial law. He was called to the Bar in Ontario in 1969 and appointed a Queen's Counsel in 1980 and was summoned by Her Majesty to the Privy Council in 1992. Mr. Peterson is also director of a number of public and private companies including Rogers Communications Inc., Ivanhoe Cambridge Inc., Industrielle-Alliance Life Assurance Company, Franco-Nevada Corporation, Shoppers Drug Mart, Versapay Corporation (JG Capital Corp.), Riverbank Power Inc. and Transmission Developers Inc. Mr. Peterson is or was director or active with a number of charitable, educational and environmental organizations. He is now the chancellor of the University of Toronto and a director of St. Michael's Hospital, and was an adjunct professor at York University, a fellow of McLaughlin College and Executive-in-Residence at Rotman School of Management. Other than possessing extensive business and professional experience, Mr. Peterson is also devoted to constituency and constitutional development. He was elected as a member of the Ontario Legislature in 1975, and became the leader of the Ontario Liberal party in 1982. He served as Premier of the Province between 1985 and 1990, overseeing a very active period of reform and playing a major role in the country's constitutional discussions. He was chairman of the Commonwealth Team observing the 1992 elections in Guyana and was chief federal negotiator for the devolution of the Northwest Territories. Mr. Peterson holds a Bachelor of Arts degree from the University of Western Ontario and a Bachelor of Law degree from the University of Toronto and studied at the University of Caen, France. He received honorary doctorates from the University of Toronto, the University of Western Ontario, the University of Ottawa, the University of Tel Aviv and the American University of the Caribbean. In 1994 the government of France appointed him a Knight of the Order of the Legion of Honour of France. In 1995 the International Assembly of French-Speaking Parliamentarians presented him with the Ordre de la Pléiade.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's principal subsidiaries are set out in note 14 to the financial statements.

SEGMENT INFORMATION

The business activities of the Group are categorised into the manufacturing and trading of data storage media products, property development and wine production. Details of the segment information are set out in note 36 to the financial statements.

FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 March 2010 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 21 to 75.

DONATIONS

During the year, the Group has made charitable donations amounting to HK$50,000 (2009: HK$2,000,000).

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: Nil).

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 76.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity and note 27 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of share capital for the year are set out in note 26 to the financial statements.

LITIGATION

Details of the litigation of the Group are disclosed in note 33 to the financial statements.

BORROWINGS

Details of the borrowings of the Group at 31 March 2010 are set out in note 23 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 35 to the financial statements.

EVENTS AFTER THE END OF REPORTING PERIOD

Details of the significant post statement of financial position event of the Group are set out in note 38 to the financial statements.

DIRECTORS

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

Executive directors:

Mr. WU Siu Chung *(Chairman)*
Mr. CHEN Xiaoping

Non-executive directors:

Mr. CHEN Yuan Shou, Budiman
Mr. Eduard William Rudolf Helmuth WILL
Mr. LO Yuk Lam**
Mr. WONG Kam Wah**
Mr. David R. PETERSON**

** Independent non-executive director

In accordance with bye-law 99 of the Company's bye-laws, Mr. Lo Yuk Lam, Mr. Wong Kam Wah and Mr. David R. Peterson shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Siu Chung and Mr. Chen Xiaoping has entered into a service agreement with the Company for a period of three years from 1 October 2007 and will continue thereafter unless and until terminated by either party by three months' prior notice.

Apart from the above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without the payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2010, details of the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
WU Siu Chung	Through a controlled corporation	92,000,000 (Note 1)	26.72%
CHEN Yuan Shou, Budiman	Beneficially owned	18,512,820	5.38%
LO Yuk Lam	Beneficially owned and through family interest	207,000 (Note 2)	0.06%
WONG Kam Wah	Beneficially owned	82,000	0.02%

Notes:

1. These shares were held by Brilliant Express International Limited, a company wholly owned by Mr. Wu Siu Chung.
2. Of these shares, 7,000 shares were personally held by Mr. Lo Yuk Lam and 200,000 shares were held by his wife, Ms. Pang Wai Bing, Cecilia.

(b) Long position in underlying shares — share options

Details of the interests of directors in share options of the Company were contained in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 March 2010, none of the directors and chief executive of the Company was interested in the equity and debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

Save as disclosed in this report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, according to the register kept by the Company under Section 336 of the SFO, the following shareholders, other than a director or chief executive of the Company, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Brilliant Express International Limited (Note)	Directly beneficially owned	92,000,000	26.72%

Note: Mr. Wu Siu Chung, the chairman and a director of the Company, is the ultimate beneficial owner of Brilliant Express International Limited. Under Part XV of the SFO, Mr. Wu Siu Chung is deemed to have an interest in these shares, as disclosed in the section headed "Directors' Interests in Shares, Underlying Shares and Debentures" above.

Save as disclosed above, as far as the directors are aware, no other person had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

To comply with Chapter 17 (Equity Securities -Share Option Schemes) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), the Company adopted a share option scheme on 7 November 2003 as approved by the shareholders at a special general meeting.

Details of the share option scheme of the Company are set out in note 28 to the financial statements.

SHARE OPTION SCHEME (continued)

Details of movements in the share options during the year ended 31 March 2010 were as follows:

Participants	Date of Grant	Exercisable period	Exercise price per share HK$	Number of share options At 1 April 2009	Granted during the year	Exercised during the year	At 31 March 2010
Directors							
WU Siu Chung	23/01/2008	23/01/2008 - 22/01/2011	1.200	3,000,000	–	–	3,000,000
	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	800,000
				3,800,000	**–**	**–**	**3,800,000**
CHEN Xiaoping	23/01/2008	23/01/2008 - 22/01/2011	1.200	**500,000**	**–**	**–**	**500,000**
Eduard William Rudolf Helmuth WILL	23/01/2008	23/01/2008 - 22/01/2011	1.200	**200,000**	**–**	**–**	**200,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2004 - 17/12/2014	0.106	3,305,000	–	(3,305,000)	–
	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2007 - 31/10/2010	0.177	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	3,305,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				16,725,000	**–**	**(3,305,000)**	**13,420,000**
LO Yuk Lam	18/12/2003	18/12/2004 - 17/12/2014	0.106	323,000	–	–	323,000
	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				853,000	**–**	**–**	**853,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				530,000	**–**	**–**	**530,000**
Total				**22,608,000**	**–**	**(3,305,000)**	**19,303,000**

No share option was cancelled or lapsed under the Company's share option scheme during the year.

The valuation of share options is set out in note 28 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2010:

(i) The Group's largest customer and five largest customers accounted for approximately 34% and 100% respectively of the Group's total turnover.

(ii) No material production was carried out during the year, so no major suppliers were identified.

None of the directors, their associates, or any shareholders (which to the best knowledge of the directors owned more than 5% of the Company's share capital) has any beneficial interests in these major customers and suppliers.

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights in respect of the shares of the Company under the Company's bye-laws although there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float throughout the year ended 31 March 2010 and up to the date of this report.

AUDIT COMMITTEE

The Company has established an Audit Committee in accordance with the code provisions of the Code on Corporate Governance Practices for the purpose of reviewing and providing supervision over the Company's financial reporting procedures and internal control system. The Audit Committee, comprising two independent non-executive directors and one non-executive director has reviewed with the management the accounting principles and practices adopted by the Group and has discussed the auditing, internal control and financial reporting matters for the year.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2010, except the deviations as disclosed in the "Corporate Governance Report".

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 March 2010, none of the directors of the Company has interest in competing business required to be disclosed pursuant to rule 8.10(2) of the Listing Rules.

DIRECTORS' REPORT

AUDITORS

The auditors, East Asia Sentinel Limited, a corporation of Certified Public Accountants, retire and, being eligible, offer themselves for re-appointment.

By Order of the Board of
South East Group Limited
Wu Siu Chung
Chairman

Hong Kong, 21 June 2010

(A) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2010 except for the following deviations:

Under Code Provision A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. The Company only convened three board meetings during the year ended 31 March 2010. As there is no significant business development that needs to bring to the attention of the board immediately, circulation of written materials to keep the board informed throughout the year is considered to be sufficient. It is believed that the Company will satisfy the requirement under this code provision when the Group's business grows in the future.

Under Code Provision A.4.1, non-executive directors should be appointed for a specific term, subject to re-election. Currently, the Company's non-executive directors are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws, so accomplishing the same purpose as a specific term of appointment.

Under Code Provision E.1.2, the chairman of the Board (the "Chairman") should attend the Company's annual general meeting. Owing to other business commitment, Mr. Wu Siu Chung, the Chairman, was unable to attend the Company's annual general meeting held on 20 August 2009 (the "AGM"). Mr. Chen Xiaoping, an executive director of the Company who was present at the AGM, chaired the meeting in accordance with the provisions of the Company's bye-laws.

The Company will continue to review the situation as stated above and to improve the corporate governance practices of the Company when and as it becomes appropriate in future.

(B) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 as its code of conduct regarding securities transactions by directors of the Company. The Company has made specific enquiry to all directors that they have compiled with the required standard set out in the Model Code throughout the year ended 31 March 2010.

(C) BOARD OF DIRECTORS

The Board comprised the following directors during the year ended 31 March 2010 and up to the date of this report:

Executive directors:
WU Siu Chung *(Chairman)*
CHEN Xiaoping

Non-executive directors:
CHEN Yuan Shou, Budiman
Eduard William Rudolf Helmuth WILL

Independent non-executive directors:
LO Yuk Lam
WONG Kam Wah
David R. PETERSON

(C) BOARD OF DIRECTORS (continued)

The relationship among members of the Board and biographical details of the directors who are currently serving the Board are set out on pages 6 to 7 of this annual report. The Company has complied with the requirements of the Listing Rules in relation to the appointment of a minimum of three independent non-executive directors and at least one independent non-executive director is having appropriate professional accounting or financial management experience. 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.

The Board aims to meet regularly in person or through electronic means of communication, at least four times a year, if necessary, as well as on an ad hoc basis. The Board held three meetings (excluding committee meetings) during the year ended 31 March 2010, with the attendance of each director as follows:

Name of director	Number of meetings attended
WU Siu Chung	3/3
CHEN Xiaoping	3/3
CHEN Yuan Shou, Budiman	3/3
Eduard William Rudolf Helmuth WILL	3/3
LO Yuk Lam	2/3
WONG Kam Wah	3/3
David R. PETERSON	2/3

The executive directors are employees who carry out executive functions in addition to their duties as directors. The non-executive directors are not employees of the Company; therefore do not participate in the daily management of the Group's business. However, the directors are collectively responsible for promoting the success of the Company by guiding and monitoring the Company to achieve its strategic objectives. The Board's primary functions are to set corporate policy and overall strategy for the Group and to oversee the management's performance. Accordingly, the Board approves the strategic plans, major disposals and acquisitions, connected transactions and other significant operational issues. Furthermore, Board meetings are held in relation to day-to-day operations that specifically require the Board's approval; otherwise daily operational decisions are delegated to the executive directors.

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently, Mr. Wu Siu Chung is the chairman of the Company and Mr. Chen Xiaoping assumes the role of chief executive officer. The roles of chairman and chief executive officer of the Company are separate. The chairman is responsible for leadership of the Board to ensure it works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The chief executive officer heads the management for implementing the strategies and policies adopted by the Board and focuses on the day-to-day operations of the Group.

(E) NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Company's bye-laws.

(F) REMUNERATION OF DIRECTORS

The Company has set up the Remuneration Committee with terms of reference adopted in compliance with the provisions set out in the Code. The Remuneration Committee currently comprises three members; including two independent non-executive directors namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah and one non-executive director namely Mr. Eduard William Rudolf Helmuth Will. Mr. Wong Kam Wah is the chairman of the Remuneration Committee.

The role and function of the Remuneration Committee includes the determination of the specific remunerations packages of all executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors. No director or any of his associates may be involved in any decisions as to his own remuneration.

During the year ended 31 March 2010, the Remuneration Committee met once to review the remuneration packages of the executive directors and senior management. The attendance of each member of the Remuneration Committee is set out below:

Name of member	Number of meetings attended
LO Yuk Lam	1/1
WONG Kam Wah	1/1
Eduard William Rudolf Helmuth WILL	1/1

(G) NOMINATION OF DIRECTORS

The Company has not set up a nomination committee as the Board takes the role and function of nomination committee. Pursuant to the Company's bye-laws, the Board has the power to appoint any person as a director either to fill a causal vacancy or as an addition to the Board; any director so appointed shall hold office only until the next following general meeting (in the case of the filling of casual vacancy) or the next following annual general meeting of the Company (in the case of an additional director) and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at such meeting.

(H) AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by East Asia Sentinel Limited for the year ended 31 March 2010 was as follows:

	HK$'000
Audit services	202

(I) AUDIT COMMITTEE

The Company has set up the Audit Committee with specific written terms of reference which clearly deal with its authorities and duties. The primary role and function of the Audit Committee is to assist the Board in providing an independent review of the Group's financial reporting and internal control systems as well as the internal and external audit functions. The Audit Committee currently comprises three members including two independent non-executive directors namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah and one non-executive director namely Mr. Eduard William Rudolf Helmuth Will. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules. Mr. Wong Kam Wah is an independent non-executive director with appropriate professional accounting qualification as required under Rule 3.10(2) of the Listing Rules. He is the chairman of the Audit Committee.

During the year ended 31 March 2010, the Audit Committee met twice, with the attendance of each member as follows:

Name of member	Number of meetings attended
LO Yuk Lam	1/2
WONG Kam Wah	2/2
Eduard William Rudolf Helmuth WILL	2/2

The Audit Committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls and financial reporting matters in conjunction with the external auditors, including reviews of the unaudited financial statements for the six months ended 30 September 2009 and the audited financial statements for the year ended 31 March 2010. The Audit Committee has also discussed on the financial, operational and compliance controls in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of the external auditors.

(J) ACCOUNTABILITY

Financial reporting

The directors of the Company acknowledge their responsibility for preparing the financial statements of the Group in accordance with the requirements of the Listing Rules and applicable statutory requirements and accounting standards. The Group has adopted the going concern basis in preparing its financial statements.

A statement by the auditors of the Company about their reporting responsibilities is set out in the "Independent Auditors' Report" on pages 19 to 20 of this annual report.

Internal controls

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The Board has through the Audit Committee reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programmes and budget. In view of the fact that the Company continues to have Mr. Lau Wah Ching as its Qualified Accountant, the Board considers the staffing of the Company's accounting and financial reporting functions adequate.

East Asia Sentinel Limited
衛亞會計師事務所有限公司
Certified Public Accountants

22/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

Tel : +852 2521 2328
Fax : +852 2525 9890
Email : letters@EastAsiaSentinel.com
www.EastAsiaSentinel.com

TO THE SHAREHOLDERS OF SOUTH EAST GROUP LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of South East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") as set out on pages 21 to 75, which comprise the consolidated and Company statements of financial position as at 31 March 2010 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 and to report our opinion, solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

AUDITORS' RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financing Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

East Asia Sentinel Limited
Certified Public Accountants
Victor Robert Lew
Director
Practising Certificate No. P01355

Hong Kong
Date: 21 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CONTINUING OPERATIONS			
TURNOVER	6	**244**	5,021
COST OF INVENTORIES SOLD		**(150)**	(4,405)
GROSS PROFIT		**94**	616
OTHER REVENUES	6	**956**	1,281
SELLING AND DISTRIBUTION COSTS		**(6)**	(52)
ADMINISTRATIVE EXPENSES		**(13,283)**	(14,844)
GAIN ON DISPOSAL OF SUBSIDIARIES	7(b)	**2,561**	—
LOSS FROM OPERATIONS		**(9,678)**	(12,999)
FINANCE COSTS	8	**(3,285)**	(2,668)
LOSS BEFORE TAXATION	9	**(12,963)**	(15,667)
TAXATION	10	**(8)**	(1,264)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(12,971)**	(16,931)
LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	7(a)	**(96)**	(945)
LOSS FOR THE YEAR		**(13,067)**	(17,876)
OTHER COMPREHENSIVE INCOME/(LOSS):			
TRANSLATION DIFFERENCE		**(2)**	1,650
CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE FINANCIAL ASSETS		**3,231**	(3,766)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**3,229**	(2,116)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(9,838)**	(19,992)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY	11	**(13,067)**	(17,876)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing operations:			
Basic and diluted (cents)	12	**(3.77)**	(4.96)
From discontinued operations:			
Basic (cents)	12	**(0.03)**	(0.28)
Diluted (cents)	12	**N/A**	N/A

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**947**	1,307
Available-for-sale financial assets	15	**5,688**	2,457
Total non-current assets		**6,635**	3,764
CURRENT ASSETS			
Held-to-maturity investments	16	**780**	780
Properties held for sale	17	**22,182**	22,320
Inventories	18	**–**	226
Trade and other receivables	19	**2,381**	2,635
Tax refundable		**191**	192
Cash and cash equivalents	20	**82,272**	96,148
		107,806	122,301
Assets held for sale	21	**–**	12,774
Total current assets		**107,806**	135,075
CURRENT LIABILITIES			
Trade and other payables	22	**3,279**	5,129
Convertible bond	25	**1,700**	1,695
		4,979	6,824
Liabilities directly associated with the assets held for sale	21	**–**	14,725
Total current liabilities		**4,979**	21,549
NET CURRENT ASSETS		**102,827**	113,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**109,462**	117,290
NON-CURRENT LIABILITIES			
Convertible bond	25	**64,374**	62,806
NET ASSETS		**45,088**	54,484
EQUITY			
Equity attributable to owners of the Company:			
Share capital	26	**34,433**	34,102
Reserves		**10,655**	20,382
TOTAL EQUITY		**45,088**	54,484

Approved by the Board of Directors on 21 June 2010

WU Siu Chung
Director

CHEN Xiaoping
Director

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**790**	1,106
Interests in subsidiaries	14	**54,535**	55,793
Available-for-sale financial assets	15	**5,504**	2,273
Total non-current assets		**60,829**	59,172
CURRENT ASSETS			
Interests in subsidiaries classified as discontinued operations	14	**–**	19,129
Other receivables	19	**915**	322
Cash and cash equivalents	20	**40,091**	53,874
Total current assets		**41,006**	73,325
CURRENT LIABILITIES			
Trade and other payables	22	**1,749**	1,867
Convertible bond	25	**1,700**	1,695
Total current liabilities		**3,449**	3,562
NET CURRENT ASSETS		**37,557**	69,763
TOTAL ASSETS LESS CURRENT LIABILITIES		**98,386**	128,935
NON-CURRENT LIABILITIES			
Convertible bond	25	**64,374**	62,806
NET ASSETS		**34,012**	66,129
EQUITY			
Share capital	26	**34,433**	34,102
Reserves	27	**(421)**	32,027
TOTAL EQUITY		**34,012**	66,129

Approved by the Board of Directors on 21 June 2010

WU Siu Chung
Director

CHEN Xiaoping
Director

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Equity component convertible bond HK$'000	Exchange reserve HK$'000	Contributed surplus reserve HK$'000 Note 27(a)	Employee share-based payment reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2009									
At 1 April 2008	34,102	10,063	–	–	8,667	131,166	4,087	(119,036)	69,049
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(17,876)	(17,876)
Other comprehensive income/(loss):									
Change in fair value of available-for-sale financial assets	–	–	(3,766)	–	–	–	–	–	(3,766)
Translation difference	–	–	–	–	1,650	–	–	–	1,650
Total comprehensive (loss)/income for the year	–	–	(3,766)	–	1,650	–	–	(17,876)	(19,992)
Transactions with owners:									
Equity-settled share-based transactions	–	–	–	–	–	–	798	–	798
Issuance of convertible bond	–	–	–	4,629	–	–	–	–	4,629
Total transactions with owners	–	–	–	4,629	–	–	798	–	5,427
At 31 March 2009	34,102	10,063	(3,766)	4,629	10,317	131,166	4,885	(136,912)	54,484
FOR THE YEAR ENDED 31 MARCH 2010									
At 1 April 2009	**34,102**	**10,063**	**(3,766)**	**4,629**	**10,317**	**131,166**	**4,885**	**(136,912)**	**54,484**
Comprehensive loss:									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,067)**	**(13,067)**
Other comprehensive income/(loss):									
Change in fair value of available-for-sale financial assets	**–**	**–**	**3,231**	**–**	**–**	**–**	**–**	**–**	**3,231**
Translation difference	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**–**	**(2)**
Total comprehensive (loss)/income for the year	**–**	**–**	**3,231**	**–**	**(2)**	**–**	**–**	**(13,067)**	**(9,838)**
Transactions with owners:									
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**–**	**91**	**–**	**91**
Exercise of share options	**331**	**20**	**–**	**–**	**–**	**–**	**–**	**–**	**351**
Total transactions with owners	**331**	**20**	**–**	**–**	**–**	**–**	**91**	**–**	**442**
At 31 March 2010	**34,433**	**10,083**	**(535)**	**4,629**	**10,315**	**131,166**	**4,976**	**(149,979)**	**45,088**

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(12,963)**	(15,667)
Adjustments for:		
Impairment on finished goods	**226**	—
Obsolete inventories written off	**—**	(132)
Depreciation	**362**	372
Impairment loss of trade receivables	**499**	455
Exchange difference	**—**	(285)
Gain on disposal of available-for-sale financial assets	**—**	(19)
Employee share option benefits	**91**	798
Gain on disposal of subsidiaries	**(2,561)**	—
Interest expenses	**3,285**	2,668
Interest income	**(669)**	(870)
Investment income	**(88)**	—
Operating loss before changes in working capital	**(11,818)**	(12,680)
Decrease in properties held for sale	**138**	3,448
Increase in inventories	**—**	(94)
Increase in trade and other receivables	**(245)**	(796)
Decrease in trade and other payables	**(1,850)**	(3,461)
Cash used in continuing operations	**(13,775)**	(13,583)
Income taxes paid	**(8)**	(1,033)
Net cash used in operating activities of continuing operations	**(13,783)**	(14,616)
Discontinued operations		
Cash used in operating activities	**(119)**	(37)
Income taxes paid	**—**	(61)
Net cash used in operating activities of discontinued operations	**(119)**	(98)
NET CASH USED IN OPERATING ACTIVITIES	**(13,902)**	(14,714)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries (Notes 7(b))	**594**	—
Interest received	**669**	870
Investment income	**88**	—
Purchases of property, plant and equipment	**(2)**	—
Investment in available-for-sale financial assets	**—**	(6,039)
Realisation of investment in assets held for sale	**—**	550
Net cash generated from/(used in) investing activities of continuing operations	**1,349**	(4,619)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
Discontinued operations		
Cash generated from investing activities	–	289
Net cash generated from investing activities of discontinued operations	–	289
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	1,349	(4,330)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(1,712)	(1,538)
Proceeds from issue of convertible bond	–	68,000
Proceeds from issue of shares	351	–
Net cash (used in)/generated from financing activities of continuing operations	(1,361)	66,462
Discontinued operations		
Cash generated from financing activities	–	143
Interest paid	–	(2)
Net cash generated from financing activities of discontinued operations	–	141
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(1,361)	66,603
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,914)	47,559
Effect of foreign exchange rate changes	(15)	1,650
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	96,201	46,992
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	82,272	96,201
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	82,272	96,148
Cash and bank balances attributable to assets of a disposal group classified as held for sale	–	53
	82,272	96,201

The notes on pages 27 to 75 form an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is 8A-B, Entertainment Building, 30 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities and details of the subsidiaries are set out in note 14 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs"), and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand unless otherwise stated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting year of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Impact of amendments and interpretations to existing standards effective as of 1 January 2009 and relevant to the Group

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

HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008

HKFRS 7 'Financial Instruments — Disclosures' (amendment) — effective 1 January 2009

The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

HKFRS 8 Operating Segments — effective 1 January 2009

The standard requires segment disclosure to be based on the way that the Group's chief operating decision makers regard and manage the Group, with amounts reported for each reportable segment being the measures reported to the Group's chief operating decision makers for the purposes of assessing segment performance and making decisions about operating matters. During the year ended 31 March 2010, the Group adopted HKFRS 8 which has no effect on the disclosures of the consolidated financial statements as the presentation of segment information in prior years, which was based on a disaggregation of the Group's financial statements into segments, has been prepared in a manner that was consistent with internal reporting provided to the Group's most senior executive management.

HKAS 1 (Revised) Presentation of Financial Statements — effective 1 January 2009

The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity; 'non-owner changes in equity' is required to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

HKFRSs (Amendments) Improvements to HKFRSs issued in 2008 — effective 1 January 2009

The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(b) Impact of standards, amendments and interpretations to existing standards that are not effective

The following new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for accounting periods beginning on or after 1 January 2010. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than the requirement to make certain additional disclosure.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Item[1]
HKAS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or before 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March with the exception of those excluded from consolidation as disclosed in note 34 to the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured at fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated statement of comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between the Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company, Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and the equity shareholders of the Company.

Disposals of non-controlling interests result in gains or losses for the Group and are recorded in the consolidated statement of comprehensive income. Purchases from non-controlling interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the Group entities operate (the "functional currency"), which include HK$ and Renminbi.

As the Company is listed in Hong Kong, for the convenience of the users of these consolidated financial statements, the results and financial position of the Group are expressed in HK$, the presentation currency for the consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(iii) Group entities

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each reporting period presented are translated at the closing rate at the date of that reporting period;

— income and expenses for each statement of comprehensive income presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When an item of property, plant and equipment is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets held for sale and discontinued operations".

Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses. Freehold land is stated at cost less accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of reporting period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in the consolidated statement of comprehensive income during the financial year in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, as follows:

— Furniture and fixtures	5 years
— Computer equipment	3 years
— Machinery	5-10 years
— Moulds	3-5 years
— Motor vehicles	5 years

Depreciation of leasehold buildings/improvements is calculated to write off their costs on the straight-line basis over the unexpired periods of the leases or their expected useful lives, whichever is shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within other revenue in the consolidated statement of comprehensive income.

When revalued assets are sold, the amounts included in other reserves are transferred to retained profits.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each financial year end.

Impairment testing of the investments in subsidiaries and an associate is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(f) Financial instruments

The Group classifies its financial instruments into different categories at inception, depending on the purpose for which the assets were acquired or the liabilities were incurred. The categories are: fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial instruments are measured initially at fair value, which normally will be equal to the transaction price, plus, in case of a financial asset or financial liability not held at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or issue of financial liability. Transaction costs on financial assets and financial liabilities designated at fair value through profit or loss are expensed immediately.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instruments. A regular way of purchase or sale of financial assets and financial liabilities designated at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets is recognised using trade date accounting. Other financial assets and financial liabilities are recognised using settlement date accounting. From these dates, any gains or losses arising from changes in fair value of the financial assets or financial liabilities are recorded.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated statement of comprehensive income.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated statement of comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(i) Loans and receivables

Loans and receivables including cash and bank balances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest method less any allowance for impairment. The effective interest amortisation is included in finance income in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives financial assets in listed and unlisted equity securities that are either designated as available-for-sale or are not classified in any of the other categories. At each financial report period end subsequent to initial recognition, available-for-sale financial assets are measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale financial assets revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of comprehensive income with other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the consolidated statement of comprehensive income and removed from the available-for-sale financial assets revaluation reserve.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated statement of comprehensive income as part of other income when the Group's right to receive payments is established.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are carried at amortised cost using the effective interest method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in finance income in the consolidated statement of comprehensive income. The loss arising from impairment is recognised in the consolidated statement of comprehensive income within finance costs.

(iv) Other financial liabilities

Financial liabilities including trade and other payables and convertible bonds are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments (net of any incentives received from the lessor) are expended in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(h) Non-current assets held for sale and discontinued operations

Non-current assets or disposal group are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the assets or disposal group are available for immediate sale in their present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal group classified as held for sale are measured at the lower of the assets' or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(i) Properties held for sale

Properties held for sale are initially measured at the carrying amount of the property at the date of reclassification from properties under development. Subsequently, the prepaid leasehold land component is stated at cost less accumulated amortisation and impairment losses; the building component is carried at the lower of cost and net realisable value. The amortisation of leasehold land is recognised in the consolidated statement of comprehensive income. Net realizable value is determined by reference to management estimates based on prevailing market conditions.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the standard costing method, which approximates actual cost and is arrived as follows:

Finished goods includes cost of direct materials, direct labour and related production overheads (based on nominal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses and where appropriate, the cost of conversion from their existing state to a finished condition.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and 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.

(n) Revenue recognition

Revenue comprises the fair value for the sale of goods, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Sales of properties held for sale

Sales of properties held for sale, where there is no pre-sale arrangement prior to completion of the development, are recognised on the execution of binding sale agreements entered into subsequent to the completion of the development.

Dividend income

Dividend income is recognised when the shareholders' rights to receive payment are established.

(o) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to end of reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(ii) Pension obligations

The Group operates a mandatory provident fund scheme ("MPF scheme") in Hong Kong for its employees in Hong Kong, the assets of which are held in separate trustee-administered funds. The Group's contributions to the MPF scheme are based on a fixed percentage of the employees' relevant income per month.

In accordance with the PRC regulations, the Group is required to pay social security contributions for its PRC staff based on certain percentage of their salaries to the social security plan organised by related governmental bodies ("PRC plan").

The Group has no further payment obligations once the contributions have been paid to the MPF scheme and PRC plan. The Group's contributions to the MPF scheme and PRC plan are recognised as employee benefit expense in the consolidated statement of comprehensive income when they are due.

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(iv) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expended over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated statement of comprehensive income and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Taxation

The tax expense for the year comprises current income tax and deferred income tax.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting period in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the end of reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, and associates, except where the timing of the reverse of the temporary differences is controlled by the group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(q) Related parties

A party is related to the Group if:

(i) 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;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

(vii) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation where, as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided regularly to the Group's chief operating decision-makers for the purpose of allocating resources to, and assessing performance of, the Group's various lines of business and geographical locations.

(t) Convertible bond

The component of convertible bond that exhibits characteristics of a liability is recognised as a liability in the consolidated statement of financial position, net of transactions cost. On issuance of convertible bond, 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 fist recognised.

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

(u) Events after the end of reporting period

Events after the end of reporting period that provide additional information about the Group's position at the end of reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the end of the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGMENT IN APPLYING POLICIES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated income tax (including land appreciation tax in the PRC)

The Group is subject to taxation mainly in the PRC. Significant estimates are required in determining the amount of the provision for tax and the timing of payment of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

(b) Impairment loss for doubtful debts

The Group maintains an allowance for doubtful debts for estimated losses resulting from the inability of the debtors to make required payments. The Group bases the estimates of future cash flows on the aging of the trade receivables balance, debtors' credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Write down of inventories

The Group performs regular review of the carrying amounts of inventories with reference to aged inventories analysis, expected future consumption and management judgment. Based on this review, write down of inventories will be made when the estimated net realisable value of inventories decline below the carrying amount. However, actual consumption may be different from estimation and the consolidated statement of comprehensive income could be affected by differences in this estimation.

6. TURNOVER AND OTHER REVENUES

	2010 **HK$'000**	2009 HK$'000
TURNOVER		
Continuing operations:		
— Sales of properties held for sale	**244**	4,799
— Sales of wine	**—**	222
	244	5,021
Discontinued operations:		
— Sales of wine	**—**	3,254
Total turnover	**244**	8,275
OTHER REVENUES		
Continuing operations:		
— Interest income	**669**	870
— Investment income	**88**	—
— Gain on disposal of available-for-sale financial assets	**—**	19
— Sundry income	**199**	392
Total other revenues	**956**	1,281
Total turnover and other revenues	**1,200**	9,556

7. DISCONTINUED OPERATIONS

On 26 March 2009, the Company entered into an agreement to sell its entire interests in South Perfect International Limited, a company which directly held 55% equity interests in Qingdao Fushiwang Grape Wine Co., Limited ("QFGW") (collectively, the "SPI Group"), at a consideration of HK$1,600,000. The SPI Group was principally engaged in manufacturing and trading of wine products. The disposal was completed on 13 May 2009. The Group's another subsidiary, Qingdao Southeast Commercial Limited ("QSC"), which carried on the trading of wine products, was put into voluntary liquidation following completion of the disposal. QSC was de-registered on 21 January 2010. Accordingly, the results of the manufacturing and trading of wine products attributable to the aforementioned subsidiaries were presented as discontinued operations in accordance with HKFRS 5 ("Non-current assets held for sale and discontinued operations").

7. DISCONTINUED OPERATIONS (continued)

(a) Results of the discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income are as follows:

	2010 HK$'000	2009 HK$'000
Turnover	30	3,254
Cost of inventories sold	–	(3,100)
Gross profit	30	154
Other revenues	–	1
Selling and distribution costs	(5)	(756)
Administrative expenses	(121)	(342)
Loss from operations	(96)	(943)
Finance costs	–	(2)
Loss before taxation	(96)	(945)
Taxation	–	–
Loss for the year from discontinued operations	(96)	(945)

(b) Gain on disposal of subsidiaries

Net gain on disposal of subsidiaries is provided below:

	2010 HK$'000	2009 HK$'000
Consideration	1,600	–
Net liabilities associated with the disposal of subsidiaries	1,920	–
	3,520	–
Other expenses	(959)	–
Net gain on disposal	2,561	–
Net cash inflow arising on disposal:		
Cash consideration	1,600	–
Less: Cash and bank balances disposed	(47)	–
Other expenses	(959)	–
	594	–

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations:		
Interest expenses on convertible bond	**3,272**	2,663
Others	**13**	5
	3,285	2,668
Discontinued operations:		
Others	**—**	2
Total	**3,285**	2,670

9. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging and (crediting):

	2010 HK$'000	2009 HK$'000
Auditors' remuneration		
— Current year	**185**	200
— Under-provision for prior year	**17**	21
	202	221
Impairment loss of trade receivables	**499**	455
Cost of inventories sold	**150**	4,405
Depreciation	**362**	372
Impairment on finished goods	**226**	—
Net exchange gain	**—**	(285)
Operating lease payments	**2,194**	2,367
Employee benefits expenses (excluding directors' remuneration)		
— Salaries and allowance	**2,621**	2,499
— Retirement benefit schemes contribution	**132**	148

10. TAXATION

(a) Taxation in the consolidated statement of comprehensive income represents:

	2010 HK$'000	2009 HK$'000
The PRC income tax		
— Provision for the year	8	222
— Under-provision for prior year	–	1,042
Total	8	1,264

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2009: Nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC corporate income tax rate of 25% (2009: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

(b) At 31 March 2010, the Group had no outstanding income tax payable (2009: Nil).

(c) Reconciliation between total tax expenses and loss before taxation of the Group at the applicable tax rates are as follows:

	2010 HK$'000	2009 HK$'000
Loss before taxation from continuing operations	(12,963)	(15,667)
Tax calculated at the applicable tax rates	(2,361)	(7,144)
Tax effect of non-taxable income	(3,767)	(4)
Tax loss not recognised	6,136	8,341
Tax effect on utilisation of tax losses not previously recognised	–	71
Total tax expenses	8	1,264

(d) At the end of reporting period, the Group has unused tax losses that are available indefinitely for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

As at 31 March 2010 and 2009, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Included in the loss of HK$13,067,000 (2009: HK$17,876,000) attributable to the owners of the Company was the loss of HK$35,790,000 (2009: HK$14,613,000) which has been dealt with in the Company's own accounts.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year of approximately HK$13,067,000 (2009: loss of approximately HK$17,876,000) which comprises the loss from continuing operations of approximately HK$12,971,000 (2009: loss of approximately HK$16,931,000) and the loss from discontinued operations of approximately HK$96,000 (2009: loss of approximately HK$945,000) and on the weighted average of 343,456,620 (2009: 341,020,880) shares in issue during the year. The weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation of discontinued operations is 421,750,366 (2009: 413,811,620). No diluted loss per share has been presented as the exercise of the Company's outstanding share options and convertible bond would result in a decrease in loss per share for the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2010 and 31 March 2009.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings held for own use HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Machinery and moulds HK$'000	Motor vehicles HK$'000	Sub-total HK$'000	Interest in leasehold land held for own use under operating leases HK$'000	Total HK$'000
AT COST									
At 1 April 2008	6,801	237	141	77	15,906	3,135	26,297	2,749	29,046
Exchange adjustments	421	–	4	–	3,818	7	4,250	75	4,325
Additions	63	–	–	–	18	–	81	15	96
Disposals	–	(237)	(30)	(52)	–	(1,250)	(1,569)	–	(1,569)
Transfer to assets held for sale	(7,285)	–	–	(25)	(19,742)	–	(27,052)	(2,839)	(29,891)
At 31 March 2009	–	–	115	–	–	1,892	2,007	–	2,007
Additions	**–**	**–**	**–**	**2**	**–**	**–**	**2**	**–**	**2**
At 31 March 2010	**–**	**–**	**115**	**2**	**–**	**1,892**	**2,009**	**–**	**2,009**
ACCUMULATED DEPRECIATION									
At 1 April 2008	969	237	98	59	13,645	1,056	16,064	290	16,354
Exchange adjustments	306	–	3	–	1,096	3	1,408	15	1,423
Charge for the year	143	–	19	6	1,922	366	2,456	254	2,710
Written back on disposals	–	(237)	(30)	(52)	–	(815)	(1,134)	–	(1,134)
Transfer to assets held for sale	(1,418)	–	–	(13)	(16,663)	–	(18,094)	(559)	(18,653)
At 31 March 2009	–	–	90	–	–	610	700	–	700
Charge for the year	**–**	**–**	**9**	**–**	**–**	**353**	**362**	**–**	**362**
At 31 March 2010	**–**	**–**	**99**	**–**	**–**	**963**	**1,062**	**–**	**1,062**
NET BOOK VALUE									
At 31 March 2010	**–**	**–**	**16**	**2**	**–**	**929**	**947**	**–**	**947**
At 31 March 2009	–	–	25	–	–	1,282	1,307	–	1,307

At 31 March 2009, all land and buildings situated in the PRC with net book value of HK$8,147,000 of the Group were held by the subsidiary, QFGW and were pledged as security for a bank loan. According to note 21 to the consolidated financial statements, the land and buildings and the associated bank loan were classified as assets held for sale at 31 March 2009. During the year, they were derecognised upon discontinuation of the operation of manufacturing and trading of wine products.

Depreciation expenses of HK$362,000 (2009: HK$372,000 and HK$2,338,000 has been charged in administrative expenses from continuing operations and discontinued operations respectively) has been charged in administrative expenses from continuing operations.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Company

	Motor vehicle HK$'000
COST	
At 1 April 2008, 31 March 2009 and 31 March 2010	**1,580**
ACCUMULATED DEPRECIATION	
At 1 April 2008	158
Charge for the year	316
At 31 March 2009	474
Charge for the year	**316**
At 31 March 2010	**790**
NET BOOK VALUE	
At 31 March 2010	**790**
At 31 March 2009	1,106

14. INTERESTS IN SUBSIDIARIES AND INTERESTS IN SUBSIDIARIES CLASSIFIED AS DISCONTINUED OPERATIONS

(a) Interests in subsidiaries

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**52,925**	52,925
Amounts due from subsidiaries	**133,224**	131,680
Less: Provision for impairment#	**(131,614)**	(128,812)
	54,535	55,793

An impairment was recognised during the years ended 31 March 2010 and 2009 due to prolonged loss making of these subsidiaries.

The amounts due are unsecured, interest free and repayable on demand.

14. INTERESTS IN SUBSIDIARIES AND INTERESTS IN SUBSIDIARIES CLASSIFIED AS DISCONTINUED OPERATIONS (continued)

(a) Interests in subsidiaries (continued)

The following is a summary of the principal subsidiaries of the Company that, in the opinion of the directors, were significant in relation to the results of the year or formed a portion of the net assets of the Group as at 31 March 2010:

Direct subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity interests attributable to the Company 2010	2009	Principal activities
Benelux Property Development (Shanghai) Limited ("BPD")	The PRC	US$5,000,000	**100%**	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	**100%**	100%	Inactive
Sunshine Universal Development Limited	The British Virgin Islands/Hong Kong	US$1	**100%**	100%	Trading of securities
Happy Universal Investment Limited	The British Virgin Islands/Hong Kong	US$1	**100%**	100%	Investment holding
South East Property (Shandong) Limited	The PRC	RMB15,000,000	**100%**	100%	Property development
Perfect Gold Investments Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Inactive

Indirect subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Effective equity interest 2010	2009	Principal activities
Benelux International Electronics Co., Limited	The PRC	US$10,000,000	**100%**	100%	In the process of voluntary winding up
Shanghai Kaiyuen Computer Company Limited (Note)	The PRC	RMB500,000	**100%**	100%	Trading of data storage media products and computer accessories

None of the subsidiaries had issued any debt securities at 31 March 2010 or at any time during the year.

Note: The capital of the subsidiary is held by two staff members of the subsidiary for and on behalf of the Group.

14. INTERESTS IN SUBSIDIARIES AND INTERESTS IN SUBSIDIARIES CLASSIFIED AS DISCONTINUED OPERATIONS (continued)

(b) Interests in subsidiaries classified as discontinued operations

	2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	–	2
Amount due from a subsidiary	–	19,127
	–	19,129

The amount due is unsecured, interest free and repayable on demand.

Particulars of the interests in subsidiaries classified as discontinued operations:

Direct subsidiaries	**Place of incorporation/ operation**	**Nominal value of issued ordinary share/registered paid-up capital**	**Percentage of equity interests attributable to the Company 2010**	**2009**	**Principal activities**
South Perfect International Limited (Note)	Hong Kong	Ordinary HK$2	–	100%	Investment in a winery in the PRC

Indirect subsidiary	**Place of incorporation/ operation**	**Issued and fully paid-up capital or capital contribution**	**Effective equity interest 2010**	**2009**	**Principal activities**
Qingdao Fushiwang Grape Wine Co. Limited (Note)	The PRC	US$3,890,000	–	55%	Wine production and distribution
Qingdao Southeast Commercial Limited (Note)	The PRC	RMB500,000	–	100%	Trading of wine products

Note: According to note 21(b) to the consolidated financial statements, the interests in subsidiaries are classified as discontinued operations at 31 March 2010 and 2009.

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK$'000	2009 HK$'000
Group		
Listed equity investments in Hong Kong, at market value (Note (a))	**5,504**	2,273
Unlisted equity investments, at cost (Note (b))	**1,950**	1,950
Less: Impairment loss (Note (b))	**(1,766)**	(1,766)
	5,688	2,457
Company		
Listed equity investments in Hong Kong, at market value (Note (a))	**5,504**	2,273

All available-for-sale financial assets are held with the intention for a continuing strategic or long-term purpose.

Notes:
(a) The fair value of listed shares is based on quoted market price.
(b) Unlisted equity shares is carried at the cost of HK$1,950,000 less impairment of HK$1,766,000, on accounts that there is no quoted market price in an active market for the shares, the fair value cannot be reliably measured.

16. HELD-TO-MATURITY INVESTMENTS

	2010 HK$'000	2009 HK$'000
Group		
Promissory note	**780**	780

The promissory note represents unlisted securities which bear interest at 5% per annum and which were due to mature in March 2008, the maturity date has been continuously extended until 15 December 2010. Interest accrued on the promissory note has been fully paid when become due.

17. PROPERTIES HELD FOR SALE

Properties held for sale comprise of car parking units and developed commercial properties in the PRC.

The costs of properties held for sale are analysed as follows:

	2010 HK$'000	2009 HK$'000
Group		
Land cost	**5,988**	6,026
Development cost	**16,194**	16,294
	22,182	22,320

17. PROPERTIES HELD FOR SALE (continued)

Particulars of the properties held for sale are as follows:

Project name	Approximate site area Sq.m.	Completed GFA Sq.m.	Land use	Development status	Interest held by Group
山東鄒平縣經濟開發區	10,292	16,558	Commercial	Completed construction	100%
上海浦東錦華東南苑	32,268	47,471	Car park	Completed construction	100%

18. INVENTORIES

	2010 HK$'000	2009 HK$'000
Group		
Finished goods	**226**	226
Less: Provision for impairment	**(226)**	—
Finished goods, net of provision	**—**	226

Inventories with carrying amount of HK$881,000 at 31 March 2009 attributable to the SPI Group classified as held for sale were separately reclassified and disclosed in note 21(b). The remaining inventories amounting to HK$226,000 (2009: HK$226,000) held by the Group at the end of reporting period were completely impaired.

19. TRADE AND OTHER RECEIVABLES

	2010 HK$'000	2009 HK$'000
Group		
Trade receivables	**2,135**	2,413
Less: Provision for impairment	**(796)**	(297)
Trade receivables, net of provision	**1,339**	2,116
Deposit and other receivables	**648**	162
Maximum exposure to credit risk	**1,987**	2,278
Prepayment	**394**	357
	2,381	2,635
Company		
Other receivables	**553**	30
Prepayments	**362**	292
	915	322

The carrying amounts of trade and other receivables approximate their fair values as at 31 March 2010 and 2009. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES (continued)

At the end of reporting period, the aging analysis of trade receivables, based on the invoice issue date, is as follows:

	2010 HK$'000	2009 HK$'000
Group		
Current to 1 month	–	97
1 to 3 months	–	949
Over 3 months	2,135	1,367
	2,135	2,413

As of 31 March 2010, trade receivables of HK$1,339,000 (2009: HK$2,116,000) were past due but not impaired. These relate to a number of independent customers for whom there was no recent history of default. The aging analysis of these receivables is as follows:

	2010 HK$'000	2009 HK$'000
Past due less than 1 month	–	97
Past due 1 to 3 months	–	949
Past due over 3 months	1,339	1,070
Trade receivables	1,339	2,116

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

	2010 HK$'000	2009 HK$'000
Group		
At 1 April	297	6,668
Provision for impairment of trade receivables	499	455
Receivables written off during the year as uncollectible	–	(6,826)
At 31 March	796	297

The creation and release of provision for impaired receivables have been included in administrative and operating expenses in the consolidated statement of comprehensive income. Amounts charged to the provision account are written off when there is no expectation of recovering additional cash.

19. TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Group		
Renminbi	**1,461**	2,304
Hong Kong dollars	**920**	331
	2,381	2,635
Company		
Hong Kong dollars	**915**	322

20. CASH AND CASH EQUIVALENTS

	2010 HK$'000	2009 HK$'000
Group		
Cash and bank balances	**82,272**	96,148
Maximum exposure to credit risk	**82,252**	95,040
Company		
Cash and bank balances	**40,091**	53,874
Maximum exposure to credit risk	**40,087**	53,871

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Group		
Renminbi	**41,760**	41,856
Hong Kong dollars	**40,362**	54,184
Others	**150**	108
	82,272	96,148

20. CASH AND CASH EQUIVALENTS (continued)

The carrying amounts of cash and cash equivalents are denominated in the following currencies: (continued)

	2010 HK$'000	2009 HK$'000
Company		
Hong Kong dollars	**39,978**	53,800
United States dollars	**113**	74
	40,091	53,874

21. ASSETS HELD FOR SALE

(a) Interests in joint venture

The interest in the joint venture, Shandong Zouping South East Yi Lian Property Company Limited ("SEYL"), was held by South East Property (Shandong) Limited ("SEP"), a wholly owned subsidiary of the Group. SEP acquired a piece of land, divided into residential and commercial properties, in Zouping, Shandong, the PRC for property development. The commercial property has been developed for sale while the residential property has not been developed since its acquisition. No turnover and profits attributable to the residential property have been recorded.

On 1 June 2006, the directors resolved to dispose of the residential property. A transfer agreement was signed on 31 July 2006. Pursuant to the agreement, a jointly controlled entity, SEYL, was incorporated on 23 August 2006 to facilitate the transfer of the title to the residential property. SEP transferred the residential property to SEYL and received progress payment in September 2006. According to the agreement, SEP would release its 50% equity interest in SEYL after the consideration is received in full.

On 9 July 2007, SEP entered into a supplementary agreement pursuant to which SEP would receive the remaining RMB7,800,000 by two installments for the remaining 50% in SEYL. Both installments had been received by 31 March 2009 and the entire interest in the joint venture had been disposed.

21. ASSETS HELD FOR SALE (continued)

(b) Wine business associated with discontinued operations

According to note 7 to the consolidated financial statements, the major classes of assets and liabilities classified as assets held for sale as at 31 March were as follows:

	2010 HK$'000	2009 HK$'000
ASSETS		
Property, plant and equipment	–	8,958
Interest in leasehold land and held for own use	–	2,280
Inventories	–	881
Trade and other receivables	–	353
Tax refundable	–	249
Cash and cash equivalents	–	53
Assets of discontinued operations classified as assets held for sale	–	12,774
LIABILITIES		
Trade and other payables	–	9,357
Bank loans and borrowings	–	5,368
Liabilities directly associated with the assets classified as assets held for sale	–	14,725
Net liabilities directly associated with discontinued operations	–	(1,951)

22. TRADE AND OTHER PAYABLES

	2010 HK$'000	2009 HK$'000
Group		
Trade payables	**498**	864
Other payables and accruals	**2,781**	4,265
	3,279	5,129
Company		
Other payables and accruals	**1,749**	1,867

22. TRADE AND OTHER PAYABLES (continued)

The carrying amounts of the Group's trade and other payables approximate their fair values as at 31 March 2010 and 2009 and are denominated in the following currencies:

	2010 HK$'000	2009 HK$'000
Group		
Hong Kong dollars	**2,031**	2,149
Renminbi	**1,248**	2,980
	3,279	5,129

The carrying amounts of the Company's other payables and accruals approximate their fair values as at 31 March 2010 and 2009 and are denominated in Hong Kong dollars.

At the end of reporting period, the aging analysis of trade payables of the Group, based on the invoice issue date, is as follows:

	2010 HK$'000	2009 HK$'000
Group		
Over 3 months	**498**	864
	498	864

23. BANK LOANS AND BORROWINGS

As at 31 March 2010, the Group had no bank loans and borrowings (2009: HK$5,368,000 as described in note 21(b) to the consolidated financial statements).

24. PLEDGE OF ASSETS

At 31 March 2010, no assets were pledged (2009: land and buildings of HK$8,147,000) to secure the general banking facilities and bank loan granted to the Group.

25. CONVERTIBLE BOND

On 7 May 2008, the Company issued a convertible bond, at a coupon rate of 2.5% per annum, with a nominal value of HK$68,000,000 (the "Convertible Bond"). The Convertible Bond is convertible at the option of the bond holders into ordinary shares of the Company at a price of HK$1.03 per share on or before 7 May 2011 (the "Maturity Date"). If not converted, the Convertible Bond is redeemable at the nominal value of HK$68,000,000 on the Maturity Date.

25. CONVERTIBLE BOND (continued)

The Convertible Bond issued has been split as to the liability and equity component and movement of the Convertible Bond is as follows:

Group and Company

	2010 HK$'000	2009 HK$'000
Nominal value of the Convertible Bond	**68,000**	68,000
Equity component	**(4,629)**	(4,629)
Liability component		
— Liability component at 1 April 2009/7 May 2008	**63,371**	63,371
— Interest expenses for the year	**2,703**	1,130
Total liability component	**66,074**	64,501
Analysis into		
— Current liabilities	**1,700**	1,695
— Non-current liabilities	**64,374**	62,806
	66,074	64,501

26. SHARE CAPITAL

	Number of shares		Share capital	
	2010 '000	2009 '000	**2010 HK$'000**	2009 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
Balance at the beginning and at the end of the year	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
Balance at the beginning of the year	**341,021**	341,021	**34,102**	34,102
Share options exercised	**3,305**	—	**331**	—
Balance at the end of the year	**344,326**	341,021	**34,433**	34,102

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movement therein for the current and prior years are presented in the consolidated statement of changes in equity on page 24 of the consolidated financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange therefor.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are registered in the PRC has been transferred to reserve funds which are restricted as to use.

(b) Company

	Share premium HK$'000 (note (i))	Available-for-sale financial assets revaluation reserve HK$'000	Equity component convertible bond HK$'000	Employee share-based payment reserve HK$'000 (note (ii))	Contributed surplus reserve HK$'000	Other reserve HK$'000 (note (iii))	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2009								
At 1 April 2008, as restated	10,063	–	–	4,087	131,166	26,789	(127,126)	44,979
Comprehensive loss:								
Loss for the year	–	–	–	–	–	–	(14,613)	(14,613)
Other comprehensive loss:								
Change in fair value of available-for-sale financial assets	–	(3,766)	–	–	–	–	–	(3,766)
Total comprehensive loss	–	(3,766)	–	–	–	–	(14,613)	(18,379)
Transactions with owners:								
Equity-settled share-based transactions	–	–	–	798	–	–	–	798
Issuance of convertible bond	–	–	4,629	–	–	–	–	4,629
Total transactions with owners	–	–	4,629	798	–	–	–	5,427
At 31 March 2009	10,063	(3,766)	4,629	4,885	131,166	26,789	(141,739)	32,027
FOR THE YEAR ENDED 31 MARCH 2010								
At 1 April 2009	**10,063**	**(3,766)**	**4,629**	**4,885**	**131,166**	**26,789**	**(141,739)**	**32,027**
Comprehensive loss:								
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(35,790)**	**(35,790)**
Other comprehensive income:								
Change in fair value of available-for-sale financial assets	**–**	**3,231**	**–**	**–**	**–**	**–**	**–**	**3,231**
Total comprehensive income/(loss)	**–**	**3,231**	**–**	**–**	**–**	**–**	**(35,790)**	**(32,559)**
Transactions with owners:								
Equity-settled share-based transactions	**–**	**–**	**–**	**91**	**–**	**–**	**–**	**91**
Exercise of share options	**20**	**–**	**–**	**–**	**–**	**–**	**–**	**20**
Total transactions with owners	**20**	**–**	**–**	**91**	**–**	**–**	**–**	**111**
At 31 March 2010	**10,083**	**(535)**	**4,629**	**4,976**	**131,166**	**26,789**	**(177,529)**	**(421)**

27. RESERVES (continued)

(b) Company (continued)

Note:

Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on repurchase of shares.

(ii) Employee share-based payment reserve

The employee share-based payment reserve comprised the fair value of share options granted which were yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 4 to the consolidated financial statements.

(iii) Other reserve

The other reserve of the Company represents the net balance arising from the transfer of the share premium account of the Company and the credit balance from the reduction of capital after elimination with accumulated losses of the Company brought forward and transfer to the contributed surplus account pursuant to the Capital Reorganisation Scheme implemented during the year ended 31 March 2002.

28. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme") was adopted pursuant to a shareholders' resolution passed on 7 November 2003. The following is a summary of the Scheme adopted:

(a) Purpose

The purpose of the Scheme is to provide incentives or rewards to certain eligible participants for their contribution or potential contribution to the growth and development of the Company.

(b) Participants

Eligible participants of the Scheme include employees or officers (including executive directors), non-executive directors (including independent non-executive directors), suppliers, customers, consultants or advisors, and securities holders of the Company, as to be determined by the Board at its absolute discretion within the categories.

(c) Total number of shares available for issue

The maximum numbers of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes adopted by the Company must not in aggregate exceed 30% of the shares in issue from time to time. The total number of shares which may be issued upon the exercise of all options to be granted under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the shares of the Company in issue as at 7 November 2003, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the Scheme.

28. SHARE OPTION SCHEME (continued)

(d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the share options granted under the Scheme and any other share option schemes of the Company to each participant in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates must not exceed 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each grant) in excess of HK$5 million, within any 12-month period up to and including the date of such grant.

Subject to separate approval by the shareholders in general meeting with the relevant participant and his associates (as defined in the Listing Rules) abstaining from voting provided the Company shall issue a circular to shareholders before such approval is sought, the Company may grant options to a participant which would exceed this limit.

(e) Option period

The option period within which the shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

(f) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an option must be held before it can be exercised shall be determined by the Board in its absolute discretion. The Scheme itself does not specify any minimum holding period.

(g) Payment on acceptance of the option

HK$10 is payable by the grantee to the Company on acceptance of the option offer. An offer must be accepted within 28 days from the date of grant.

(h) Basis of determining the exercise price

The exercise price shall be determined by the Board in its absolute discretion at the time of the grant but shall not be less than the higher of: (i) the closing price of the shares on the date of grant; (ii) the average closing prices of the shares for the 5 business days immediately preceding the date of grant; and (iii) the par value of a share.

(i) Remaining life of the scheme

The life of the Scheme is 10 years commencing on the Adoption Date and will expire on 6 November 2013.

28. SHARE OPTION SCHEME (continued)

(j) Estimated fair value of share options

The estimated fair value of the share options granted to employees on 18 December 2003, 16 April 2007 and 23 January 2008 are measured based on binomial lattice model. The variables input into the model are as follows:

The Group recognised a total expense of HK$91,000 for the year (2009: HK$798,000) in relation to share options granted by the Company.

The share options exercised during the year resulted in the issue of 3,305,000 new ordinary shares of the Company and an increase in issued share capital of HK$330,500 and a share premium of HK$19,830.

Fair value of share options and assumptions:

Fair value at measurement date	HK$0.73
Share price	HK$1.11
Exercise price	HK$1.2
Expected volatility	101.9%
Option life	3 years
Expected dividends	0%
Risk-free interest rate	1.89%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received.

The following share options were outstanding under the Scheme during the year:

	2010		2009	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 April	**0.3839**	**22,608**	0.3839	22,608
Exercised during the year	**0.1060**	**(3,305)**	—	—
At 31 March	**0.4315**	**19,303**	0.3839	22,608

28. SHARE OPTION SCHEME (continued)

(j) Estimated fair value of share options (continued)

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

2010

	Number of options '000	Exercise price per share HK$	Exercisable period
	323	**0.106**	**18-Dec-04 to 17-Dec-14**
	3,965	**0.106**	**18-Dec-05 to 17-Dec-15**
	3,305	**0.177**	**1-Nov-07 to 31-Oct-10**
	4,300	**1.200**	**23-Jan-08 to 22-Jan-11**
	3,305	**0.177**	**1-Nov-08 to 31-Oct-11**
	800	**1.200**	**23-Jan-09 to 22-Jan-12**
	3,305	**0.177**	**1-Nov-09 to 31-Oct-12**
	19,303		
Weighted average exercise price per share		**0.4315**	

2009

	Number of options '000	Exercise price per share HK$	Exercisable period
	3,628	0.106	18-Dec-04 to 17-Dec-14
	3,965	0.106	18-Dec-05 to 17-Dec-15
	3,305	0.177	1-Nov-07 to 31-Oct-10
	4,300	1.200	23-Jan-08 to 22-Jan-11
	3,305	0.177	1-Nov-08 to 31-Oct-11
	800	1.200	23-Jan-09 to 22-Jan-12
	3,305	0.177	1-Nov-09 to 31-Oct-12
	22,608		
Weighted average exercise price per share		0.3839	

29. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

29. CAPITAL RISK MANAGEMENT (continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-equity ratio. For this purpose the Group defines net debt as total liabilities less cash and cash equivalents.

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. In view of the excess of cash and cash equivalents over total debts for the years ended 31 March 2010 and 2009, the directors did not find it necessary to restructure its share capital or adjust its total debts of the Group.

The debt-to-equity ratio at 31 March 2010 and 2009 were as follows

	The Group	
	2010	2009
	HK$'000	HK$'000
LIABILITIES		
Trade and other payables	**3,279**	5,129
Convertible bond	**66,074**	64,501
Total debts	**69,353**	69,630
Less: cash and cash equivalents (Limited to total debts)	**(69,353)**	(69,630)
Net debt	**—**	—
Total equity	**45,088**	54,484
Net debt-to-equity ratio	**N/A**	N/A

Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirement. As such, the directors do not have a separate capital risk management strategy for the Company. The net debt to equity ratio relating to the Company is not separately disclosed.

30. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The aggregate amounts of emoluments of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the Listing Rules were as follows:

	2010	2009
	HK$'000	HK$'000
Fees — non-executive directors	**600**	600
Salaries, allowances and benefits in kind	**2,730**	2,730
Retirement benefit schemes contribution	**24**	24
	3,354	3,354

30. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The numbers of directors whose emoluments fall within the following bands are as follows:

	Number of directors 2010	2009
Up to HK$1,000,000	**5**	5
HK$1,000,001 — HK$1,500,000	**1**	1
HK$1,500,001 — HK$2,000,000	**1**	1

The emoluments of each director, on a named basis, for the year ended 31 March 2010 were set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit schemes contribution HK$'000	Total HK$'000
Executive Directors				
WU Siu Chung	**—**	**1,560**	**12**	**1,572**
CHEN Xiaoping	**—**	**1,170**	**12**	**1,182**
Non-Executive Directors				
CHEN Yuan Shou, Budiman	**120**	**—**	**—**	**120**
Eduard William Rudolf Helmuth WILL	**120**	**—**	**—**	**120**
Independent Non-Executive Directors				
LO Yuk Lam	**120**	**—**	**—**	**120**
WONG Kam Wah	**120**	**—**	**—**	**120**
David R. PETERSON	**120**	**—**	**—**	**120**
	600	**2,730**	**24**	**3,354**

The emoluments of each director, on a named basis, for the year ended 31 March 2009 were set out below:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit schemes contribution HK$'000	Total HK$'000
Executive Directors				
WU Siu Chung	—	1,560	12	1,572
CHEN Xiaoping	—	1,170	12	1,182
Non-Executive Directors				
CHEN Yuan Shou, Budiman	120	—	—	120
Eduard William Rudolf Helmuth WILL	120	—	—	120
Independent Non-Executive Directors				
LO Yuk Lam	120	—	—	120
WONG Kam Wah	120	—	—	120
David R. PETERSON	120	—	—	120
	600	2,730	24	3,354

30. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the years ended 31 March 2010 and 2009, there was no arrangement under which a director waived or agreed to waive any remuneration. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, the directors are entitled to the following share option scheme:

Participants	Date of Grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 April 2009	Granted during the year	Exercised during the year	At 31 March 2010
Directors							
WU Siu Chung	23/01/2008	23/01/2008 - 22/01/2011	1.200	3,000,000	–	–	3,000,000
	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	800,000
				3,800,000	**–**	**–**	**3,800,000**
CHEN Xiaoping	23/01/2008	23/01/2008 - 22/01/2011	1.200	**500,000**	**–**	**–**	**500,000**
Eduard William Rudolf Helmuth WILL	23/01/2008	23/01/2008 - 22/01/2011	1.200	**200,000**	**–**	**–**	**200,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2004 - 17/12/2014	0.106	3,305,000	–	(3,305,000)	–
	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2007 - 31/10/2010	0.177	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	–	3,305,000
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	3,305,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				16,725,000	**–**	**(3,305,000)**	**13,420,000**
LO Yuk Lam	18/12/2003	18/12/2004 - 17/12/2014	0.106	323,000	–	–	323,000
	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				853,000	**–**	**–**	**853,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	200,000
				530,000	**–**	**–**	**530,000**
Total				**22,608,000**	**–**	**(3,305,000)**	**19,303,000**

The five individuals whose emoluments were the highest in the Group for the year included two directors (2009: two directors) whose emoluments have already been disclosed in the analysis presented above.

30. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the remaining three highest paid employees fall into the following bands:

	Number of individuals 2010	2009
Up to HK$1,000,000	**3**	3

The details of the emoluments payable to the remaining three (2009: three) non-director, highest paid employees were as follows:

	2010 HK$'000	2009 HK$'000
Salaries, allowances and benefits in kind	**1,281**	1,281
Retirement benefit schemes contribution	**36**	36
	1,317	1,317

31. CONTINGENT LIABILITIES

(a) Guarantee in respect of indebtedness of a subsidiary

This is the purported guarantee which came to the attention of the directors with respect of the alleged indebtedness of a subsidiary as disclosed in note 33 to the consolidated financial statements.

The Group denies any liability to the sub-contractor and/or the other party under the purported guarantee but, out of prudence, the directors of the Group had made a decision to treat the purported guarantee as a contingent liability in the consolidated financial statements in the previous years. In light of the making of final judgment by the court in June 2008 in favour of the Company, it was considered that significant obligations of the Group were unlikely to materialise. For more details of the litigation, please refer to note 33 to the consolidated financial statements.

(b) Guarantee for securities trading of a subsidiary

In October 2008, the subsidiary concerned closed the securities trading account (with margin trading facility) maintained with a securities firm. The guarantee granted by the Company in favour of the securities firm for obligations of the subsidiary that may have in relation to the securities trading account for up to an aggregate total of HK$1,000,000 lapsed accordingly.

32. OPERATING LEASE ARRANGEMENT

At 31 March 2010 and 2009, the Group had the total future minimum lease payments under non-cancellable operating leases with respect of office premises as follows:

	2010 HK$'000	2009 HK$'000
Group		
Not later than one year	**2,022**	302
Within the second to fifth year inclusive	**523**	—
	2,545	302
Company		
Not later than one year	**1,082**	—
Within the second to fifth year inclusive	**523**	—
	1,605	—

33. LITIGATION

As reported in previous years, a claim was brought in July 1998 against Benelux Manufacturing Limited (In Liquidation) ("BML"), a company in which the Company has a direct wholly owned interest but not treated as a subsidiary, by its sub-contractor, Shenzhen Benelux Enterprise Co., Limited ("SBEC"), alleging that BML was liable for the payment of approximately HK$38 million, comprising charges in connection with the processing and assembling work rendered by SBEC and the breach of an alleged loan agreement relating to certain alleged letters of credit. SBEC further alleged that the Company had granted a guarantee to SBEC in respect of the alleged BML's indebtedness to SBEC (the "Purported Guarantee") in/around January 1999. Notwithstanding the allegation, SBEC has not initiated any proceedings against the Company based on the Purported Guarantee. BML was put into compulsory liquidation on 28 April 2000.

The directors, after seeking legal advice, were of the opinion that the liquidation of BML would not have a material adverse effect on the Group. The investments in BML and the amounts due from BML brought forward had been fully provided for in the previous years.

On 9 March 2005, the Company received a writ of summons served by Shenzhen Intermediate People's Court ("Shenzhen Intermediate Court"). The claimant 深圳市中朗科技發有限公司 ("SZL") claimed to have the right over the alleged BML's indebtedness to SBEC and the Purported Guarantee. SZL alleged that BML was liable to it in the amount of approximately HK$36 million and the Company was also liable to the joint and several liabilities thereof.

In April 2006, SZL filed a claim for an additional amount of approximately RMB35 million as accrued interest in respect of the alleged indebtedness over the years, making the total amount being claimed at approximately HK$72 million.

33. LITIGATION (continued)

On 10 October 2007, the Company received a judgment awarded by Shenzhen Intermediate Court, in which the claims under the litigation lodged by SZL against the Company for undertaking the joint and several liabilities in relation to the alleged BML's indebtedness and the interest accrued thereon were dismissed. SZL then lodged an appeal to Guangdong High People's Court ("Guangdong High Court") to seek to revoke the first instance judgment made by Shenzhen Intermediate Court. Guangdong High Court made a final judgment on 30 June 2008 (according to the date set out in the final judgment) and served upon the Company on 14 August 2008. The final judgment maintained the original judgment awarded by Shenzhen Intermediate Court and dismissed the claim of SZL.

As advised by the Company's PRC lawyers, according to the relevant regulations of the Civil Procedure Law of the PRC (the "Civil Procedure Law"), after the first instance trial by Shenzhen Intermediate Court and the second trial by Guangdong High Court, the judgment made by the latter is a final judgment which is not subject to any or further appeal by any party to the case. However, under circumstances when certain preconditions contained in the Civil Procedure Law being fulfilled, the case may be remanded for retrial. Such circumstances include, for instance, the court or procuratorate quashing the final civil judgment and remanding the case for retrial; or on application to the court by any party to the case, which has to be made within two years from the date the final judgment came into effect. The Company's PRC lawyers further advised that, if SZL were to apply for retrial, it had to file its Application for Retrial with the Supreme People's Court of the PRC in Beijing, while observing the two-year limitation and certain preconditions contained in the Civil Procedure Law. For more details regarding the litigation, please refer to the Company's announcement dated 18 August 2008.

Save as disclosed above, there are no other material litigation or claims known to the directors pending or threatened against the Company or the Group.

34. COMPANIES EXCLUDED FROM CONSOLIDATION

As disclosed in note 33 to the consolidated financial statements, Benelux Manufacturing Limited (In Liquidation) ("BML") was put into liquidation in 1999. The directors have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impaired control by the Company over BML's assets and operations, the directors have decided to exclude BML and the interest of BML from the consolidated financial statements from the date of appointment of the provisional liquidators since 2000.

Details of the companies excluded from consolidation are as follows:

Name	Place of incorporation/ operation	Issued and fully paid-up capital or capital contribution	Effective equity interest held before liquidation	Principal activity
Direct interest:				
Benelux Manufacturing Limited (Note 1)	Hong Kong	Ordinary HK$100 Non-voting deferred HK$5,000,000	100%	In liquidation
Indirect interest:				
Prime Standard Limited (Note 2)	Hong Kong	Ordinary HK$100,000	90%	Ceased operations
P.T. Beneluxindo (Note 3)	Indonesia	Ordinary US$10,000,000	100%	Ceased operations

34. COMPANIES EXCLUDED FROM CONSOLIDATION (continued)

Note 1: Benelux Manufacturing Limited (In Liquidation) ("BML") is excluded from consolidation because severe restrictions which significantly impaired control by the Group over BML's assets and operations.

Note 2: Prime Standard Limited ("PSL") which is a subsidiary of BML, is excluded from consolidation because the Group's control over PSL has been significantly impaired following the appointment of provisional liquidators to BML.

Note 3: P.T. Beneluxindo ("PTB") which is a wholly owned subsidiary of BML, is excluded from consolidation because the Group's control over PTB has been significantly impaired following the appointment of provisional liquidators to BML.

The net losses of companies not consolidated attributable to the Group are:

	2010 **HK$'000**	**Previous years since acquisition** HK$'000
Dealt with in the consolidated financial statements of the Group	**Nil**	(46,232)
Not dealt with in the consolidated financial statements of the Group	**Nil**	(244,391)

35. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had engaged in related party transactions with Ricco Capital (Holdings) Limited ("Ricco"), a company wholly owned by the chairman of the Group, during the year. Pursuant to an office sharing and management services agreement entered into by the Company with Ricco, the Company would bear the office rental, related facilities and utilities in relation to the Group's head office in Hong Kong on a cost basis and reimburse Ricco for such outgoings. The cost paid by the Group to Ricco for the period from 1 April 2009 up to 15 July 2009 amounted to HK$632,578 (2009: HK$2,157,680 for the year ended 31 March 2009). Subsequent to 15 July 2009, the aforementioned agreement lapsed and the related party transaction had ceased.

36. 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 primary operating segment is trading of data storage media products and related equipments ("Data storage media products and related equipment") and property development ("Properties held for sale"). Since this is the only operating segment of the Group and is more consistent with the Group's internal financial reporting, no further analysis thereof is presented.

36. SEGMENT INFORMATION (continued)

An analysis of the Group's revenue and results by operating segments and segment assets and liabilities is set out below:

RESULTS

(a) Operating segments

For the year ended 31 March 2010

	Continuing operations			Discontinued operations	
	Data storage media products and related equipment HK$'000	Properties held for sale HK$'000	Total HK$'000	Wine HK$'000	Consolidated HK$'000
SEGMENT REVENUE					
External revenue	–	244	244	30	274
Total	–	244	244	30	274
SEGMENT RESULTS	40	(1,084)	(1,044)	(96)	(1,140)
Other income					2,793
Other expenses					(11,427)
Finance costs					(3,285)
Loss before taxation					(13,059)
Taxation					(8)
Loss for the year					(13,067)

For the year ended 31 March 2009

	Continuing operations				Discontinued operations	
	Data storage media products and related equipment HK$'000	Properties held for sale HK$'000	Wine HK$'000	Total HK$'000	Wine HK$'000	Consolidated HK$'000
SEGMENT REVENUE						
External revenue	–	4,799	222	5,021	3,254	8,275
Total	–	4,799	222	5,021	3,254	8,275
SEGMENT RESULTS	112	(291)	(99)	(278)	(943)	(1,221)
Other income						390
Other expenses						(13,111)
Finance costs						(2,670)
Loss before taxation						(16,612)
Taxation						(1,264)
Loss for the year						(17,876)

36. SEGMENT INFORMATION (continued)

RESULTS (continued)

(b) Segment assets and liabilities

As at 31 March 2010

	Continuing operations		Discontinued operations	
	Data storage media products and related equipment HK$'000	Properties held for sale HK$'000	Wine HK$'000	Consolidated HK$'000
ASSETS				
Segment assets	**418**	**65,716**	**–**	**66,134**
Unallocated assets				**48,307**
Total assets				**114,441**
LIABILITIES				
Segment liabilities	**289**	**1,151**	**–**	**1,440**
Unallocated liabilities				**67,913**
Total liabilities				**69,353**

As at 31 March 2009

	Continuing operations			Discontinued operations	
	Data storage media products and related equipment HK$'000	Properties held for sale HK$'000	Wine HK$'000	Wine HK$'000	Consolidated HK$'000
ASSETS					
Segment assets	495	66,862	128	12,774	80,259
Unallocated assets					58,580
Total assets					138,839
LIABILITIES					
Segment liabilities	282	2,978	2	14,725	17,987
Unallocated liabilities					66,368
Total liabilities					84,355

37. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments comprise trade and other receivables, cash and cash equivalents, available-for-sale financial assets, trade and other payables, amounts due to minority shareholders of subsidiaries and interest-bearing bank borrowings. Details of these financial instruments are disclosed in respective notes. The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Credit risk

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

Credit is offered to customers following financial assessment and an established payment record. Security in the form of mortgage or bank guarantees is obtained from certain customers. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. Trades with customers considered to be a credit risk are on a cash basis. Professional staff monitors trade receivables and follow up collections. General credit terms are payment by the end of the month following the month in which sales took place.

Concentrations of credit risk are managed by customer and by industry sector. There are no significant concentrations of credit risk within the Group.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and the PRC large state-controlled banks.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

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

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Group

	2010			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to five years HK$'000
Trade and other payables	**3,279**	**3,279**	**3,279**	**—**
Convertible bond	**66,074**	**71,799**	**3,348**	**68,451**
	69,353	**75,078**	**6,627**	**68,451**

	2009			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to five years HK$'000
Trade and other payables	5,129	5,129	5,129	—
Convertible Bond	64,501	71,539	3,267	68,272
	69,630	76,668	8,396	68,272

Company

	2010			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to five years HK$'000
Other payables	**1,749**	**1,749**	**1,749**	**—**
Convertible bond	**66,074**	**71,799**	**3,348**	**68,451**
	67,823	**75,078**	**6,627**	**68,451**

37. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Company (continued)

	2009			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to five years HK$'000
Other payables	1,867	1,867	1,867	—
Convertible bond	64,501	71,539	3,267	68,272
	66,368	73,406	5,134	68,272

(c) Interest rate risk

The Group's and the Company's interest rate risk arises primarily from the convertible bond that is due to mature in May 2011. In light of the short period of exposure of the convertible bond, the directors are of the view that the Group and the Company are not subject to fair value interest rate risk. The Group and the Company currently does not have any interest rate hedging policy. Due to the insignificance of bank interest income and expense, the Group's income, expenses and operating cash flows are substantially independent of changes in market interest rates. The directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(d) Currency risk

Foreign exchange risk arises when future commercial transactions, assets and liabilities are denominated in a currency that is not the functional currency of the entities. The majority of the Group's transactions and balances are denominated in Hong Kong dollars and Renminbi, which are the Company and its subsidiaries functional currency respectively. Accordingly, the directors are of the opinion that the Group has minimal exposure to foreign currency exchange rate risk and no sensitivity analysis is presented.

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets as at 31 March 2010. The Group's listed investments are listed on the Hong Kong Stock Exchange, and are valued at quoted market prices at the end of reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of reporting period, and their respective highest and lowest points during the year were as follows:

	At 31 March 2010	**High/low 2010**	At 31 March 2009	High/low 2009
Hong Kong — Hang Seng Index	**21,239**	**21,446/ 21,230**	13,576	13,697/ 13,428

37. FINANCIAL RISK MANAGEMENT (continued)

(e) Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of reporting period. For the available-for-sale financial assets of the Group, the impact is on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of comprehensive income.

	Carrying amount of equity investments HK$'000	**Increase/ (decrease) in equity** HK$'000
2010		
Available-for-sale financial assets listed in Hong Kong:	**5,504**	**275/(275)**
2009		
Available-for-sale financial assets listed in Hong Kong:	2,273	114/(114)

(f) Fair value

The carrying values less impairment provision of trade and other receivables, trade and other payables, as well as amounts due from/to subsidiaries and a minority shareholder of a subsidiary, are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the effect of discounting will be immaterial.

The following table presents the carrying amounts of financial instruments measured at fair value at the end of reporting period across the three levels of their value hierarchy defined in HKFRS7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorized in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

— Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

— Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

— Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

37. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value (continued)

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Group and Company					
Available-for-sale financial assets	15	5,504	—	—	5,504

38. EVENTS AFTER THE END OF REPORTING PERIOD

Save disclosed elsewhere in the consolidated financial statements, there was no significant event that took place after the end of reporting period.

39. FINANCIAL INSTRUMENTS-BY CATEGORY

	2010 HK$'000	2009 HK$'000
Group		
Financial assets — loans and receivables		
Trade and other receivables	**2,381**	2,635
Cash and cash equivalents	**82,272**	96,148
	84,653	98,783
Financial assets — available-for-sale		
Available-for-sale financial assets	**5,688**	2,457
Financial assets — Held-to-maturity investments		
Held-to-maturity investments	**780**	780
Financial liabilities — other financial liabilities		
Trade and other payables	**3,279**	5,129
Convertible bonds	**66,074**	64,501
	69,353	69,630
Company		
Financial assets — loans and receivables		
Other receivables	**915**	322
Cash and cash equivalents	**40,091**	53,874
	41,006	54,196
Financial assets — available-for-sale		
Available-for-sale financial assets	**5,504**	2,273
Financial liabilities — other financial liabilities		
Other payables	**1,749**	1,867
Convertible bonds	**66,074**	64,501
	67,823	66,368

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 June 2010.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Results					
Turnover	17,778	28,624	7,216	8,275	**274**
(Loss)/profit before taxation	(23,026)	(3,567)	(4,637)	(16,612)	**(13,059)**
Taxation	(179)	(1,279)	(418)	(1,264)	**(8)**
(Loss)/profit after taxation	(23,205)	(4,846)	(5,055)	(17,876)	**(13,067)**
Non-controlling interests	2,441	1,191	—	—	**—**
(Loss)/profit attributable to owners of the Company	(20,764)	(3,655)	(5,055)	(17,876)	**(13,067)**

	At 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Assets and liabilities					
Total assets	104,107	94,887	92,715	138,839	**114,441**
Total liabilities	(37,437)	(29,421)	(23,666)	(84,355)	**(69,353)**
Non-controlling interests	(1,191)	—	—	—	**—**
Total equity	65,479	65,466	69,049	54,484	**45,088**