



ANNUAL REPORT 2010

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 650

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CAO Jing (*Executive Chairman*)

ZHANG Shaohua (*Managing Director*)

Non-Executive Director

MO Tianquan

Independent Non-Executive Directors

YE Jianping

PALASCHUK Derek Myles

YAO Xusheng

AUDIT COMMITTEE

PALASCHUK Derek Myles (*Chairman*)

YE Jianping

YAO Xusheng

REMUNERATION COMMITTEE

YAO Xusheng (*Chairman*)

YE Jianping

CAO Jing

NOMINATION COMMITTEE

YE Jianping (*Chairman*)

PALASCHUK Derek Myles

CAO Jing

COMPANY SECRETARY

POON Yan Wai

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited

The Bank of East Asia, Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

Butterfield Fund Services (Bermuda) Limited

Rosebank Centre

11 Bermudiana Road

Pembroke HM08

Bermuda

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

Computershare Hong Kong Investor

Services Limited

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

REGISTERED OFFICE

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

PRINCIPAL PLACE OF BUSINESS

Suite 2302, Wing On Centre

111 Connaught Road Central

Hong Kong

AUDITORS

Ernst & Young

18th Floor, Two International Finance Centre

8 Finance Street, Central

Hong Kong

STOCK CODE

SEHK 650

WEBSITE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Ms. Cao Jing – Executive Chairman

Ms. Cao, aged 42, was appointed as a director of the Company on 2 May 2006. She has over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America (“USA”). Ms. Cao holds a Bachelor’s Degree in Automation Engineering from Tsinghua University, the People’s Republic of China (the “PRC”), and a Master’s Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

Mr. Zhang Shaohua – Managing Director

Mr. Zhang, aged 46, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designated as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 20 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has a large market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor’s Degree in Science from the South China University of Technology and a Master’s Degree in Business Administration from the Capital University of Economics and Business, the PRC.

NON EXECUTIVE DIRECTOR

Mr. Mo Tianquan

Mr. Mo, aged 46, was appointed as a director of the Company on 2 May 2006. He has over 12 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor’s Degree in Mechanical Engineering from South China University of Technology, a Master’s Degree in Engineering from Tsinghua University, the PRC and a Degree of Master of Arts from Indiana University, USA. He is a director and the chief executive officer of SouFun Holdings Limited, a wholly-foreign-owned company conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 60.39% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Ye Jianping

Prof. Ye, aged 49, was appointed as an independent non-executive director of the Company on 29 July 2006. He has been teaching in the Renmin University of China since 1985 and is the professor and department head of the Department of Land and Real Estate Management of the Renmin University of China. He is also a council member of the China Land Science Society and the vice chairman of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor’s Degree in Engineering from the Wuhan University, a Master’s Degree in Economics and Doctorate in Management from the Renmin University of China. He is also a fellow member of The Royal Institute of Chartered Surveyors, a China Real Estate Appraiser and a China Land Appraiser.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

Mr. Palaschuk Derek Myles

Mr. Palaschuk, aged 46, was appointed as an independent non-executive director of the Company on 25 February 2008. He has been chief financial officer of Longtop Financial Technologies since September 2006, a New York Stock Exchange listed company. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

Mr. Yao Xusheng

Mr. Yao, aged 48, was appointed as an independent non-executive director of the Company on 6 March 2008. He has been chairman of Shanghai K Land Investments Company Limited since 2005, a company registered in Shanghai. He was previously the chief executive officer of Asia Pulp and Paper ("APP") China, from 2001 to 2005 and was the chief financial officer of APP from 1999 to 2001, APP is one of the world's leading pulp and paper companies. Prior to this, he is an assistant professor in Tsinghua University, China from 1986 to 1990. He holds a Master's Degree in Business Administration from the University of California Berkeley in USA, Master Degree in Economics from Clemson University in USA, Master Degree in economic and management and Bachelor Degree in Electrical Engineering both from Tsinghua University, the PRC.

SENIOR MANAGEMENT

CHAN Yuen Keung, Zuric, aged 55, is an executive director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Hon Kwok Land Investment Company, Limited and Chinney Alliance Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Chan has over 36 years of experience in the construction industry and is a member of the Chartered Institute of Building and The Hong Kong Society of Builders.

YU Sek Kee, Stephen, aged 58, is the managing director of the Company's principal subsidiaries Ever Billion Engineering Limited and Tinhawk Company Limited. He is also a director of Chinney Alliance Group Limited, the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr. Yu had worked with three North American banks for over 18 years during which he held various posts including the chief executive of a Canadian bank in Hong Kong. He holds a Bachelor's Degree in Computer Science from the University of Western Ontario, Canada and a Master's Degree in Finance from the University of British Columbia, Canada.

POON Yan Wai, aged 40, is the company secretary and financial controller of the Company. He joined the Company in September 2007. He has over 19 years of experience in the auditing and accounting field. He holds a Master's Degree in Corporate Finance and Bachelor Degree in Accountancy from The Hong Kong Polytechnic University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

The Group had revenue of HK\$153.8 million for the year ended 31 March 2010 (2009: HK\$73.6 million) and profit for the year of HK\$0.5 million (2009: loss for the year of HK\$12.8 million).

Consolidated revenue of HK\$153.8 million for the year ended 31 March 2010, increased 109.0% from HK\$73.6 million as comparing with previous year. The increase in business volume was primarily due to the contribution from the Guangxi Nanning Wharton International Hotel Limited ("the Nanning Hotel") which was acquired in January 2009.

The Nanning Hotel reported an average room rate of HK\$548 (2009: HK\$533) and an occupancy rate of 72% (2009: 59%) during the year.

As at 31 March 2010, net asset value attributable to equity holders amounted to approximately HK\$197.0 million, 0.3% higher than the amount of HK\$196.4 million in 2009.

BUSINESS PROSPECTS

After the acquisition of the Nanning Hotel in January 2009, the Group is planning on expanding and broadening its business in the PRC. The Nanning Hotel is now the Group's principal business as it contributed more than 86% of the Group's revenue in fiscal 2010. Although the Company intends to carry on the building maintenance services business, the size of the business is decreased as comparing with previous year. Recognising the efforts of the PRC government in promoting the economies of the less developed regions and the rapid development of local tourism industry in the second tier cities in the PRC, the Board is also looking to business opportunities in the PRC for development and expansion.

ACKNOWLEDGEMENT

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

Cao Jing

Executive Chairman

Hong Kong
23 July 2010

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the year ended 31 March 2010, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this report.

BOARD OF DIRECTORS

Composition and Role

The Board comprises:

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

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

All directors are updated on governance and regulatory matters. The Company has also arranged appropriate director and officer liability insurance cover in respect of legal actions against its directors.

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

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

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS (CONTINUED)

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

Name of director	Number of meetings attended
<i>Executive Directors</i>	
Ms. Cao Jing (<i>Executive Chairman</i>)	4/4
Mr. Zhang Shaohua (<i>Managing Director</i>)	3/4
<i>Non Executive Director</i>	
Mr. Mo Tianquan	4/4
<i>Independent Non-Executive Directors</i>	
Professor Ye Jianping	1/4
Mr. Palaschuk Derek Myles	2/4
Mr. Yao Xusheng	2/4

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

CORPORATE GOVERNANCE REPORT

RE-ELECTION OF DIRECTORS

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

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

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

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

REMUNERATION COMMITTEE

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

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

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE (CONTINUED)

Details of remuneration packages of the directors during the year are set out under headings "Directors' Remuneration" on pages 48 to 49 of this annual report. A committee meeting was held one time and the attendance of each member is shown as below.

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

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters, internal controls and the annual results for the year ended 31 March 2010.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE (CONTINUED)

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

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

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

NOMINATION COMMITTEE

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

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

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

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

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 March 2010, services provided to the Group by its auditors and the respective fees paid and payable were:

Services rendered	Fees HK\$'000
Audit services	950

DIRECTOR'S SECURITIES TRANSACTIONS

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

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2010.

INTERNAL CONTROL

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

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

In respect of the year ended 31 March 2010, the Board and the Audit Committee conduct annual review of the effectiveness of the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board consider that the Group's internal control systems are effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

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

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2009 annual general meeting due to other business engagement. An executive director had chaired the 2009 annual general meeting and answered questions from the shareholders.

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

SHAREHOLDERS VOTING RIGHTS

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 22 to 76.

The directors do not recommend the payment of any dividend in respect of the year (2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

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

Liquidity and Financial Resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2010, the Group had unpledged cash and bank deposit balances of approximately HK\$86.9 million (2009: HK\$72.6 million). As at 31 March 2010, the Group had outstanding bank borrowings of HK\$256.5 million. (2009: HK\$259.9 million). The gearing ratio of the Group which represented the total bank borrowings to the equity attributable to owners of the parent, was 44% (2009: 49%).

Treasury and Funding Policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime rate of the People's Bank of China. The maximum bank borrowing granted by bank given to the Group and a subsidiary is HK\$361.6 million (2009: HK\$361.6 million). Taking into account of cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to foreign exchange fluctuation.

Pledge of Assets

At 31 March 2010, the hotel properties held with an aggregate net book value of approximately HK\$302.7 million (2009: HK\$313.6 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Employees and Remuneration Policy

The Group employed approximately 610 employees as at 31 March 2010 (2009: 595). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

REPORT OF THE DIRECTORS

SUMMARY FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
CONTINUING OPERATION					
REVENUE	153,774	73,572	130,682	210,512	195,871
Profit/(loss) for the year from a continuing operation	501	(12,790)	(8,704)	(2,726)	(2,912)
DISCONTINUED OPERATIONS					
Loss for the year from discontinued operations	-	-	-	-	(8,411)
PROFIT/(LOSS) FOR THE YEAR	501	(12,790)	(8,704)	(2,726)	(11,323)
Profit/(loss) attributable to:					
Equity holders of the parent	633	(12,684)	(8,361)	(2,508)	(11,102)
Minority interests	(132)	(106)	(343)	(218)	(221)
	501	(12,790)	(8,704)	(2,726)	(11,323)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
TOTAL ASSETS	605,075	636,983	239,471	121,153	124,912
TOTAL LIABILITIES	(406,764)	(439,173)	(132,875)	(67,341)	(68,374)
MINORITY INTERESTS	(1,265)	(1,397)	(665)	(1,008)	(1,226)
	197,046	196,413	105,931	52,804	55,312

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

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL AND CONVERTIBLE BONDS

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

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

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

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to approximately HK\$6,552,000 as at 31 March 2010.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for 38.9% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21.8%.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:

Cao Jing
Zhang Shaohua

Non-executive director:

Mo Tianquan

Independent non-executive directors:

Ye Jianping
Palaschuk Derek Myles
Yao Xusheng

In accordance with the Company's Bye-laws, Messrs. Yao Xusheng and Palaschuk Derek Myles, will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION POLICY

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited (“Tanisca” as subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the “Bonds”) in an aggregate principal amount of HK\$120 million. The Bonds bear interest at 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of issue. The conversion price of the Bonds was set at HK\$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan (“Mr. Mo”), who is a director and also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2010. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the connected transaction and the subscription agreement was duly passed by the independent shareholders at the Special General Meeting by way of poll on 7 December 2007. The issue of the Bonds was completed on 28 March 2008.

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

During the year, the Group’s interest expenses on the Bonds paid and payable to Tanisca were HK\$1.2 million.

DIRECTORS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Nature of interest	Number of ordinary shares directly beneficially owned	Percentage of the Company’s issued share capital
Mo Tianquan	Corporate	209,753,409 (Note 1)	60.39
Cao Jing	Family	209,753,409 (Note 2)	60.39

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

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

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

Save as disclosed above, as at 31 March 2010, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at 31 March 2010, the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital
Upsky Enterprises Limited	Directly beneficially owned	209,753,409	60.39

Save as disclosed above, as at 31 March 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

REPORT OF THE DIRECTORS

CONFIRMATION OF INDEPENDENCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

Cao Jing

Director

Hong Kong
23 July 2010

INDEPENDENT AUDITORS' REPORT



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

We have audited the financial statements of Shun Cheong Holdings Limited set out on pages 22 to 76, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

INDEPENDENT AUDITORS' REPORT (continued)

To the shareholders of Shun Cheong Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

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

Ernst & Young

Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
23 July 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
REVENUE	6	153,774	73,572
Cost of sales		<u>(101,211)</u>	(66,349)
Gross profit		52,563	7,223
Other income	6	746	2,472
Administrative expenses		(26,178)	(17,826)
Other expenses		(2,585)	(300)
Excess over the cost of a business combination	29	–	4,089
Finance costs	8	(24,011)	(8,439)
PROFIT/(LOSS) BEFORE TAX	7	535	(12,781)
Income tax expense	11	<u>(34)</u>	(9)
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		501	(12,790)
Attributable to:			
Owners of the parent	12	633	(12,684)
Minority interests		<u>(132)</u>	(106)
		501	(12,790)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		<u>0.18 cents</u>	(4.14) cents
Diluted		<u>0.18 cents</u>	(4.14) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	488,154	509,637
Deferred tax assets	26	1,025	1,025
Total non-current assets		<u>489,179</u>	<u>510,662</u>
CURRENT ASSETS			
Inventories	16	3,126	3,556
Gross amounts due from contract customers	17	547	3,111
Trade receivables	18	15,825	22,661
Retention money receivables	17	–	255
Prepayments, deposits and other receivables	19	9,497	24,159
Tax recoverable		–	19
Cash and cash equivalents	20	86,901	72,560
Total current assets		<u>115,896</u>	<u>126,321</u>
CURRENT LIABILITIES			
Gross amounts due to contract customers	17	6,046	12,789
Trade payables	21	7,320	11,831
Retention money payables	17	–	696
Other payables and accruals	22	45,775	48,036
Advance from a shareholder	23	–	22,600
Interest-bearing bank borrowing – current portion	24	3,390	3,390
Total current liabilities		<u>62,531</u>	<u>99,342</u>
NET CURRENT ASSETS		<u>53,365</u>	<u>26,979</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>542,544</u>	<u>537,641</u>
NON-CURRENT LIABILITIES			
Convertible bonds	25	91,113	83,321
Interest-bearing bank borrowing	24	253,120	256,510
Total non-current liabilities		<u>344,233</u>	<u>339,831</u>
Net assets		<u>198,311</u>	<u>197,810</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 March 2010

	<i>Notes</i>	2010 HK\$'000	2009 HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Issued capital	27	3,473	3,473
Equity component of convertible bonds	25	43,272	43,272
Reserves	28(a)	150,301	149,668
		197,046	196,413
Minority interests		1,265	1,397
Total equity		198,311	197,810

Cao Jing
Director

Zhang Shaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	Attributable to owners of the parent								
	Issued capital	Share premium account	Equity component Contributed surplus	of convertible bonds	Capital redemptions reserve	Accumulated losses	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	1,389	17,986	46,909	43,272	132	(3,757)	105,931	665	106,596
Issue of shares (note 27)	2,084	102,114	-	-	-	-	104,198	-	104,198
Share issue expenses	-	(1,032)	-	-	-	-	(1,032)	-	(1,032)
Capital injection during the year	-	-	-	-	-	-	-	838	838
Total comprehensive loss for the year	-	-	-	-	-	(12,684)	(12,684)	(106)	(12,790)
At 31 March 2009 and 1 April 2009	3,473	119,068*	46,909*	43,272	132*	(16,441)*	196,413	1,397	197,810
Total comprehensive income/(loss) for the year	-	-	-	-	-	633	633	(132)	501
At 31 March 2010	3,473	119,068*	46,909*	43,272	132*	(15,808)*	197,046	1,265	198,311

* These reserve accounts comprise the consolidated reserves of HK\$150,301,000 (2009: HK\$149,668,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		535	(12,781)
Adjustments for:			
Excess over the cost of a business combination	29	–	(4,089)
Finance costs	8	24,011	8,439
Interest income	6	(47)	(2,450)
Depreciation	7	29,751	4,895
Impairment/(write back of impairment) of trade receivables	7	(118)	211
Impairment of other receivables	7	2,703	–
Loss on disposal of items of property, plant and equipment	7	–	9
		56,835	(5,766)
Decrease in inventories		430	109
Decrease in gross amounts due from contract customers		2,564	25,036
Decrease in trade receivables		6,954	3,556
Decrease/(increase) in retention money receivables		255	(84)
Decrease/(increase) in prepayments, deposits and other receivables		11,959	(6,217)
Decrease in gross amounts due to contract customers		(6,743)	(2,225)
Decrease in trade payables		(4,511)	(9,098)
Decrease in retention money payables		(696)	–
Increase/(decrease) in other payables and accruals		(2,261)	22,985
		64,786	28,296
Cash generated from operations		64,786	28,296
Interest paid		(16,219)	(1,477)
Hong Kong profits tax paid, net		(15)	(28)
		48,552	26,791
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		47	2,450
Acquisition of a subsidiary	29	–	(247,485)
Capital injection from minority shareholders		–	838
Purchases of items of property, plant and equipment	14	(8,268)	(1,191)
		(8,221)	(245,388)
Net cash flows used in investing activities		(8,221)	(245,388)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	27	–	104,198
Share issue expenses	27	–	(1,032)
Decrease in bank loan		(3,390)	–
Advance from a shareholder		(22,600)	22,600
		<hr/>	<hr/>
Net cash flows from/(used in) financing activities		(25,990)	125,766
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		14,341	(92,831)
Cash and cash equivalents at beginning of year		72,560	165,391
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR		86,901	72,560
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	77,256	65,947
Non-pledged time deposits with original maturity of less than three months when acquired	20	9,645	6,613
		<hr/>	<hr/>
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		86,901	72,560
		<hr/>	<hr/>

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	15	33
Interests in subsidiaries	15	<u>256,253</u>	263,564
Total non-current assets		<u>256,268</u>	263,597
CURRENT ASSETS			
Prepayments, deposits and other receivables	19	770	2,846
Cash and cash equivalents	20	<u>9,823</u>	7,078
Total current assets		<u>10,593</u>	9,924
CURRENT LIABILITIES			
Other payables and accruals	22	<u>3,251</u>	2,215
NET CURRENT ASSETS		<u>7,342</u>	7,709
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>263,610</u>	271,306
NON-CURRENT LIABILITIES			
Convertible bonds	25	<u>91,113</u>	83,321
Net assets		<u>172,497</u>	187,985
EQUITY			
Issued capital	27	3,473	3,473
Reserves	28(b)	125,752	141,240
Equity component of convertible bonds	25	<u>43,272</u>	43,272
Total equity		<u>172,497</u>	187,985

Cao Jing
Director

Zhang Shaohua
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKFRS 8 Amendment*	Amendment to HKFRS 8 <i>Operating Segments: Disclosures – Information about segment assets</i> (early adopted)
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of the HKFRS 8, HKFRS 8 Amendment and HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 5 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(b) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i> ³
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	<i>Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

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

² Effective for annual periods beginning on or after 1 January 2010

³ Effective for annual periods beginning on or after 1 February 2010

⁴ Effective for annual periods beginning on or after 1 July 2010

⁵ Effective for annual periods beginning on or after 1 January 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Excess over the cost of business combinations

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

Impairment of non-financial assets

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

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

Land and buildings	2%
Machinery and equipment	20%
Furniture and office equipment	20%
Motor vehicles	20%
Leasehold improvements	10% to 20%

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Leases

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

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

The Group's financial assets include cash and cash equivalents, trade receivables, retention monies receivable, and deposits and other receivables.

Subsequent measurement

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

Loans and receivables

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade payables, retention monies payables, other payables, an interest-bearing bank borrowing and convertible bonds.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds

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

Inventories

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

Construction contracts

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

Revenue from fixed price construction contracts is recognised on the percentage of completion method, depends on the nature of the contract works, measured either by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract or to the percentage of certified work performed to date to the estimated total sum of the relevant contracts. When the outcome of the contracts cannot be estimated reliably, revenue is recognised only to the extent of certified work performed that is probable to be recoverable.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Income tax

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

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

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

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

Revenue recognition

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

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;
- (b) hotel revenue from room rentals, food and beverage sales and other ancillary services, when the services are rendered; and
- (c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other employee benefits

Retirement benefit schemes

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits (continued)

Retirement benefit schemes (continued)

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

Under the MPF Scheme, contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

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

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

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

Estimation uncertainty

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

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

5. OPERATING SEGMENT INFORMATION

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

- (a) the building services contracting and maintenance business consists of the provisions of building related maintenance services; and
- (b) the hotel business consists of the hotel and restaurant operations in the PRC.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted operating profit/(loss) before tax.

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2010	Building services contracting and maintenance business HK\$'000	Hotel business HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	21,948	131,826	153,774
Other revenue	166	533	699
	<hr/>		
Revenue	22,114	132,359	154,473
	<hr/>		
Segment results	284	15,810	16,094
<i>Reconciliation</i>			
Interest income			47
Unallocated expenses			(6,602)
Finance costs			(9,004)
			<hr/>
Profit before tax			535
	<hr/>		
Segment assets	17,953	574,011	591,964
<i>Reconciliation</i>			
Unallocated assets			13,111
			<hr/>
Total assets			605,075
	<hr/>		
Segment liabilities	13,176	300,766	313,942
<i>Reconciliation</i>			
Unallocated liabilities			92,822
			<hr/>
Total liabilities			406,764
	<hr/>		
Other segment information:			
Depreciation	139	29,612	29,751
Capital expenditure	–	8,268	8,268
Impairment losses of other receivables recognised in profit or loss	363	–	363
Impairment losses of trade receivables reversed in profit or loss	(118)	–	(118)
	<hr/>		

NOTES TO FINANCIAL STATEMENTS

31 March 2010

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Year ended 31 March 2009	Building services contracting and maintenance business HK\$'000	Hotel business HK\$'000	Total HK\$'000
Segment revenue:			
Sales to external customers	58,270	15,302	73,572
Other revenue	9	13	22
			<hr/>
Revenue	58,279	15,315	73,594
			<hr/>
Segment results	(4,370)	(941)	(5,311)
<i>Reconciliation</i>			
Interest income			2,446
Excess over the cost of a business combination			4,089
Unallocated expenses			(5,780)
Finance costs			(8,225)
			<hr/>
Loss before tax			(12,781)
			<hr/>
Segment assets	40,076	534,367	574,443
<i>Reconciliation</i>			
Unallocated assets			62,540
			<hr/>
Total assets			636,983
			<hr/>
Segment liabilities	27,766	325,710	353,476
<i>Reconciliation</i>			
Unallocated liabilities			85,697
			<hr/>
Total liabilities			439,173
			<hr/>
Other segment information:			
Depreciation	189	4,706	4,895
Capital expenditure	–	1,191	1,191
Impairment losses of trade receivables recognised in profit or loss	–	389	389
Impairment losses of trade receivables reversed in profit or loss	(178)	–	(178)
			<hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2010

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) Revenue from external customers

	2010 HK\$'000	2009 HK\$'000
Hong Kong	21,948	58,270
Mainland China	131,826	15,302
	153,774	73,572

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

(b) Non-current assets

	2010 HK\$'000	2009 HK\$'000
Hong Kong	2,153	2,291
Mainland China	486,001	507,346
	488,154	509,637

The non-current assets information above is based on the location of the assets and excludes deferred tax assets and other assets.

Information about major customers

During the year, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue (2009: nil).

6. REVENUE AND OTHER INCOME

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

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

	2010 HK\$'000	2009 HK\$'000
Revenue		
Building services contracting and maintenance businesses	21,948	58,270
Hotel and restaurant operations	131,826	15,302
	153,774	73,572
Other income		
Bank interest income	47	2,450
Others	699	22
	746	2,472

NOTES TO FINANCIAL STATEMENTS

31 March 2010

7. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2010 HK\$'000	2009 HK\$'000
Cost of maintenance		18,846	59,618
Cost of services provided		82,365	6,731
		101,211	66,349
Depreciation	14	29,751	4,895
Minimum lease payments under operating leases in respect of land and buildings		127	292
Auditors' remuneration		950	850
Employee benefit expense (including directors' remuneration (note 9)):			
Wages, salaries and bonuses		14,076	6,823
Pension scheme contributions*		83	676
		14,159	7,499
Less: Amount capitalised in contract costs		–	(1,926)
Amounts charged to administrative expenses		14,159	5,573
Impairment/(write back of impairment) of trade receivables#		(118)	211
Impairment of other receivables#		2,703	–
Loss on disposal of items of property, plant and equipment#		–	9

* As at 31 March 2010, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

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

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2010 HK\$'000	2009 HK\$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	15,007	220
Interest on convertible bonds	8,992	8,175
Others	12	44
	24,011	8,439

NOTES TO FINANCIAL STATEMENTS

31 March 2010

9. DIRECTORS' REMUNERATION

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Fees:		
Executive directors	100	103
Non-executive director	600	600
Independent non-executive directors	380	380
	1,080	1,083
Other emoluments	-	-
	1,080	1,083

(a) Independent non-executive directors

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

	2010 HK\$'000	2009 HK\$'000
Ye Jianping	100	100
Palaschuk Derek Myles	180	180
Yao Xusheng	100	100
	380	380

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

NOTES TO FINANCIAL STATEMENTS

31 March 2010

9. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related payments HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
2010					
Executive directors:					
Cao Jing	–	–	–	–	–
Zhang Shaohua	100	–	–	–	100
	100	–	–	–	100
Non-executive director:					
Mo Tianquan	600	–	–	–	600
2009					
Executive directors:					
Cao Jing	–	–	–	–	–
Zhang Shaohua	103	–	–	–	103
	103	–	–	–	103
Non-executive director:					
Mo Tianquan	600	–	–	–	600

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include two directors (2009: four directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three non-director, highest paid employees (2009: one) for the year are as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,134	770
Pension scheme contributions	12	12
	1,146	782

The remuneration of the remaining three non-director, highest paid employees (2009: one) fell within the band of HK\$1 to HK\$1,000,000.

11. INCOME TAX

The Company is exempt from tax in Bermuda until 2016. Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	Group	
	2010	2009
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	34	34
Overprovision in prior years	–	(25)
	34	9
Total tax charge for the year	34	9

NOTES TO FINANCIAL STATEMENTS

31 March 2010

11. INCOME TAX (CONTINUED)

A reconciliation of the tax charge/(credit) applicable to profit/(loss) before tax at the statutory rate in Hong Kong to the tax charge for the year is as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Profit/(loss) before tax	535	(12,781)
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	88	(2,109)
Different tax rate enacted by local authority	1,345	(61)
Adjustments in respect of current tax of previous years	–	(25)
Income not subject to tax	(888)	(1,107)
Expenses not deductible for tax	2,577	2,335
Tax losses not recognised	149	964
Tax losses utilised from previous periods	(3,269)	–
Others	32	12
Tax charge for the year	34	9

12. LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The loss attributable to owners of the parent for the year ended 31 March 2010 includes a loss of HK\$15,488,000 (2009: HK\$11,757,000) which has been dealt with in the financial statements of the Company (note 28(b)).

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

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 347,326,000 (2009: 306,217,827) in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 March 2010 and 2009 in respect of a dilution as the impact of the convertible bonds outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

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

The calculations of basic and diluted earnings/(loss) per share are based on:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	633	(12,684)
Interests on convertible bonds	8,992	8,175
	<hr/>	<hr/>
Profit/(loss) attributable to ordinary equity holders of the parent before interests on convertible bonds	9,625*	(4,509)*
	<hr/>	<hr/>
	Number of shares	
	2010	2009
Shares		
Weighted average number of shares in issue during the year used in the basic earnings/(loss) per share calculation	347,326,000	306,217,827
Effect of dilution of the convertible bonds on the weighted average number of shares	324,763,193	324,763,193
	<hr/>	<hr/>
	672,089,193*	630,981,020*
	<hr/>	<hr/>

* For the year ended 31 March 2010, because the diluted earnings per share amount increased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amount is based on the profit for the year of HK\$633,000 and the weighted average number of ordinary shares of 347,326,000 in issue during the year.

For the year ended 31 March 2009, because the diluted loss per share amount decreased when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share. Therefore, diluted loss per share amount was based on the loss for that year of HK\$12,684,000 and the weighted average number of ordinary shares of 306,217,827 in issue during that year.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK\$'000	Machinery and equipment HK\$'000	Furniture and office equipment HK\$'000	Motor vehicles HK\$'000	Leasehold improve- ments HK\$'000	Total HK\$'000
31 March 2010						
At 31 March 2009 and 1 April 2009:						
Cost	376,413	118,553	61,907	3,097	151,747	711,717
Accumulated depreciation	(60,691)	(71,993)	(40,023)	(1,953)	(27,420)	(202,080)
Net carrying amount	315,722	46,560	21,884	1,144	124,327	509,637
At 1 April 2009, net of accumulated depreciation	315,722	46,560	21,884	1,144	124,327	509,637
Additions	-	890	2,536	531	4,311	8,268
Depreciation provided during the year	(10,878)	(7,704)	(2,677)	(326)	(8,166)	(29,751)
At 31 March 2010, net of accumulated depreciation	304,844	39,746	21,743	1,349	120,472	488,154
At 31 March 2010:						
Cost	376,413	119,443	64,443	3,628	156,058	719,985
Accumulated depreciation	(71,569)	(79,697)	(42,700)	(2,279)	(35,586)	(231,831)
Net carrying amount	304,844	39,746	21,743	1,349	120,472	488,154

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the land and buildings are as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Medium-term leases:		
Hong Kong	2,109	2,171
Mainland China	302,735	313,551
	304,844	315,722

At 31 March 2010, certain of the Group's land and buildings with a net book value of approximately HK\$302,735,000 (2009: HK\$313,551,000) were pledged to secure general banking facilities granted to the Group (note 24).

Company

	Furniture and office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
31 March 2010			
At 31 March 2009 and 1 April 2009:			
Cost	47	57	104
Accumulated depreciation	(23)	(48)	(71)
Net carrying amount	24	9	33
At 1 April 2009, net of			
accumulated depreciation	24	9	33
Depreciation provided during the year	(9)	(9)	(18)
At 31 March 2010, net of			
accumulated depreciation	15	–	15
At 31 March 2010:			
Cost	47	57	104
Accumulated depreciation	(32)	(57)	(89)
Net carrying amount	15	–	15

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

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

15. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK\$'000	HK\$'000
Unlisted shares, at cost	2	2
Due from subsidiaries	256,251	263,721
Due to subsidiaries	–	(159)
	256,253	263,564

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Aykens Holdings Limited*	British Virgin Islands	US\$100	100	–	Investment holding
Hopland Enterprises Limited*	British Virgin Islands	US\$100	100	–	Investment holding
Ever Billion Engineering Limited	Hong Kong	HK\$100	–	100	Provision of building and electrical maintenance services
廣西沃頓國際大酒店有限公司*#	PRC/Mainland China	US\$26,414,920	–	100	Hotel and restaurant operations
Open Land Holdings Limited	Hong Kong	HK\$10,000	–	100	Investment holding
Shun Cheong Real Estates Limited	Hong Kong	HK\$10,000	–	100	Property holding
Tinhawk Company Limited	Hong Kong	HK\$2,000,000	–	90	Installation and maintenance of water pumps and fire prevention and fighting systems

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

15. INTERESTS IN SUBSIDIARIES (CONTINUED)

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

16. INVENTORIES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Raw materials	794	915
Low-valued consumables	1,634	1,898
Consumables	698	743
	3,126	3,556

17. CONSTRUCTION CONTRACTS

	Group	
	2010	2009
	HK\$'000	HK\$'000
Gross amounts due from contract customers	547	3,111
Gross amounts due to contract customers	(6,046)	(12,789)
	(5,499)	(9,678)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	1,118,171	1,092,044
Less: Progress billings	(1,123,670)	(1,101,722)
	(5,499)	(9,678)

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

18. TRADE RECEIVABLES

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade receivables	19,085	26,270
Impairment	(3,260)	(3,609)
	15,825	22,661

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

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
0 to 30 days	5,084	7,045
31 to 60 days	2,107	1,495
61 to 90 days	286	2,333
Over 90 days	8,348	11,788
	15,825	22,661

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
At 1 April	3,609	4,092
Impairment losses recognised/(reversed) (note 7)	(118)	211
Amounts written off as uncollectible	(231)	(694)
	3,260	3,609
At 31 March	3,260	3,609

NOTES TO FINANCIAL STATEMENTS

31 March 2010

18. TRADE RECEIVABLES (CONTINUED)

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

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Neither past due nor impaired	–	1,654
Less than 30 days past due	5,084	5,391
31 to 90 days past due	2,393	3,828
Past due over 90 days	8,348	11,788
	15,825	22,661

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

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Prepayments	1,219	1,237	146	151
Deposits and other receivables	8,278	22,922	624	2,695
	9,497	24,159	770	2,846

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Cash and bank balances	77,256	65,947	178	465
Time deposits	9,645	6,613	9,645	6,613
Cash and cash equivalents	86,901	72,560	9,823	7,078

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$46,011,000 (2009: HK\$13,811,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

21. TRADE PAYABLES

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

	Group	
	2010 HK\$'000	2009 HK\$'000
Current to 30 days	2,343	6,080
31 to 60 days	2,294	2,048
Over 60 days	2,683	3,703
	7,320	11,831

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Other payables	40,315	38,358	2,021	1,282
Accruals	5,460	9,678	1,230	933
	45,775	48,036	3,251	2,215

Except for an outstanding other payable balance of the Group of HK\$1,001,000 (2009: HK\$483,000) which bears interest at the Hong Kong dollar prime rate per annum, other payables are non-interest-bearing and are payable on demand or to be settled within three months.

23. ADVANCE FROM A SHAREHOLDER

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

24. INTEREST-BEARING BANK BORROWING

Group	2010			2009		
	Contractual interest rate (%)	Maturity	HK\$'000	Contractual interest rate (%)	Maturity	HK\$'000
Current						
Current portion of long term bank loan – secured	floating rate at the prime lending rate of the People's Bank of China	February 2011	3,390	floating rate at the prime lending rate of the People's Bank of China	February 2010	3,390
Non-current						
Bank loan – secured	floating rate at the prime lending rate of the People's Bank of China	February 2012 to February 2019	253,120	floating rate at the prime lending rate of the People's Bank of China	February 2011 to February 2019	256,510
Total			256,510			259,900

NOTES TO FINANCIAL STATEMENTS

31 March 2010

24. INTEREST-BEARING BANK BORROWING (CONTINUED)

	2010 HK\$'000	2009 HK\$'000
Analysed into bank loan repayable:		
Within one year	3,390	3,390
In the second year	24,860	3,390
In the third to fifth years, inclusive	74,580	74,580
Beyond five years	153,680	178,540
	256,510	259,900

Notes:

- (a) The Group's loan facility amounted to HK\$361,600,000 (2009: HK\$361,600,000), of which HK\$256,510,000 (2009: HK\$259,900,000) had been utilised as at the end of the reporting period, is secured by the pledge of certain of the Group's land and buildings situated in Mainland China of HK\$302,735,000 at 31 March 2010 (2009: HK\$313,551,000) (note 14).
- (b) The secured bank loan is denominated in RMB.
- (c) The carrying amount of the secured bank loan approximates to its fair value.

25. CONVERTIBLE BONDS

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

25. CONVERTIBLE BONDS (CONTINUED)

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

	2010	2009
	HK\$'000	HK\$'000
Nominal value of the Bonds issued	120,000	120,000
Equity component*	(43,405)	(43,405)
Direct transaction costs attributable to the liability component	(236)	(236)
	<hr/>	<hr/>
Liability component at the issuance date	76,359	76,359
Interest expense	17,167	8,175
Interest paid and payable	(2,413)	(1,213)
	<hr/>	<hr/>
Liability component at 31 March	91,113	83,321
	<hr/>	<hr/>

The effective interest rate of the Bonds was 10.5% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair value of the liability component of the Bonds approximates to HK\$73,831,000 as at the end of the reporting period. The carrying amount of the liability component of the Bonds at 31 March 2009 approximated to its fair value.

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

26. DEFERRED TAX

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

	Losses available for offsetting against future taxable profits
	HK\$'000
At 1 April 2008	–
Acquisition of a subsidiary (note 29)	<hr/> 1,025
At 31 March 2009 and 1 April 2009	1,025
Deferred tax utilised and credited to profit or loss during the year	(1,025)
Deferred tax recognised and charged to profit or loss during the year	<hr/> 1,025
At 31 March 2010	<hr/> 1,025

NOTES TO FINANCIAL STATEMENTS

31 March 2010

26. DEFERRED TAX (CONTINUED)

The Group has estimated tax losses in Hong Kong of HK\$25,501,000 (2009: HK\$25,402,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. The Group also has estimated tax losses arising in Mainland China of HK\$4,195,000 (2009: HK\$18,637,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have been recognised in respect of these losses to the extent that there are sufficient future taxable profits available against which the tax losses can be utilised.

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

At 31 March 2010, no deferred tax has been recognised for withholding tax that would be payable on the unremitted earnings that are subject to withholding tax of the Group's subsidiary established in Mainland China since the Group's subsidiary did not have any distributable profits as at the end of the reporting period.

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

27. SHARE CAPITAL

	Company	
	2010	2009
	HK\$'000	HK\$'000
Authorised:		
8,000,000,000 ordinary shares of HK\$0.01 each	80,000	80,000
Issued and fully paid:		
347,326,000 ordinary shares of HK\$0.01 each	3,473	3,473

NOTES TO FINANCIAL STATEMENTS

31 March 2010

27. SHARE CAPITAL (CONTINUED)

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

	Number of shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2008	138,930,400	1,389	17,986	19,375
Right issue (note)	208,395,600	2,084	102,114	104,198
	347,326,000	3,473	120,100	123,573
Share issue expenses	–	–	(1,032)	(1,032)
At 31 March 2009, 1 April 2009 and 31 March 2010	347,326,000	3,473	119,068	122,541

Note:

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

28. RESERVES

(a) Group

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

28. RESERVES (CONTINUED)

(b) Company

	Share premium account HK\$'000	Contributed surplus* HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2008	17,986	60,918	132	(27,121)	51,915
Issue of shares	102,114	–	–	–	102,114
Share issue expenses	(1,032)	–	–	–	(1,032)
Total comprehensive loss for the year	–	–	–	(11,757)	(11,757)
At 31 March 2009 and 1 April 2009	119,068	60,918	132	(38,878)	141,240
Total comprehensive loss for the year	–	–	–	(15,488)	(15,488)
At 31 March 2010	119,068	60,918	132	(54,366)	125,752

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

29. BUSINESS COMBINATION

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

29. BUSINESS COMBINATION (CONTINUED)

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

		2009	
	<i>Notes</i>	Fair value recognised on acquisition	Previous carrying amount
		HK\$'000	HK\$'000
Net assets acquired:			
Property, plant and equipment	14	510,862	482,924
Deferred tax assets	26	1,025	1,025
Inventories		3,665	3,665
Prepayments		1,018	1,018
Deposits		78	78
Cash and bank balances		2,069	2,069
Wages payable		(440)	(440)
Various taxes payable		(4,734)	(4,734)
Bank loan		(259,900)	(259,900)
		253,643	225,705
Excess over the cost of a business combination recognised in the consolidated statement of comprehensive income			
		(4,089)	
		<u>249,554</u>	
Satisfied by:			
Cash consideration		248,600	
Relevant costs for acquisition		954	
		<u>249,554</u>	

NOTES TO FINANCIAL STATEMENTS

31 March 2010

29. BUSINESS COMBINATION (CONTINUED)

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

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

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 March 2010:

		Group	
	<i>Note</i>	2010 HK\$'000	2009 HK\$'000
Interest expenses on convertible bonds paid and payable to a related company	<i>(i)</i>	<u>1,200</u>	1,213

Note:

- (i) Interest expenses on convertible bonds were paid and payable to Tanisca Investments Limited ("Tanisca"), the holder of the convertible bonds, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a non-executive director and also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2010. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the convertible bonds were disclosed in a circular dated 21 November 2007 to all shareholders of the Company and note 25 to the financial statements, respectively.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Outstanding balances with related parties:

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

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

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

31. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. A lease for an office property is negotiated for a term of three years (2009: one to two years).

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK\$'000	HK\$'000
Within one year	564	558
In the second to fifth years, inclusive	773	1,337
	1,337	1,895

32. COMMITMENT

In addition to the operating lease commitments detailed in note 31 above, the Group had the following capital commitment at the end of the reporting period:

	2010	2009
	HK\$'000	HK\$'000
Contracted, but not provided for, capital contribution payable to a jointly-controlled entity	11,934	11,934

NOTES TO FINANCIAL STATEMENTS

31 March 2010

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Loans and receivables	
	2010	2009
	HK\$'000	HK\$'000
Trade receivables	15,825	22,661
Retention money receivables	–	255
Financial assets included in prepayments, deposits and other receivables (note 19)	8,278	22,922
Cash and cash equivalents	86,901	72,560
	111,004	118,398

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK\$'000	HK\$'000
Trade payables	7,320	11,831
Retention money payables	–	696
Financial liabilities included in other payables and accruals (note 22)	40,315	38,358
Advance from a shareholder	–	22,600
Interest-bearing bank borrowing	256,510	259,900
Convertible bonds	91,113	83,321
	395,258	416,706

NOTES TO FINANCIAL STATEMENTS

31 March 2010

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial assets

	Loans and receivables	
	2010	2009
	HK\$'000	HK\$'000
Financial assets included in prepayments, deposits and other receivables (note 19)	624	2,695
Cash and cash equivalents	9,823	7,078
	10,447	9,773

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK\$'000	HK\$'000
Financial liabilities included in other payables and accruals (note 22)	2,021	1,282
Convertible bonds	91,113	83,321
	93,134	84,603

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

NOTES TO FINANCIAL STATEMENTS

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

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

Cash and bank balances, short term time deposits, interest-bearing bank borrowing, convertible bonds and an interest-bearing balance included in other payables are stated at amortised cost and are not revalued on a periodic basis. Interest income and expenses at floating rates are charged to profit or loss as incurred.

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

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

		Group (Increase)/ decrease in profit/(loss) before tax HK\$'000	Company Increase/ (decrease) in equity HK\$'000	Company Increase/ (decrease) in equity HK\$'000	Company Increase/ (decrease) in equity HK\$'000
	Increase/ (decrease) in basis points	Increase/ (decrease) in profit/(loss) before tax HK\$'000	Increase/ (decrease) in equity HK\$'000	Increase/ (decrease) in basis points	Increase/ (decrease) in equity HK\$'000
2010					
Hong Kong dollar	50	249	208	50	35
Hong Kong dollar	(50)	(249)	(208)	(50)	(35)
RMB	50	(1,141)	(856)	50	–
RMB	(50)	1,141	856	(50)	–
2009					
Hong Kong dollar	50	560	468	50	333
Hong Kong dollar	(50)	(560)	(468)	(50)	(333)
RMB	50	(103)	(77)	50	–
RMB	(50)	103	77	(50)	–

Credit risk

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

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

NOTES TO FINANCIAL STATEMENTS

31 March 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

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

Liquidity risk

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

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

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

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

Group

2010

	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	–	2,343	4,977	–	7,320
Other payables	40,315	–	–	–	40,315
Interest-bearing bank borrowing	–	3,390	99,440	153,680	256,510
Convertible bonds	–	1,200	122,400	–	123,600
	40,315	6,933	226,817	153,680	427,745

2009

	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
Trade payables	–	11,831	–	–	11,831
Retention money payables	–	696	–	–	696
Other payables	38,358	–	–	–	38,358
Advance from a shareholder	22,600	–	–	–	22,600
Interest-bearing bank borrowing	–	3,390	77,970	178,540	259,900
Convertible bonds	–	1,200	123,600	–	124,800
	60,958	17,117	201,570	178,540	458,185

NOTES TO FINANCIAL STATEMENTS

31 March 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

2010

	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Other payables	2,021	–	–	2,021
Convertible bonds	–	1,200	122,400	123,600
	2,021	1,200	122,400	125,621

2009

	On demand HK\$'000	Less than 12 months HK\$'000	1 to 5 years HK\$'000	Total HK\$'000
Other payables	1,282	–	–	1,282
Convertible bonds	–	1,200	123,600	124,800
	1,282	1,200	123,600	126,082

Capital management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 31 March 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes trade payables, retention money payables, other payables and accruals, an advance from a shareholder and interest-bearing bank borrowing, less cash and cash equivalents. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratio as at the ends of the reporting periods were as follows:

NOTES TO FINANCIAL STATEMENTS

31 March 2010

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

	Group	
	2010	2009
	HK\$'000	HK\$'000
Trade payables	7,320	11,831
Retention money payables	–	696
Other payables and accruals	45,775	48,036
Advance from a shareholder	–	22,600
Interest-bearing bank borrowing	256,510	259,900
Less: Cash and cash equivalents	(86,901)	(72,560)
	<hr/>	<hr/>
Net debt	222,704	270,503
	<hr/>	<hr/>
Convertible bonds, the liability component	91,113	83,321
Equity attributable to owners	197,132	196,413
	<hr/>	<hr/>
Total adjusted capital	288,245	279,734
	<hr/>	<hr/>
Capital and net debt	510,949	550,237
	<hr/>	<hr/>
Gearing ratio	44%	49%
	<hr/>	<hr/>

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 July 2010.