THE HONG KONG PARKVIEW GROUP LTD.

僑福建設企業機構*

ANNUAL REPORT 2010-2011　　二零一零年至二零一一年度年報

Stock Code 股份代號: 207

* *For identification purposes only*　*僅供識別*

公司資料 / Corporate Information

執行董事
黃健華－主席
黃又華
黃幼華
黃德華

Executive Directors
Wong Kin Wah, George – Chairman
Hwang Yiou Hwa, Victor
Hwang Yiu Hwa, Richard
Hwang Teh Hwa, Tony

獨立非執行董事
劉漢銓金紫荊星章，太平紳士
林建明
胡國祥榮譽勳章

Independent Non-executive Directors
Lau Hon Chuen, Ambrose, G.B.S., J.P.
Lam Kin Ming, Lawrence
Wu Kwok Cheung, MH

公司秘書
蘇兆佳

Company Secretary
So Siu Kai

法定代表
黃健華
黃又華

Authorised Representatives
Wong Kin Wah, George
Hwang Yiou Hwa, Victor

註冊辦事處
Clarendon House, Church Street
Hamilton HM11, Bermuda

Registered Office
Clarendon House, Church Street
Hamilton HM11, Bermuda

香港總辦事處
香港大潭水塘道88號

Principal Office in Hong Kong
88 Tai Tam Reservoir Road
Hong Kong

核數師
德勤 • 關黃陳方會計師行

Auditors
Deloitte Touche Tohmatsu

主要往來銀行
中國銀行(香港)有限公司

Principal Bankers
Bank of China (Hong Kong) Limited

股份登記及過戶處
卓佳廣進有限公司
香港灣仔
皇后大道東二十八號
金鐘匯中心二十六樓

Registrars and Share Transfer Office
Tricor Progressive Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

網址
www.hkparkviewgroup.com

Website
www.hkparkviewgroup.com

股份代號
207

Stock Code
207

Contents

On behalf of the Board of Directors, I present the 2010/11 Annual Report to the Shareholders.

RESULTS

The Group's audited results for the financial year ended 31 March 2011, was a total comprehensive income of HK$31,566,290 attributable to the owners of the Company compared to the total comprehensive expense of HK$15,030,154 for previous year.

REVIEW & OUTLOOK

During the year ended 31 March 2011, the Group has carried out a restructuring, details of which were stated in the Group's announcement dated 20 September 2010 and the circular ("Circular") dated 14 December 2010. The simultaneous completion of the Acquisition and the Disposal as detailed in the Circular took place in accordance with the terms and conditions of the Acquisition Agreement and Disposal Agreement on 7 January 2011.

Following the restructuring, the Group has divested its persistently loss making investment in Nanjing Dingshan Garden Hotel and acquired an income generating asset which would contribute a meaningful income stream to the Group. With a healthier financial position, the Group is now in a position to focus on formulating a more forward looking business strategy and plan with a view to enhancing the business future for the Group.

The commercial property acquired by the Group has offered promising potential to the group against the robust property market in Hong Kong which has seen a strong recovery in the past financial year. Strong demand led by the financial sector has resulted in low vacancy and significant appreciation in prices and rental values. Although the Group's property remains vacant during the financial year, the Group still benefits from the HK$500,000 monthly guaranteed rental income and the gain in change in fair value of the investment property. The Group is actively seeking potential quality tenants for the property.

In the meantime, the Group still hopes to secure further suitable projects and continue its search for investment opportunities in market.

APPRECIATION

Lastly, I would like to express my sincere thanks to all our staff for their hard work and loyalty and to our shareholders for their continued support.

Wong Kin Wah, George
Chairman

Hong Kong, 12 May 2011

OPERATING RESULTS

Turnover of the Group for the financial year ended 31 March 2011 amounted to HK$1,238,263. Total comprehensive income for the year attributable to the owners of the Company totalled HK$31,566,290.

During the year, the Company has recorded an income from change in fair value of the investment property of HK$30,000,000.

OUTLOOK

Our view on commercial property market in core districts remains bullish. Meanwhile, the Group is still benefiting from the HK$500,000 monthly guaranteed rental income and the gain in change in fair value of the investment property. The Company is actively seeking potential quality tenants.

On the other hand, the Group still actively continues its search for suitable investment opportunities in market.

FINANCIAL POSITION

The Group maintained HK$1.7 million bank and cash balances (2010: HK$2.8 million net bank and cash balances) and only had a minimal amount of trade liabilities and commitments. The gearing ratio, representing the ratio of total bank borrowings to total assets, was nil (2010: 1.98%).

The majority of income and expenses of the Group are dominated either in Yuan or Hong Kong Dollar. Hence the Group's exposure to fluctuations in the exchange rate is considered to be minimal and there is no need to make use of financial instruments for hedging purposes.

At 31 March 2011, the Group had HK$2.4 million net current assets (2010: HK$26.8 million net current liabilities).

CHARGES ON ASSETS

The Group did not have any charge on its assets as at 31 March 2011 (2010: nil).

CONTINGENT LIABILITIES

At the end of the reporting period, the Group did not have any contingent liabilities.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

During the year ended 31 March 2011, the Group has carried out a very substantial Acquisition and Disposal of subsidiaries and an associate, details of which were stated in the Group's announcement dated 20 September 2010 and the circular ("Circular") dated 14 December 2010. The simultaneous completion of the Acquisition and the Disposal as detailed in the Circular took place in accordance with the terms and conditions of the Acquisition Agreement and Disposal Agreement on 7 January 2011. Total acquisition and disposal consideration were HK$289,516,400 and HK$140,610,334 respectively. The gain on acquisition and disposal of the subsidiaries and an associate of approximately HK$63,579,244 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve.

EMPLOYEES AND REMUNERATION POLICIES

Total number of employees in the Group (excluding those under the payroll of the associates and a jointly controlled entity) at 31 March 2011 was 4 (2010: 11). Their remuneration, promotion and salary increments were assessed according to individual performance, as well as professional and working experience, and in accordance with prevailing industry practices.

The Group reviews remuneration packages from time to time and special adjustments are also made when required. Aside from salary payments other staff benefits include contributions to a retirement benefit scheme and medical insurance scheme.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

The Board considers that the Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing" Rules") on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2011.

Key corporate governance principles and practices of the Company are summarized below.

DIRECTORS' 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 as its code of conduct regarding Directors' securities transaction. Having made specific enquiry with all Directors, the Directors have confirmed compliance with the required standard set out in the Model Code throughout the year ended 31 March 2011.

THE BOARD COMPOSITION AND BOARD PRACTICES

The Board is responsible for overseeing the management of the Company's business and affairs with the objective of enhancing shareholders' value including setting and approving the Company's strategic direction and planning and all other important matters such as interim and annual results, dividends, annual financial budget, business and operation plan etc., while delegating day-to-day operations of the Group to the management. Besides, each member of the Board is expected to make a full and active contribution to the Board's affairs and ensure that the Board acts in the best interests of the Company and its shareholders as a whole.

The Board currently comprises a total of 7 Directors, including 4 Executive Directors and 3 Independent Non-executive Directors. The biographies of the current Directors are set out on pages 10 to 11 of this annual report.

All Directors are kept abreast of their collective responsibility. The Group provides briefings and other training to develop and refresh the Directors' knowledge and skills. The Group continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements so as to enhance their awareness of regulatory compliance and good corporate governance practices.

Every Director is aware that he should give sufficient time and attention to the affairs of the Group. The Directors have satisfactory attendance rates at both board meeting and committee meetings, including Audit Committee meeting.

Full board meeting are held formally at least 4 times a year and involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

THE BOARD COMPOSITION AND BOARD PRACTICES (Continued)

During the year, the Board had held 4 full board meetings. Attendance of individual Directors is as follows:

	Attendance
Executive Directors	
– Mr. Wong Kin Wah, George *(Chairman)*	4/4
– Mr. Hwang Yiou Hwa, Victor	1/4
– Mr. Hwang Yiu Hwa, Richard	1/4
– Mr. Hwang Teh Hwa, Tony	2/4
Independent Non-executive Directors	
– Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	4/4
– Mr. Lam Kin Ming, Lawrence	4/4
– Mr. Wu Kwok Cheung, MH	4/4

Save that the 4 Executive Directors are brothers of one another, none of the Directors has any relationship with the others.

The Company has received annual confirmation of independence from the 3 Independent Non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent within the definition of the Listing Rules.

At the meeting, the Directors discussed and formulated overall strategies for the Group, monitor financial performance, discuss the annual and interim results, as well as consider other significant matters.

At least 14 days notice of the board meetings is given to all Directors, and all Directors are given an opportunity to include matters for discussion in the agenda.

An agenda and accompanying board papers are sent in full to all Directors in a timely manner and at least 3 days before the intended date of a full Board meeting. They also have unrestricted access to the advice and service of the Company Secretary, who is responsible for providing Directors with boards papers and related materials, assisting the Chairman in preparing the agenda for meetings and ensuring that Board procedures and all applicable rules and regulations are followed.

The Audit Committee and Remuneration Committee also follow the applicable practices and procedures used in board meetings for committee meetings.

The Company Secretary keeps detailed minutes of each meeting, which are available to all Directors. A draft of the minutes is circulated to all Directors for comment and approval as soon as practicable after the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICERS

The Board has appointed a Chairman, Mr. Wong Kin Wah, George, who ensures that the Board works effectively and that all important issues are discussed in a timely manner. The positions of the Chairman and Chief Executive Officer are held by separate individuals as to maintain an effective segregation of duties. None of the Directors is related to the Chief Executive Officer.

The Chief Executive Officer, Mr. Sin Kit Leung, Peter, is responsible for the day-to-day management of the Group's operations and conducts regular meetings with the Executive Directors and Senior Management, at which operational issues and financial performance are evaluated.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Since the full Board is involved in the appointment of new Directors, the Company has not established a Nomination Committee. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new Director appointments.

According to the Bye-laws of the Company, one third of the directors for the time being (or, if their numbers is not a multiple of three, the number nearest to but not less than one third) should retire from office by rotation at each annual general meeting of the Company provided that every director shall be subject to retirement by rotation at least once every three years. Furthermore, any director appointed to fill a casual vacancy or as an addition to the existing Board should hold office only until next general meeting (in the case of filling a casual vacancy) or until the next following annual general meeting (in the case of an addition to the Board), and would then be eligible for re-election at that meeting. All the Independent Non-executive Directors are appointed for a specific term which complied with the Code.

REMUNERATION OF DIRECTORS

The Company has on 9 June 2006 established a Remuneration Committee, chaired by Mr. Wong Kin Wah, George, Executive Director, with committee members comprising Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P. and Mr. Lam Kin Ming, Lawrence, both of whom are Independent Non-executive Directors.

The principal responsibilities of Remuneration Committee are to formulate the remuneration policy, review and recommend to the Board the annual remuneration policy, and determine the remuneration of the Executive Directors and members of the Senior Management. The objective of the remuneration policy is to ensure that the Group is able to attract, retain, and motivate a high calibre team which is essential to the success of the Group. Details of the Group's emolument policy are set out on page 15 of this annual report.

The Remuneration Committee will meet at least once a year. During the year, one committee meeting was held to review and discuss the remuneration of Directors and Senior Management and the attendance of each member is set out as follows:

	Attendance
Committee members	
Mr. Wong Kin Wah, George *(Chairman)*	1/1
Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	1/1
Mr. Lam Kin Ming, Lawrence	1/1

The functions specified in paragraphs B1.3 (a) to (f) of the CG Code had been included in the terms of reference of the Remuneration Committee, which also explain the role and the authority delegated by the Board.

AUDIT COMMITTEE

The Audit Committee currently consists of three members, all of whom are Independent Non-executive Directors and not involved in the day-to-day management of the Company. The Company has adopted a written terms of reference substantially the same as those contained in paragraph C.3.3. of the CG Code. The terms of reference are available on the website of the Company.

The Audit Committee is responsible for the following:

1. making recommendations on the appointment, reappointment and removal of external auditors and considering the terms of such appointment;

2. developing and implementing policies on the engagement of external auditors for non-audit services;

3. monitoring the integrity of the financial statements, annual and interim reports and the auditors' report to ensure that the information presents a true and balance assessment of the Group's financial position;

4. ensuring that management has fulfilled its duty to maintain an effective internal control system.

During the year, the Audit Committee held 1 meeting with external auditors to discuss any areas of concerns during the audits and approve the audited financial statements and 1 meeting to approve the interim financial statements. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards. Attendance of individual member is as follows:

	Attendance
Committee members	
Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.	2/2
Mr. Lam Kin Ming, Lawrence	2/2
Mr. Wu Kwok Cheung, MH	2/2

FINANCIAL REPORTING

The Board, supported by the accounts department, is responsible for keeping proper accounting records and the preparation of the financial statements of the Company and the Group. In preparing the financial statements, the Hong Kong Financial Reporting Standards have been adopted and the financial statements comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants. Appropriate accounting policies have also been used and applied consistently.

The Directors acknowledge their responsibility to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and in presenting the interim and annual financial statements, and announcements to shareholders. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern, the Board therefore continues to adopt the going concern approach in preparing the accounts.

The reporting responsibilities of Directors and external auditor are further set out in the Independent Auditor's Report on page 16 to 17.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the effectiveness of the Group's internal control system. The internal control systems are designed to meet the Group's particular needs and the risks to which it is exposed, and by their nature can only provide reasonable, but not absolute assurance against misstatement or loss.

Procedures have been set up for safeguarding assets against unauthorized use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial information used for business and publication. Qualified management throughout the Group maintains and monitors the internal control system on an ongoing basis.

The Board monitors and has conducted a review of the effectiveness of its internal control systems through a programme of internal audit and consider the internal control system effective and adequate. The internal audit function is set up by the Company to review the major operational and financial control of the Group in compliance with the established processes and standards on a continuing basis and aims to cover all major operations of the Group on a rotational basis. The internal audit team reports directly to the Chairman of the Board and the Audit Committee. As part of the process of the annual review, the Board has performed evaluation of the Group's accounting and financial reporting function to ensure that there is adequacy of resources, qualification and experience of staff of the function and their training programmes and budget.

AUDITORS' REMUNERATION

During fiscal year 2010/11, fees payable for audit and audit related services to Deloitte Touche Tohmatsu were HK$1,808,000.

COMMUNICATION WITH SHAREHOLDERS

The Company encourages two-way communications with its shareholders. Extensive information about the Company's activities is provided in its annual reports and interim reports, which are sent to shareholders of the Company. The annual general meeting (the "AGM") provides a forum for direct communication between the Board and the Company's shareholders. The Chairman actively participates in the AGM and personally chairs the meeting to answer any questions from the shareholders. The Chairmen of the Audit and Remuneration Committees or in their absence, other members of the respective committees, are also available to answer questions at the AGM. The Company maintains regular communication with media to disseminate financial and other information relating to the Group and its business to the public in order to foster effective communication.

On behalf of the Board

Wong Kin Wah, George
Chairman

Hong Kong, 12 May 2011

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and provision of corporate management services. From the current year, the Group commenced property investment activity. The activities of its principal subsidiaries are set out in note 36 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 March 2011 are set out in the consolidated statement of comprehensive income on page 18.

RESERVES

As at 31 March 2011, the Company does not have reserves available for distribution in accordance with the Bermuda Companies Act. The reserves (excluding accumulated deficit) and accumulated deficit were HK$283,201,639 and HK$431,950,705 respectively.

NON-CURRENT ASSETS

Details of the movements during the year in the property, plant and equipment and investment property of the Group are set out in notes 17 and 18 to the consolidated financial statements respectively.

DIRECTORS

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

Executive Directors

Mr. Wong Kin Wah, George
Mr. Hwang Yiou Hwa, Victor
Mr. Hwang Yiu Hwa, Richard
Mr. Hwang Teh Hwa, Tony

Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P.
Mr. Lam Kin Ming, Lawrence
Mr. Wu Kwok Cheung, MH

In accordance with the Company's Bye-laws, Messrs. Wong Kin Wah, George, Hwang Teh Hwa, Tony and Lau Hon Chuen, Ambrose, G.B.S., J.P. shall retire from the board at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

DIRECTORS (Continued)

The term of office of each Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

During the year, the Group had the following transactions with Parkview (Suites) Limited of which two children of Mr. Wong Kin Wah, George are directors and have beneficial interests:

(i) Building management fee of HK$246,180 was paid for office management services provided to the Group.

(ii) General expenses of HK$386,802 were paid for daily administrative services provided to the Group.

The Independent Non-executive Directors confirm that the transactions set out above have been entered into by the Group in the ordinary course of its business, on normal commercial terms and are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Other than as disclosed above, no contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No director being 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 Group within one year without payment of compensation other than statutory compensation.

MANAGEMENT PROFILES

A. Executive Directors

Mr. Wong Kin Wah, George, aged 59, is Chairman of the Group. He has been engaged in construction and real estate business in Taiwan and Hong Kong since graduating in building construction design in 1973. He was appointed as Director in 1992. He is a director of several member companies of the Group.

Mr. Hwang Yiou Hwa, Victor, aged 57, held a Bachelor Degree in Administration and Finance. He has been involved in the Group's overseas business developments. He was appointed as Director in 1992. He is a director of a member company in the Group.

Mr. Hwang Yiu Hwa, Richard, aged 56, held a Bachelor Degree of Science in Civil Engineering. He has been involved in construction field since 1982. He was appointed as Director in 1993.

Mr. Hwang Teh Hwa, Tony, aged 55, held a Master Degree in Management and Organisational Development. He is responsible for the development of business in mainland China. He was appointed as Director in 1992.

Mr. Wong Kin Wah, George, Mr. Hwang Yiou Hwa, Victor, Mr. Hwang Yiu Hwa, Richard and Mr. Hwang Teh Hwa, Tony are brothers.

MANAGEMENT PROFILES (Continued)

B. Independent Non-executive Directors

Mr. Lau Hon Chuen, Ambrose, G.B.S., J.P., aged 63, is the Senior Partner of Messrs. Chu & Lau, Solicitors and Notaries. He obtained a Bachelor of Laws Degree from the University of London and is a Solicitor of the High Court of the HKSAR, a China-Appointed Attesting Officer and a Notary Public. In 2001, Mr. Lau was awarded the "Gold Bauhinia Star" by the Hong Kong Special Administration Region (the "HKSAR") Government. He is also a Standing Committee Member of the National Committee of Chinese People's Political Consultative Conference and a Non-executive Director of several listed companies. He was appointed as an Independent Non-executive Director in 1995.

Mr. Lam Kin Ming, Lawrence, aged 56, is the Senior Vice President of PCCW, a company whose principal business is to provide telecom equipment and related services. He has been serving the Company since 2006. Prior to that, Mr. Lam was a senior executive of a company that involved in property management and investment. Mr. Lam graduated from the University of Toronto in 1978. He was appointed as Independent Non-executive Director of the Company in 2004.

Mr. Wu Kwok Cheung, MH, aged 79, has served as a Director and Chief Executive Officer of several companies in Hong Kong and the PRC, and has also been appointed to several public offices. He was appointed as Independent Non-executive Director in 2006.

C. Senior Management Staff

Mr. Sin Kit Leung, Peter, aged 71, is the Chief Executive Officer of the Group. He held a diploma in Business Management. Mr. Sin has extensive experience in investment and real estate development. Mr. Sin joined the Group in 1990 and is responsible for business development of the Group. He is a director of several member companies of the Group.

Mr. Chan Chi Fai, Brian, aged 56, is a fellow member of The Association of Chartered Certified Accountants of the United Kingdom and the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in banking and commercial sectors. Mr. Chan joined the Group in 1990 and is now responsible for the overall management of the Group. He is a director of several member companies of the Group.

Mr. Ng Chan Shing, Lawrence, aged 67, has over 30 years of experience in government and commercial sectors. Before joining the Group in 1997, Mr. Ng was a director of a diversified public company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

At 31 March 2011, the interests of the directors and the chief executives and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long Positions – ordinary shares of HK$0.10 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Wong Kin Wah, George	Beneficial owner	2,000,000	0.4%
	Held by controlled corporation *(Notes 1 & 2)*	391,674,138	73.2%
		393,674,138	73.6%
Mr. Hwang Yiou Hwa, Victor	Held by controlled corporation *(Note 2)*	293,674,138	54.9%
Mr. Hwang Yiu Hwa, Richard	Held by controlled corporation *(Note 2)*	293,674,138	54.9%
Mr. Hwang Teh Hwa, Tony	Held by controlled corporation *(Note 2)*	293,674,138	54.9%
Mr. Lam Kin Ming, Lawrence	Beneficial owner	6,000	0.001%

Notes:

1. 98,000,000 shares were held by High Return Trading Limited in which Mr. Wong Kin Wah, George was deemed to have interests since he was entitled to exercise more than one-third of the voting power at the general meetings of High Return Trading Limited. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

2. Messrs. Wong Kin Wah, George, Hwang Yiou Hwa, Victor, Hwang Yiu Hwa, Richard and Hwang Teh Hwa, Tony are directors and shareholders of Kompass International Limited which owned 293,674,138 shares in the Company. This interest has also been disclosed under the section headed "SUBSTANTIAL SHAREHOLDERS".

Other than as disclosed above, none of the Directors, chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 March 2011.

At no time during the year was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Future Ordinance shows that other than the interests disclosed above in respect of certain Directors and chief executives, the following shareholders had an interest in 5% or more of the issued share capital of the Company.

Long Positions – ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Kompass International Limited	Beneficial owner	293,674,138 *(Note)*	54.9%
High Return Trading Limited	Beneficial owner	98,000,000 *(Note)*	18.3%
Multi-Power International Limited	Beneficial owner	40,000,000	7.47%
Huang Jianquan	Beneficial owner	40,000,000	7.47%

Note: These shares represented the same parcel of shares as disclosed above under "DIRECTORS AND CHIEF EXECUTIVES' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY".

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 March 2011.

MAJOR CUSTOMERS AND SUPPLIERS

The Group did not have purchases during the year.

All the sales is contributed by the Group's largest customer.

None of the Directors, their associates or any shareholder (which to the knowledge of the directors owned more than 5% of the Company's share capital) were interested at any time during the year in the above suppliers or customers.

CONVERTIBLE SECURITIES, WARRANTS OF OPTIONS

There are no convertible securities, warrants or options issued by the Company or its subsidiaries during the year.

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

During the year, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 34 to the consolidated financial statements also constituted connected transactions under the Listing Rules and are subject to the reporting requirements in accordance with Chapter 14A of the Listing Rules. The following transactions between certain connected persons (as defined in the Listing Rules) and the Group have been entered into, if necessary, had been made announcement by the Company in accordance with the requirements of the Listing Rules.

Details of those transactions which also constituted connected transactions and were required to be disclosed under Chapter 14A of the Listing Rules are as follows:

(1) Connected transaction for the acquisition of a subsidiary

On 7 January 2011, the Group acquired the entire issued shares of Chyau Fwu Investment Limited ("Chyau Fwu") from several companies which are ultimately held by one of the major shareholders of the Company and his spouse at a consideration of HK$289,516,400.

The gain on acquisition of Chyau Fwu of HK$63,328,825 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve.

(2) Connected transaction for the disposal of subsidiaries and an associate

On 7 January 2011, the Group disposed of the entire issued shares of Dragon Spirit Limited, Newmeadow Limited (the principal asset of Newmeadow Limited is its 45% interest in Nanjing Dingshan Garden Hotel), Hebo Urge Company Limited, Gallaria Furnishings International Limited and Jiangsu Parkview Hotels & Resorts Limited and its 50% of the issued shares of Kinart Enterprise Limited (the "Disposal Group") and assigned the debts of HK$382,235,015 due from the Disposal Group to Kompass International Limited, the major controlling shareholder, at a total consideration of HK$140,610,334.

The gain on disposal of the Disposal Group of HK$250,419 was deemed as a shareholder's contribution to the Group and was credited to the equity as a reserve.

The Independent Non-executive Directors were reviewed and confirmed that the aforesaid connected transactions were entered into by the Company in the ordinary course of its business, on terms no less favorable than terms available from or to independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance within a sensible framework with an emphasis on the principles of transparency, accountability and independence. The Board of Directors of the Company (the "Board") considers that the Company has complied with the code provisions as set out in the Code of Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2011.

Detailed information on the Company's corporate governance practices is set out in the corporate governance report included in the Company's annual report for the year ended 31 March 2011 to be dispatched to the shareholders in due course.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed compliance with the required standard set out in the Model as provided in Appendix 10 to the Listing Rules for the year ended 31 March 2011.

AUDIT COMMITTEE

The Audit Committee, comprising of three Independent Non-executive Directors, has reviewed with management the accounting principles and standard practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the audited consolidated financial statements for the year ended 31 March 2011 of the Group.

PRE-EMPTIVE RIGHTS

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

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company maintained a sufficient public float throughout the year ended 31 March 2011.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wong Kin Wah, George
Chairman

Hong Kong, 12 May 2011

Deloitte.
德勤

TO THE MEMBERS OF
THE HONG KONG PARKVIEW GROUP LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of The Hong Kong Parkview Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 63, which comprise the consolidated statement of financial position as at 31 March 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2011, 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
12 May 2011

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 HK$	2010 HK$
Continuing operations			
Revenue	7	**1,238,263**	1,834,992
Cost of services		**(1,035,397)**	(1,518,396)
Gross profit		**202,866**	316,596
Other income	9	**2,246,552**	1,086,676
Other gains and losses	9	**5,315,118**	2,946,855
Change in fair value of investment property	18	**30,000,000**	–
Net change in fair value of investments held for trading		**(150,000)**	90,000
Recovery from a fully impaired investment	11	**4,896,892**	8,864,380
Administrative expenses		**(6,000,242)**	(6,442,317)
Other expenses		**(3,004,778)**	–
Other operating expenses		**(1,640,760)**	(606,737)
Finance costs	10	**(3,060,599)**	(1,313,032)
Impairment loss recognised in respect of amounts due from associates		**(16,982,563)**	(9,500,000)
Share of losses of associates		**(5,876,463)**	(12,178,210)
Share of profit of a jointly controlled entity		**–**	3,368,962
Gain on deregistration of a jointly controlled entity		**35,828,857**	–
Profit (loss) before taxation	11	**41,774,880**	(13,366,827)
Taxation	14	**–**	–
Profit (loss) for the year from continuing operations		**41,774,880**	(13,366,827)
Discontinued operations			
Profit for the year from discontinued operations	15	**–**	645,500
Profit (loss) for the year		**41,774,880**	(12,721,327)
Other comprehensive income (expense)			
Exchange difference arising on translation of foreign operations		**1,924,457**	(1,203,497)
Reclassification adjustment of exchange reserve on liquidation, disposal and deregistration of foreign operations		**(12,133,047)**	(1,105,330)
		(10,208,590)	(2,308,827)
Total comprehensive income (expense) for the year attributable to the owners of the Company		**31,566,290**	(15,030,154)
Basic earnings (loss) per share			
From continuing and discontinued operations	16	**HK7.80 cents**	HK(2.38 cents)
From continuing operations	16	**HK7.80 cents**	HK(2.50 cents)

Consolidated Statement of Financial Position

AT 31 MARCH 2011

	Notes	2011 HK$	2010 HK$
Non-current assets			
Property, plant and equipment	17	**366,289**	8,176,667
Investment property	18	**360,000,000**	–
Interests in associates	19	**–**	–
Amounts due from associates	19	**–**	75,395,875
Interest in a jointly controlled entity	20	**–**	32,475,818
Available-for-sale investments	21	**2,236,300**	2,236,300
		362,602,589	118,284,660
Current assets			
Properties held for sale		**–**	54,913,932
Accounts and other receivables and prepayments	22	**203,580**	827,050
Investments held for trading	23	**375,000**	525,000
Rental guarantee	24	**1,206,226**	–
Bank balances and cash	25	**1,715,280**	6,361,727
		3,500,086	62,627,709
Current liabilities			
Accounts and other payables and accrued charges	26	**1,118,649**	2,102,721
Amount due to a jointly controlled entity	27	**–**	51,186,307
Amounts due to related companies	28	**–**	32,500,077
Tax payable		**–**	57,226
Bank overdrafts	27	**–**	3,580,063
		1,118,649	89,426,394
Net current assets (liabilities)		**2,381,437**	(26,798,685)
Total assets less current liabilities		**364,984,026**	91,485,975

Consolidated Statement of Financial Position

AT 31 MARCH 2011

	Notes	2011 HK$	2010 HK$
Capital and reserves			
Share capital	30	**53,535,926**	53,535,926
Reserves		**110,809,433**	15,663,899
Equity attributable to owners of the Company		**164,345,359**	69,199,825
Non-current liabilities			
Amounts due to related companies	28	**58,935,479**	22,286,150
Deferred consideration payable to a related company	29	**141,703,188**	–
		200,638,667	22,286,150
		364,984,026	91,485,975

The consolidated financial statements on pages 18 to 63 were approved and authorised for issue by the Board of Directors on 12 May 2011 and are signed on its behalf by:

Wong Kin Wah, George
DIRECTOR

Hwang Yiou Hwa, Victor
DIRECTOR

	Share capital HK$	Capital redemption reserve HK$	Capital reduction reserve HK$	Property revaluation surplus HK$	Contributed surplus HK$ (Note a)	Shareholder's contribution reserve HK$	Exchange reserve HK$	Accumulated deficit HK$	Total HK$
At 1 April 2009	53,535,926	2,382,000	85,844,959	5,650,394	329,928,202	–	12,517,417	(405,628,919)	84,229,979
Loss for the year	–	–	–	–	–	–	–	(12,721,327)	(12,721,327)
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	(1,203,497)	–	(1,203,497)
Reclassification adjustment of exchange reserve on deregistration of a foreign operation	–	–	–	–	–	–	(1,105,330)	–	(1,105,330)
Other comprehensive expense for the year	–	–	–	–	–	–	(2,308,827)	–	(2,308,827)
Total comprehensive expense for the year	–	–	–	–	–	–	(2,308,827)	(12,721,327)	(15,030,154)
Release of property revaluation surplus to accumulated deficit on disposal of properties held by a jointly controlled entity *(Note b)*	–	–	–	(5,650,394)	–	–	–	5,650,394	–
At 31 March 2010 and 1 April 2010	53,535,926	2,382,000	85,844,959	–	329,928,202	–	10,208,590	(412,699,852)	69,199,825
Profit for the year	–	–	–	–	–	–	–	41,774,880	41,774,880
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	1,924,457	–	1,924,457
Reclassification of exchange reserve on liquidation, disposal and deregistration of foreign operations	–	–	–	–	–	–	(12,133,047)	–	(12,133,047)
Other comprehensive expenses for the year	–	–	–	–	–	–	(10,208,590)	–	(10,208,590)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	(10,208,590)	41,774,880	31,566,290
Contribution from a shareholder *(note 31)* *(Note c)*	–	–	–	–	–	63,579,244	–	–	63,579,244
At 31 March 2011	53,535,926	2,382,000	85,844,959	–	329,928,202	63,579,244	–	(370,924,972)	164,345,359

Notes:

(a) The contributed surplus represented HK$1,200,422,356 from the elimination of the entire share premium account and reduction of par value of the issued capital from HK$1 to HK$0.10 of the Company at the time of the capital restructuring of the Group as at 7 November 2001, less HK$870,494,154 distributed out of the contributed surplus during the year ended 31 March 2002.

(b) During the year ended 31 March 2010, a jointly controlled entity disposed of investment properties which were transferred from property, plant and equipment at fair value at the date of transfer. Accordingly, property revaluation surplus on the properties shared by the Group amounting to HK$5,650,394 was transferred directly to accumulated deficit.

(c) During the year ended 31 March 2011, the Group disposed of certain subsidiaries and an associate to Kompass International Limited ("Kompass"), the immediate and ultimate holding company of the Company, at total consideration of HK$140,610,334 and assignment of shareholder's loan of HK$382,235,015. At the same time, the Group acquired a subsidiary from a related party at a consideration of HK$289,516,400. The difference arising from these series of transactions of HK$63,579,244 was deemed as a shareholder's contribution and was credited to equity (see note 31 for details).

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 31 MARCH 2011

	2011 *HK$*	2010 *HK$*
OPERATING ACTIVITIES		
Profit (loss) for the year	**41,774,880**	(12,721,327)
Adjustments for:		
Bad debts written off for other receivables	**–**	32,103
Interest earned on bank deposits	**(10,539)**	(6,012)
Interest income from interest-bearing amount due from an associate	**(1,109,002)**	(580,334)
Fair value adjustment of non-current interest-free other receivable	**–**	(329,044)
Fair value adjustment of non-current interest-free amounts due to related companies	**(3,706,207)**	(1,114,307)
Change in fair value of investment property	**(30,000,000)**	–
Interest expense	**145,572**	198,725
Imputed interest expense on amounts due to related companies	**1,114,307**	1,114,307
Imputed interest expense on deferred consideration payable to a related company	**1,800,720**	–
Recovery from a fully impaired investment	**(4,896,892)**	(8,864,380)
Exchange gain realised on disposal of subsidiaries	**(845,397)**	–
Exchange gain realised on deregistration of a foreign operation	**–**	(1,105,330)
Depreciation of property, plant and equipment	**269,821**	315,037
Write back of allowance for bad and doubtful debts, net	**–**	(645,500)
Write off of dividend payable	**–**	(885,225)
Write off of other payable	**(193,463)**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	590,011
Impairment loss recognised in respect of amounts due from associates	**16,982,563**	9,500,000
Share of losses of associates	**5,876,463**	12,178,210
Share of profit of a jointly controlled entity	**–**	(3,368,962)
Loss on disposal of property, plant and equipment	**–**	11,591
Gain on deregistration of a jointly controlled entity	**(35,828,857)**	–
Operating cash flows before movements in working capital	**(8,626,031)**	(5,680,437)
(Increase) decrease in accounts and other receivables and prepayments	**(176,374)**	412,601
Decrease (increase) in investments held for trading	**150,000**	(90,000)
Decrease in accounts and other payable and accrued charges	**(427,710)**	(117,850)
Cash used in operations	**(9,080,115)**	(5,475,686)
Income taxes refunded (paid)	**2,481**	(1,989)
NET CASH USED IN OPERATING ACTIVITIES	**(9,077,634)**	(5,477,675)

	Notes	2011 HK$	2010 HK$
INVESTING ACTIVITIES			
Interest received on bank deposits		**10,539**	6,012
Interest received from an associate		**1,109,002**	580,334
Advances to an associate		**(23,057,963)**	(5,445,221)
Repayments from an associate		**–**	3,085,000
Purchase of property, plant and equipment		**–**	(350)
Proceeds on disposal of property, plant and equipment		**–**	321
Recovery from a fully impaired investment		**4,896,892**	8,864,380
Advances to staff		**–**	(385,909)
Repayment by a staff		**385,909**	–
Cash distribution upon deregistration of a jointly controlled entity		**5,830,718**	–
Disposal of subsidiaries and an associate	*32*	**(5,064,505)**	–
Acquisition of a subsidiary	*31*	**363,837**	–
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(15,525,571)**	6,704,567
FINANCING ACTIVITIES			
Repayment to a third party		**–**	(2,256,000)
Repayment to a jointly controlled entity		**–**	(593,397)
Advances from related companies		**19,934,153**	5,492,515
Interest paid		**(145,572)**	(198,725)
Advance from (repayment of) bank overdrafts		**168,177**	(382,362)
NET CASH FROM FINANCING ACTIVITIES		**19,956,758**	2,062,031
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(4,646,447)**	3,288,923
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**6,361,727**	3,066,146
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**–**	6,658
CASH AND CASH EQUIVALENTS, END OF YEAR, represented by bank balances and cash		**1,715,280**	6,361,727

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Kompass, a company incorporated in the British Virgin Islands. The address of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

The functional currency of the Company is Hong Kong dollars ("HK$") and the consolidated financial statements are presented in HK$.

The Company is an investment holding company and the principal activities of its principal subsidiaries are provision of corporate management services and investment holding. The Company and its subsidiaries (the "Group") also engaged in the interior decoration work and trading of furniture which was discontinued during the year ended 31 March 2010 (see note 15). From the current year, the Group commenced property investment activity.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations issued by the Hong Kong Institute of Certified Public Accountant (the "HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendment)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC)–INT 17	Distributions of non-cash assets to owners
HK–INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

In addition, the Group has early adopted the amendments to HKAS 12 "Income taxes", in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40 "Investment property".

Except as described below, the application of the new and revised Standards, Amendments and Interpretations in the current year has had no material effect on the amounts reported in the consolidated financial statements and disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs affecting the reported results and financial position

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The Group applies HKFRS 3 (as revised in 2008) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (as revised in 2008) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current year in which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable, the application of HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (as revised in 2008) and HKAS 27 (as revised in 2008) are applicable.

Amendments to HKAS 12 Income taxes

Amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" have been applied in advance of their effective date (accounting periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. As a result, the Group's investment properties that are measured using the fair value model have been presumed through sale for the purpose of measuring deferred tax.

In the current year, no deferred tax has been provided for in respect of changes in fair value of the investment property acquired by a subsidiary on 7 January 2011, whereas previously deferred tax liabilities are required to be provided for in relation to the changes in fair value of such investment property based on the manner in which the Group expects to recover the asset. The application of the amendments has resulted in a reduction of taxation expense and an increase in profit for the year of HK$4,863,851 on the consolidated statement of comprehensive income for the current period and a reduction in deferred tax liabilities of HK$4,863,851 on the consolidated statement of financial position as at 31 March 2011. This has also resulted in an increase in basic earnings per share of HK0.91 cent.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HK(IFRIC)–INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC)–INT 19	Extinguishing financial liabilities with equity instruments[2]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

[1] Amendments that all effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for accounting periods beginning on or after 1 July 2010.
[3] Effective for accounting periods beginning on or after 1 July 2011.
[4] Effective for accounting periods beginning on or after 1 January 2013.
[5] Effective for accounting periods beginning on or after 1 January 2011.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9: Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for accounting periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 March 2014 and that the application of this new Standard may mainly affect the classification and measurement of the Groups' available for sale investments but may not affect the classification and measurement of the Group's other financial assets and liabilities based on an analysis of its consolidated financial statements on 31 March 2011.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments and Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment property, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

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

Management fee income is recognised when the relevant services are provided.

Interest income from a financial assets is recognised when it is probable that the economic benefit will flow to the Group and the amount of revenue can be measured reliability. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds to the carrying amount of the asset and is recognised in profit or loss.

Discontinued operations

When the Group decides to cease all the work and operation of a component of an entity (comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group) and the operation was abandoned, such operation is regarded as a discontinued operation.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Leasing

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

The Group as lessor

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss, and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional of losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

From 1 April 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

Where a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit and loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional of losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

From 1 April 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Non-cash assets received from jointly controlled entities are recognised at fair value at the date of transfer. Such amount, after being adjusted by eliminating unrealised profits to the extent the Group's interest, becomes the deemed cost for subsequent accounting. Any excess of the deemed cost over the consideration paid and payable is recognised as deemed distribution by jointly controlled entities.

Properties held for sale

Properties held for sale are completed properties which are stated at the lower of cost/deemed cost and net realisable value. Net realisable value is determined by reference to sale proceeds received after the date of the reporting period less selling expenses by management estimates based on prevailing market condition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property", such properties are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuates significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve). On the deregistration/disposal of the Group's foreign operations, the relevant exchange reserve will be reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

Payments to the retirement contribution schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

A financial asset at FVTPL is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets held for trading are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and other receivables, amounts due from associates and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

For certain categories of financial asset, such as accounts receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and an increase in the number of delayed payments in the portfolio past the credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an accounts receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities including accounts and other payables and accrued charges, bank overdrafts, amount due to a jointly controlled entity and amounts due to related companies are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key source of estimation uncertainty

Below is the key assumption concerning the future, and other key source of estimation uncertainty, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities as at 31 March 2010. At 31 March 2011, there is no such estimation uncertainty since the related assets have been disposed of.

Estimated impairment of interest in and amount due from an associate

During the year ended 31 March 2010, the directors of the Company assessed the impairment of the Group's interest in an associate, namely Nanjing Dingshan Garden Hotel Co., Ltd. ("NJ Dingshan") and the amount due from NJ Dingshan by reference to its recoverable amount. The recoverable amount of the associate was determined based on a valuation carried out by Vigers Appraisal and Consulting Limited, independent qualified professional valuers not connected with the Group. Such valuation was determined based on a value in use calculation which uses cash flow projection based on management's best estimation of the results most likely to be achieved by NJ Dingshan which covers for a five-year period and cash flows beyond the five-year period are extrapolated at zero growth rate. The discount rate used was 14.4%. In calculating the recoverable amount, Vigers Appraisal and Consulting Limited estimated the growth rate, inflation rate and discount rate to calculate the recoverable amount. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As the estimated recoverable amount was below its carrying amount during the year ended 31 March 2010, impairment loss of HK$9,500,000 was recognised.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts, comprising amounts due to related companies, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Group review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through issue of new shares as well as the issue of new debts or the repayment of existing debt.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011	2010
	HK$	*HK$*
Financial assets		
Investments held for trading	**375,000**	525,000
Available-for-sale investments	**2,236,300**	2,236,300
Loans and receivables (including cash and cash equivalents)	**1,772,217**	82,467,137
Rental guarantee	**1,206,226**	–
Financial liabilities		
Amortised cost	**201,215,095**	111,655,318

Financial risk management objectives and policies

The Group's financial instruments include investments held for trading, available-for-sale investments, rental guarantee, amounts due from associates, accounts and other receivables, bank balances and cash, accounts and other payables and accrued charges, amounts due to a jointly controlled entity and related companies, deferred consideration payable to a related company and bank overdrafts. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the polices on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Foreign exchange risk is the risk of loss due to adverse movement in foreign exchange rate relating to foreign currency denominated amount due from/to group companies. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. At 31 March 2011, all the assets and liabilities of the Group are denominated in HK$. The directors consider the Group's exposure to currency risk is not significant.

At 31 March 2010, three subsidiaries of the Company with functional currency of HK$ had foreign currency balances within the Group that were denominated in Renminbi ("RMB"), which exposed the subsidiaries to foreign currency risk.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HK$ against RMB. 5% is the sensitivity rate used by the management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding RMB denominated amounts due between subsidiaries of the Group at 31 March 2010 and adjusts its translation at the end of the reporting period for a 5% change in RMB rate. A positive number below indicates increase in loss for the year where RMB strengthens 5% against HK$.

For a 5% weakening of RMB against HK$ there would be an equal and opposite impact on the loss for the year below:

	2011	2010
	HK$	*HK$*
Increase in loss for the year	**–**	1,654,408

Interest rate risk

The Group has exposure to cash flow interest rate risk through the impact of the rate changes on bank overdrafts and bank balances which are carried at variable interest rate. The Group currently does not have any interest rate hedging policy. However, the management monitors the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The directors consider the Group's exposure to interest rate risk of bank balances is not significant so no sensitivity analysis is presented.

The Group did not have any bank overdrafts as at 31 March 2011. The sensitivity analysis of the Group's exposure to interest rate risk of bank overdrafts at 31 March 2010 is presented below.

Sensitivity analysis

The analysis is prepared assuming the amount of bank overdrafts outstanding at the end of the reporting period were outstanding for the whole year. After considering the financial market conditions and the interest rates prevailing as at 31 March 2010, a 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2010 would increase/decrease by approximately HK$36,000. This is mainly attributable to the Group's exposure to interest rates on its bank overdrafts.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk

The Group is exposed to risk through fluctuation of equity securities price risk through its investments held for trading. Details of investments held for trading are set out in note 23.

Sensitivity analysis

If the prices of the investments held for trading had been 10% higher/lower while all other variables were held constant, profit (2010: loss) for the year would increase/decrease as follows:

A positive number indicates an increase in profit for the year/a decrease in loss for the year whereas a negative number indicates a decrease in profit for the year/an increase in loss for the year.

	2011	2010
	HK$	*HK$*
	Profit for the year	Loss for the year
Investments held for trading		
Price, higher by 10%	**38,000**	*53,000*
Price, lower by 10%	**(38,000)**	*(53,000)*

Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of those asset as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. The Group closely monitors the collectibility of trade debtors at the end of the reporting period to ensure the amounts are recoverable. Further, management closely monitors the subsequent settlement of the customers and does not grant long credit period to customers. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Other than the concentration of credit risk on bank balances and amount due from an associate as at 31 March 2010, the Group has no significant concentration of credit risk.

6. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

The Group had net current liabilities of HK$26,798,685 as at 31 March 2010, which was exposed to liquidity risk. In order to mitigate the liquidity risk, management obtained a financial support from its related company who has agreed to provide adequate funds to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future. At 31 March 2011, in management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. During the year ended 31 March 2011, there was a change in the repayment term on amounts due to related companies by delaying the repayment to 1 July 2012, resulting in all amounts due to related companies being classified as non-current at 31 March 2011. In addition, at 31 March 2011, the Group is negotiating a loan facilities of HK$190,000,000 and the management is discussing terms of the loan with a bank as of the issuance date of these consolidated financial statements. The bank has provided the term sheet of the loan facilities to the Group. The directors believe the Group would be able to obtain the loan facilities in late May 2011. The directors of the Company will continue to closely monitor the liquidity of the Group can be maintained in the coming year.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity and interest risk tables

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.03.2011
		HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2011							
Non-derivative financial liabilities							
Other payables and accrued charges	–	576,428	–	–	–	576,428	576,428
Amounts due to related companies	5%	–	–	–	62,641,686	62,641,686	58,935,479
Deferred consideration payable to a related company	5%	–	–	–	148,906,066	148,906,066	141,703,188
		576,428	–	–	211,547,752	212,124,180	201,215,095

	Weighted average effective interest rate	Repayable on demand or less than 3 months	3 – 6 months	6 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.03.2010
		HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
2010							
Non-derivative financial liabilities							
Accounts and other payables and accrued charges	–	2,102,721	–	–	–	2,102,721	2,102,721
Amounts due to related companies	7.75%	32,500,077	–	–	23,400,457	55,900,534	54,786,227
Bank overdrafts	5%	3,580,063	–	–	–	3,580,063	3,580,063
Amount due to a jointly controlled entity	–	51,186,307	–	–	–	51,186,307	51,186,307
		89,369,168	–	–	23,400,457	112,769,625	111,655,318

6. FINANCIAL INSTRUMENTS (Continued)

Fair value

The fair value of financial assets, except for amounts due from associates, and financial liabilities are determined as follows:

- the fair values of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Fair value measurements recognised in the consolidated statement of financial position

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 and 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 31 March 2011, the investments held for trading of HK$375,000 (2010: HK$525,000) of the Group is grouped into Level 1.

7. REVENUE

Revenue, which is also turnover of the Group, represents the amounts received and receivable for income from management fee income by the Group during the year as follows:

	2011	2010
	HK$	*HK$*
Continuing operations		
Management fee income	**1,238,263**	1,834,992

8. SEGMENT INFORMATION

The CODM, being the Chairman of the Group, reviews the consolidated statement of comprehensive income of the Group as a whole and focuses the review on the Group's profit (loss) for the year, share of results of associates and the jointly controlled entity for purposes of resource allocation and performance assessment. Further, the CODM does not review segment assets and liabilities. Accordingly, no segment analysis is presented other than entity-wide disclosures.

The revenue of the Group is set out in note 7.

Geographical information

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

The Group's revenue from continuing operations from external customer, representing revenue arising from rendering management services to the customer in the PRC, and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers	
	2011	2010
	HK$	*HK$*
The PRC	**1,238,263**	1,834,992

	Non-current assets	
	2011	2010
	HK$	*HK$*
Hong Kong	**360,366,289**	8,176,667
The PRC		
Interest in a jointly controlled entity	**–**	32,475,818
	360,366,289	40,652,485

Note: Non-current assets exclude financial instruments.

Information about major customers

Revenues from customer of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011	2010
	HK$	*HK$*
NJ Dingshan	**1,238,263**	1,834,992

9. OTHER INCOME, GAINS AND LOSSES

	2011 HK$	2010 HK$
Continuing operations		
Other income		
Interest earned on bank deposits	**10,539**	6,012
Interest income from an associate	**1,109,002**	580,334
Others	**1,127,011**	500,330
	2,246,552	1,086,676
Other gains and losses		
Fair value adjustment of non-current interest-free amounts due to related companies	**3,706,207**	1,114,307
Fair value adjustment of non-current interest-free other receivable	**–**	329,044
Bad debts written-off for other receivables	**–**	(32,103)
Bad debts recovered	**500,000**	–
Write off of dividend payable	**–**	885,225
Write off of other payable	**193,463**	–
Impairment loss recognised in respect of property, plant and equipment *(note 17)*	**–**	(590,011)
Loss on disposal of property, plant and equipment	**–**	(11,591)
Exchange gain realised on deregistration of a foreign operation	**–**	1,105,330
Exchange gain realised on disposal of subsidiaries	**845,397**	–
Net exchange gain	**70,051**	146,654
	5,315,118	2,946,855
	7,561,670	4,033,531

10. FINANCE COSTS

	2011 HK$	2010 HK$
Continuing operations		
Interest on bank overdrafts	**145,572**	198,725
Imputed interest expense on amounts due to related companies	**1,114,307**	1,114,307
Imputed interest expense on deferred consideration payable to a related company	**1,800,720**	–
	3,060,599	1,313,032

11. PROFIT (LOSS) BEFORE TAXATION

	2011	2010
	HK$	*HK$*
Continuing operations		
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**510,000**	1,178,000
Depreciation on property, plant and equipment	**269,821**	315,037
Staff costs (included in cost of sales and administrative expenses):		
– Salaries and other benefits	**3,881,246**	5,120,899
– Retirement benefits scheme contributions	**57,593**	77,874
	3,938,839	5,198,773
Share of tax credit of a jointly controlled entity	**–**	(2,680,357)
Recovery from a fully impaired investment *(Note)*	**(4,896,892)**	(8,864,380)

Note: Amount represented receipt of cash in respect of the Group's available-for-sale investment of an unlisted entity which was liquidated and fully impaired in previous years.

12. EMOLUMENTS OF DIRECTORS

During the years ended 31 March 2011 and 31 March 2010, no emoluments were paid to the directors.

13. EMOLUMENTS OF HIGHEST EMPLOYEES

Five highest paid employees

	2011	2010
	HK$	*HK$*
Salaries and other emoluments	**2,514,342**	2,953,736
Retirement benefits costs	**20,862**	24,000
	2,535,204	2,977,736

	2011	2010
	Number of employees	
HK$1,000,000 or below	**4**	5
HK$1,000,001 to HK$1,500,000	**1**	–
	5	5

14. TAXATION

The taxation for the year can be reconciled to the profit (loss) before taxation from continuing operations per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$	*HK$*
Profit (loss) before taxation from continuing operations	**41,774,880**	(13,366,827)
Taxation at Hong Kong Profits Tax rate of 16.5%	**6,892,855**	(2,205,526)
Tax effect of expenses not deductible for tax purpose	**3,650,569**	2,046,195
Tax effect of income not taxable for tax purpose	**(11,953,265)**	(911,826)
Tax effect of share of losses of associates	**969,616**	2,009,405
Tax effect of share of profit of a jointly controlled entity	**–**	(555,879)
Tax effect of utilisation of tax losses and temporary differences not recognised	**(82,500)**	(433,463)
Tax effect of tax loss not recognised	**522,725**	51,094
Taxation charge from continuing operations for the year	**–**	–

At 31 March 2011, the Group had estimated unused tax losses of approximately HK$142,858,000 (2010: HK$206,896,000) available for offset against future profits. No deferred tax asset in respect of the estimated tax losses has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

Under the Law of PRC on Enterprise Income tax promulgated on 16 March 2007, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries, associate and jointly controlled entity from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to share of accumulated profits of the PRC jointly controlled entity as the deferred taxation was insignificant and the jointly controlled entity was liquidated in August 2010. As the PRC subsidiaries and associate incurred losses since 1 January 2008 and were disposed of in January 2011, no deferred taxation was provided.

15. DISCONTINUED OPERATIONS

	2011	2010
	HK$	*HK$*
Profit for the year from discontinued operations		
– Interior decoration	–	645,500
– Trading of furniture *(Note)*	–	–
	–	645,500

Due to the continuous losses of the operations of interior decoration and trading of furniture for the past few years, management decided to abandon these two business operations since 17 December 2009.

Note: There was no transaction on trading of furniture during the year ended 31 March 2010.

The profit for the year from the interior decoration operation, which have been included in the consolidated statement of comprehensive income, were as follows:

	2011	2010
	HK$	*HK$*
Write back of allowance for bad and doubtful debts	–	645,500
Profit before taxation	–	645,500
Taxation	–	–
Profit for the year	–	645,500

During the year ended 31 March 2010, interior decoration operation contributed HK$645,500 in the Group's net operating cash flows.

16. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

The calculation of the basic earnings (loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$	*HK$*
Profit (loss) for the purpose of basic earnings (loss) per share	**41,774,880**	(12,721,327)

	Number of shares	
	2011	2010
Number of shares		
Number of shares for the purpose of basic earnings (loss) per share	**535,359,258**	535,359,258

From continuing operations

The calculation of the basic earnings (loss) per share from continuing operations attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$	*HK$*
Profit (loss) for the year attributable to owners of the Company	**41,774,880**	(12,721,327)
Less: Profit for the year from discontinued operations	**–**	(645,500)
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations	**41,774,880**	(13,366,827)

The denominators used are the same as those detailed above for basic earnings (loss) per share from continuing and discontinued operations.

From discontinued operations

The calculation of the basic earnings per share from discontinued operations attributable to the owners of the Company is based on the following data:

	2011	2010
	HK$	*HK$*
Profit for the year from discontinued operations	**–**	645,500
Basic earnings per share from discontinued operations	**–**	HK0.12 cent

16. EARNINGS (LOSS) PER SHARE (Continued)

The denominators used are the same as those detailed above for basic earnings (loss) per share from continuing and discontinued operations.

No diluted earnings (loss) per share have been presented as there was no potential ordinary share in issue in both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Machinery, equipment and motor vehicles	Furniture and fixtures	Art work	Leasehold improvements	Total
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
COST					
At 1 April 2009	4,954,933	1,602,584	11,000,000	8,374,061	25,931,578
Exchange adjustments	2,010	190	–	–	2,200
Additions	430,205	155,394	–	–	585,599
Disposals	(75,534)	–	–	–	(75,534)
At 31 March 2010 and 1 April 2010	5,311,614	1,758,168	11,000,000	8,374,061	26,443,843
Acquired on acquisition of a subsidiary	471,110	–	–	–	471,110
Disposals	(5,311,614)	(1,758,168)	(11,000,000)	(8,374,061)	(26,443,843)
At 31 March 2011	471,110	–	–	–	471,110
DEPRECIATION AND IMPAIRMENT					
At 1 April 2009	4,879,135	1,569,070	2,603,333	8,374,061	17,425,599
Exchange adjustments	–	151	–	–	151
Provided for the year	71,728	23,309	220,000	–	315,037
Impairment loss recognised in profit or loss	424,373	165,638	–	–	590,011
Eliminated on disposals	(63,622)	–	–	–	(63,622)
At 31 March 2010 and 1 April 2010	5,311,614	1,758,168	2,823,333	8,374,061	18,267,176
Provided for the year	104,821	–	165,000	–	269,821
Eliminated on disposals	(5,311,614)	(1,758,168)	(2,988,333)	(8,374,061)	(18,432,176)
At 31 March 2011	104,821	–	–	–	104,821
CARRYING VALUES					
At 31 March 2011	366,289	–	–	–	366,289
At 31 March 2010	–	–	8,176,667	–	8,176,667

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Machinery, equipment and motor vehicles	20%
Furniture and fixtures	20%
Art work	2%
Leasehold improvements	20% or over the terms of the lease, if shorter

During the year ended 31 March 2010, the directors conducted a review of the Group's property, plant and equipment and determined that a number of those assets were fully impaired, due to continuous loss noted for years and, the directors of the Company considered no other business opportunities is expected in the foreseeable future. Accordingly, impairment losses of HK$424,373 and HK$165,638 respectively had been recognised in respect of machinery, equipment and motor vehicles and furniture and fixtures. The directors of the Company are in a view that no impairment is considered necessary for property, plant and equipment as at 31 March 2011.

18. INVESTMENT PROPERTY

	2011
	HK$
FAIR VALUE	
Acquired on acquisition of a subsidiary	**330,000,000**
Gain on fair value change for the year	**30,000,000**
At 31 March 2011	**360,000,000**

The fair value of the Group's investment property ("Property") at 31 March 2011 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, not connected with the Company. Vigers Appraisal and Consulting Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The Group's Property has been valued on market value basis, which conforms to Hong Kong Institute of Surveyors Valuation Standards on Properties. The valuation was arrived at by reference to comparable market transactions for similar properties.

The Group's Property is situated in Hong Kong and held on a medium-term lease to earn rentals or for capital appreciation.

19. INTERESTS IN ASSOCIATES

	2011	2010
	HK$	*HK$*
Cost of unlisted investments in associates	**58**	89,549,045
Share of post-acquisition losses	**(58)**	(96,668,122)
Exchange realignment	**–**	7,119,077
Interests in associates	**–**	–
Gross amounts due from associates	**–**	121,369,130
Exchange realignment	**–**	(77,233)
Loss allocated in excess of cost of investment in an associate	**–**	(19,896,022)
Impairment loss recognised in respect of amounts due from associates	**–**	(26,000,000)
Amounts due from associates, net	**–**	75,395,875

During the year ended 31 March 2008, the Group and other owner of NJ Dingshan agreed to capitalise the loan to NJ Dingshan as additional registered capital to NJ Dingshan. During the year ended 31 March 2009, the other owner, which is a state-owned enterprise, advised the Group's management that the application submitted is under review by the relevant authority of the PRC government. The registration of these additional capital to NJ Dingshan was in progress as at 31 March 2010 and the directors believed that the registration would be completed in the financial year 2011. The registration was still in progress on 7 January 2011, the disposal date of NJ Dingshan (see note 32 for details). As the carrying amount of interest-free amount due from the associate of HK$75,395,875 was going to be capitalised as additional registered capital to NJ Dingshan, it had formed as part of the net investment in NJ Dingshan and the Group continued recognising its share of further losses.

Included in the loan to NJ Dingshan amount of approximately HK$10,276,000 was interest-bearing. Out of which, balance of approximately HK$4,567,000 is charged at 5.31% per annum and the remaining interest-bearing loan of approximately HK$5,709,000 was charged at 5.41% per annum.

NJ Dingshan was disposed of to Kompass during the current year (see note 32 for details).

The directors of the Company assessed the recoverable amount of interest in an associate and the amount due from that associate in March 2010 and September 2010. A valuation was carried out by Vigers Appraisal and Consulting Limited, independent qualified professional valuers not connected with the Group. Vigers Appraisal and Consulting Limited are members of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors. Such valuation was determined based on a value in use calculation which uses cash flow projection based on management's best estimation of the results most likely to be achieved by NJ Dingshan which covers for a five-year period and cash flows beyond the five-year period are extrapolated at zero growth rate. The discount rate used was 14.4%. In calculating the recoverable amount, Vigers Appraisal and Consulting Limited estimated the growth rate, inflation rate and discount rate to calculate the recoverable amount. Based on the valuation, the directors determined an impairment loss of HK$16,979,766 (2010: HK$9,500,000) to be recognised for the year ended 31 March 2011.

19. INTERESTS IN ASSOCIATES (Continued)

The following table lists only the particulars of the Group's associate at 31 March 2010 which principally affects the results or assets of the Group as the directors are of the opinion that a complete list of all the associates will be of excessive length. The Group did not have any significant investments in associates as at 31 March 2011.

Name of associate	Form of business structure	Country of registration and operation	Nominal value of capital contribution	Proportion of nominal value of registered capital held by the Group	Principal activity
NJ Dingshan	Sino-foreign equity joint venture	The PRC	US$25,600,000	45%	Hotel business

The summarised financial information in respect of the Group's associates is set out below:

	2011	2010
	HK$	*HK$*
Total assets	**6,066**	389,499,342
Total liabilities	**(3,223,673)**	(434,593,334)
Net liabilities	**(3,217,607)**	(45,093,992)
Group's share of net assets of associates	**–**	–
Revenue *(Note)*	**69,379,804**	86,984,929
Loss and total comprehensive expense for the period *(Note)*	**(13,067,812)**	(27,083,451)
Group's shares of losses and total comprehensive expense of associates for the period *(Note)*	**(5,876,463)**	(12,178,210)

Note: Amounts included revenue, loss and total comprehensive expense for the period and Group's shares of losses and total comprehensive expense for the period from NJ Dingshan from 1 April 2010 to 7 January 2011 (date of disposal).

19. INTERESTS IN ASSOCIATES (Continued)

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2011	2010
	HK$	*HK$*
Unrecognised share of losses of associates for the year	**(4,503)**	(10,382)
Accumulated unrecognised share of losses of associates	**(95,094)**	(90,591)

20. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2011	2010
	HK$	*HK$*
Cost of unlisted investment in a jointly controlled entity	**–**	1,465,479
Deemed distribution from a jointly controlled entity *(Note)*	**–**	(31,008,600)
Share of post-acquisition profits	**–**	50,731,289
Exchange realignment	**–**	11,287,650
	–	32,475,818

Note: Deemed distribution from the jointly controlled entity of HK$26,771,887 during the year ended 31 March 2010 represented difference between fair values of properties less unrealised profit eliminated by the Group relating to properties held for sale and properties acquired from the jointly controlled entity by the Group and the nominal consideration of those properties. The fair values of properties held for sale were HK$76,561,348 with the nominal consideration of HK$28,142,045. Unrealised profit eliminated by the Group was HK$21,647,416. The nominal consideration was settled through current account with the jointly controlled entity as disclosed in note 35. The remaining amount of HK$4,236,713 represented the fair value adjustment of a non-current amount due to a jointly controlled entity in previous years.

As at 31 March 2010, the Group had interest in the following jointly controlled entity:

Name of entity	**Form of business structure**	**Country of registration and operation**	**Proportion of nominal value of registered capital held by the Group**	**Principal activity**
Shanghai Qiao-Yi Real Estate Co., Ltd. ("Qiao-Yi") *(Note)*	Sino-foreign equity joint venture	The PRC	80%	Property development

20. INTEREST IN A JOINTLY CONTROLLED ENTITY (Continued)

Note:

Qiao-Yi is held by the Group and a PRC minority owner ("Party A") at 80% and 20% respectively. In previous years, Qiao-Yi was undergoing voluntary dissolution. On further negotiation, an agreement was reached on 24 June 2003 between the two parties to continue the joint venture. Both parties agreed:

(i) To rescind the voluntary dissolution;

(ii) To relinquish their respective claims in the dispute;

(iii) To jointly hold the remaining parcel of land equally and share the profit/loss arising from the development of the aforesaid land on a 50:50 basis in which the development was completed during the year ended 31 March 2007;

(iv) To jointly hold the club house, retail shops and carports equally and share the profit/loss arising from these assets on a 50:50 basis;

(v) Other than items (iii) and (iv) mentioned above, the remaining net assets and the profit/loss will be distributed among the owners according to the revised ratios of 63.4% for the Group and 36.6% for Party A.

All the board resolutions require 100% approval by the board members. Pursuant to owners' agreements and the revised joint venture contract, revised articles of the joint venture as well as the supplementary documents, which are effective from 1 April 2004, Qiao-Yi became jointly controlled by the Group and the other owner. Therefore, Qiao-Yi was reclassified as a jointly controlled entity of the Group since 1 April 2004.

Pursuant to directors' and owners' meetings on 24 December 2008, the directors and owners of Qiao-Yi agreed to undergo winding up of Qiao-Yi and ceased operation from 1 January 2009. Qiao-Yi formed a liquidation committee on 16 September 2009 to follow up all procedures for liquidation and members of the liquidation committee were all appointed by respective owners and hence the Group still retained joint control over the operation of Qiao-Yi. During the year ended 31 March 2011, Qiao-Yi obtained the tax clearance from the tax authority of the PRC, and was liquidated during the year ended 31 March 2011 with its remaining bank balances distributed to its shareholders.

The summarised financial information in respect of the Group's jointly controlled entity attributable to the Group's interest therein which was accounted for using the equity method at 31 March 2010 is set out below:

	2010 *HK$*
Current assets	63,484,418
Income recognised in profit or loss	35,955,105
Expenses recognised in profit or loss	32,586,143

21. AVAILABLE-FOR-SALE INVESTMENTS

	2011	2010
	HK$	*HK$*
Unlisted equity securities, at cost	**4,349,000**	4,349,000
Less: Impairment loss	**(2,112,700)**	(2,112,700)
	2,236,300	2,236,300

The above unlisted equity investments stated at cost less impairment loss recognised represent unlisted equity securities issued by private entities incorporated in Hong Kong. The directors of the Company are of the opinion that their fair values cannot be measured reliably because the range of reasonable fair value estimates is so significant.

22. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS

	2011	2010
	HK$	*HK$*
Accounts receivables	**–**	131,306
Less: Allowance for doubtful debts	**–**	(131,306)
	–	–
Other receivables and prepayments	**203,580**	827,050
Total accounts and other receivables and prepayments	**203,580**	827,050

The Group allowed an average credit period of 90 days to trade debtors prior to the discontinuance of the interior decoration work and trading of furniture business.

The Group had policy of providing allowance for bad and doubtful debts which was based on the evaluation of collectability and on management's judgement including credit worthiness and past collection history of each client.

Movement in the allowance for doubtful debts

	2011	2010
	HK$	*HK$*
Balance at beginning of the year	**131,306**	857,844
Amounts written off as uncollectible	**–**	(81,038)
Write back of impairment loss upon recovery of debts	**–**	(645,500)
Eliminated on disposal of subsidiaries	**(131,306)**	–
Balance at end of the year	**–**	131,306

22. ACCOUNTS AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

As at 31 March 2010, included in the allowance for doubtful debts were individually impaired accounts receivables with an aggregate balance of HK$131,306 which had been in severe financial difficulties. The Group did not hold any collateral over these balances.

In determining the recoverability of accounts receivables, the Group considered any changes in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Since full provision had been recognised, there was no concentration of credit risk as at 31 March 2010.

23. INVESTMENTS HELD FOR TRADING

	2011	2010
	HK$	*HK$*
Equity securities listed in Hong Kong and stated at fair value	**375,000**	525,000

24. RENTAL GUARANTEE

On 7 January 2011, the Group acquired 100% of the issued share capital of Chyau Fwu Investment Limited ("Chyau Fwu"), details of which are set out in note 31. Pursuant to the acquisition agreement, Kompass, the immediate and ultimate holding company of the Company, had undertaken that during the six months from 7 January 2011 (the "Rental Guarantee Period"), if the Property is not rented out during the Rental Guarantee Period, Kompass will pay an amount of HK$500,000 per month during the Rental Guarantee Period to the Group. From 7 January 2011 to the issuance date of those consolidated financial statements, the Property remains vacant. The Group received the rental guarantee amount of HK$1,403,226 from Kompass during the current period.

25. BANK BALANCES AND CASH

Bank balances have an original maturity of less than three months and carry an average market interest rate of 0.01% (2010: 0.01%) per annum.

26. ACCOUNTS AND OTHER PAYABLES AND ACCRUED CHARGES

Accounts and other payables and accrued charges principally comprise amounts outstanding for trade purpose and ongoing costs.

An aged analysis of accounts payable and is as follows:

	2011	2010
	HK$	HK$
Total accounts payable aged more than 365 days	–	2,730
Other payables and accrued charges	576,429	1,364,308
Provision on long service payment	542,220	735,683
	1,118,649	2,102,721

27. OTHER CURRENT FINANCIAL LIABILITIES

Amount due to a jointly controlled entity was unsecured, interest-free and repayable on demand.

Bank overdrafts were repayable on demand and carried variable interest rate at Hong Kong dollars best lending rate. The effective interest rate was 5% per annum.

28. AMOUNTS DUE TO RELATED COMPANIES

Amounts due to related companies analysed for reporting purposes as:

	2011	2010
	HK$	HK$
Current *(note ii)*	–	32,500,077
Non-current *(note iii)*	58,935,479	22,286,150
	58,935,479	54,786,227

Notes:

(i) The related companies are companies which are controlled by close members of the family of a director of the Company.

(ii) The amounts were unsecured, interest-free and repayable on demand.

(iii) At 31 March 2011, the balance of HK$58,935,479 (2010: HK$22,286,150) represents an interest-free balance with a principal amount of HK$62,641,686 (2010: HK$23,400,457) due to the related companies. At 31 March 2011, the related companies extended the repayment date of the advances to 1 July 2012. Accordingly, the balances are classified as non-current. The interest-free non-current amounts due to related companies are adjusted to their fair values. The fair value adjustment of HK$3,706,207 (2010: HK$1,114,307) is recognised in profit or loss. The effective interest rate is 5% (2010: 7.75%) per annum.

29. DEFERRED CONSIDERATION PAYABLE TO A RELATED COMPANY

Pursuant to the acquisition and disposal agreement dated 13 September 2010, the Disposal Consideration (as defined in note 32) was used to settle part of the Acquisition Consideration (as defined in note 31). The difference between the Acquisition Consideration and the Disposal Consideration of HK$148,906,066 (the "Deferred Consideration") is interest-free and payable on 15 months from date of completion of the acquisition. On 7 January 2011, the acquisition was completed. The fair value adjustment of the Deferred Consideration on initial recognition was estimated to be HK$9,003,598 based on an effective interest rate of 5% per annum. The Deferred Consideration is repayable on 7 May 2012.

During the year, imputed interest expense of HK$1,800,720 was charged to profit or loss.

30. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 April 2009, 31 March 2010 and 31 March 2011	8,500,000,000	850,000,000
Issued and fully paid:		
At 1 April 2009, 31 March 2010 and 31 March 2011	535,359,258	53,535,926

There was no movement in the Company's share capital for both years.

31. ACQUISITION OF A SUBSIDIARY

On 7 January 2011, the Group acquired the assets and liabilities of Chyau Fwu by acquiring 100% of the issued share capital of Chyau Fwu for a consideration of HK$289,516,400 (the "Acquisition Consideration") from several companies which are ultimately held by one of the major shareholders of the Company and his spouse. The principal asset of Chyau Fwu is an office property located in Hong Kong and therefore it is accounted for as acquisition of assets and liabilities. The acquisition is a connected transaction.

31. ACQUISITION OF A SUBSIDIARY (Continued)

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$
Investment property	330,000,000
Property, plant and equipment	471,110
Amount due from the Group	10,436,350
Other receivables and prepayments	50,522
Tax recoverable	2,481
Bank balances and cash	363,837
Other payable	(92,125)
Amounts due to a shareholder and the related companies	(53,355,478)
	287,876,697
Amounts due to a shareholder and related companies assigned to the Group	53,355,478
Rental guarantee (note 24)	2,609,452
	343,841,627

The fair value of the investment property at 7 January 2011 has been arrived at on the basis of a valuation carried out on that date by Vigers Appraisal and Consulting Limited, an independent qualified professional valuer, not connected with the Company. Vigers Appraisal and Consulting Limited has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The investment property has been valued on market value basis by reference to comparable market transactions for similar properties.

Net cash inflow on acquisition of Chyau Fwu

	HK$
Cash and cash equivalent balances acquired	363,837
Less: Cash consideration paid	–
	363,837

31. ACQUISITION OF A SUBSIDIARY (Continued)

Pursuant to the acquisition agreement, the Acquisition Consideration is to be partly settled by the Disposal Consideration. An analysis is set out below:

	HK$
Net assets acquired and loan assignment	343,841,627
Net assets disposed of and loan assignment (note 32)	(140,359,915)
	203,481,712
Fair value of Deferred Consideration (note 29)	(139,902,468)
Contribution from a shareholder recognised in equity	63,579,244

32. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE

On 7 January 2011, the Group disposed of its entire interest in the subsidiaries, namely, Dragon Spirit Limited, Newmeadow Limited (the principal assets of Newmeadow Limited is its 45% interest in NJ Dingshan), Hebo Urge Company Limited, Jiangsu Parkview Hotels & Resorts Limited, Gallaria Furnishings International Limited and its entire interest in an associate, Kinart Enterprise Limited (all together the "Disposal Group") to Kompass, the immediate and ultimate holding company at a total consideration of HK$140,610,334 (the "Disposal Consideration"). The Disposal Consideration is used to settle off part of the Acquisition Consideration (see note 31). The disposal is considered as a connected transaction. The net assets of the Disposal Group at the date of disposal were as follows:

Analysis of assets and liabilities transferred to Kompass:

	HK$
Property, plant and equipment	8,011,667
Amount due from an associate	75,501,302
Properties held for sale *(Note)*	56,933,888
Accounts and other receivables and prepayments	464,457
Amount due from a related company	22,805
Bank balances and cash	5,064,505
Accounts and other payables and accruals	(455,024)
Amounts due to the Group	(382,235,015)
Amounts due to related companies	(1,376,230)
Tax payable	(59,215)
Bank overdraft	(3,748,240)
	(241,875,100)
Amounts due to the Group assigned to Kompass	382,235,015
	140,359,915

Note: The fair value of the properties held for sale was HK$79,377,582 on the date of disposal. The carrying amount shown above was adjusted for an unrealised profit of HK$22,443,694. The disposal resulted in a net gain of HK$250,419, being the difference between (i) the reversal of the unrealised profit of HK$22,443,694 and (ii) disposal loss of the above assets and liabilities of HK$22,193,275.

32. DISPOSAL OF SUBSIDIARIES AND AN ASSOCIATE (Continued)

Net cash inflow arising on disposal:

	HK$
Cash consideration received	–
Less: Bank balances and cash disposed of	(5,064,505)
	(5,064,505)

During the period from 1 April 2010 to 7 January 2011, the Disposal Group did not have cash transactions.

33. RETIREMENT BENEFITS SCHEMES

Effective from 1 December 2000, the Group has joined a Mandatory Provident Fund Scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. The Group contributes the lower of HK$1,000 or 5% of relevant payroll costs to the MPF scheme. The total amount contributed by the Group to the MPF Scheme and charged to profit or loss was HK$57,593 (2010: HK$77,874).

34. RELATED PARTY TRANSACTIONS

Apart from the amounts due from and to related companies as disclosed in the consolidated statement of financial position and notes 19, 27, 28 and 29 and the acquisition and disposal as set out in notes 31 and 32 respectively, during the year, the Group entered into the following transactions with an associate and related companies:

	A jointly controlled entity		**An associate**		**Related companies**	
	2011	2010	**2011**	2010	**2011**	2010
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Management fee income from	**–**	–	**1,238,263**	1,834,992	**–**	–
Guaranteed rental income from	**–**	–	**–**	–	**1,403,226**	–
Building management fee to	**–**	–	**–**	–	**246,180**	246,180
General expenses to	**–**	–	**–**	–	**386,802**	349,510
Interest income from	**–**	–	**1,109,002**	580,334	**–**	–
Purchase of properties from	**–**	28,142,045	**–**	–	**–**	–
Purchase of property, plant and equipment from	**–**	585,249	**–**	–	**–**	–

34. RELATED PARTY TRANSACTIONS (Continued)

During the year ended 31 March 2010, the Group assigned non-current other receivable of HK$1,500,000 and other payable of HK$2,278,000 to related companies.

A related company whereby the directors of the Company are the family members of directors of that related company, provided certain area for the Group to use as the Group's office premises at nil cost.

Certain directors of the related companies are also the Company's directors and two directors of a related company are children of one of the Company's directors.

Compensation of key management personnel

The remuneration of members of key management of the Group during the year as follows:

	2011	2010
	HK$	*HK$*
Salaries and other short-term employee benefits	**1,000,980**	996,000

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

35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011, consideration for the acquisition of Chyau Fwu of HK$289,516,400 was settled by the consideration for the disposal of the Disposal Group of HK$140,610,334 and the remaining consideration payable of HK$148,906,066 was deferred to 7 May 2012, details of which are set out in note 29.

During the year ended 31 March 2010, properties held for sale of HK$28,142,045 and properties, plant and equipment of HK$585,249 were acquired by the Group from a jointly controlled entity and such amounts were settled through current account with that jointly controlled entity. In addition, the Group assigned non-current other receivable of HK$1,500,000 and other payable of HK$2,278,000 to related companies through current account with these related companies.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2011 and 2010 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except for Shanghai Gang Li Furnishing Co., Ltd. operating in the PRC, all the following subsidiaries are operating principally in Hong Kong.

Name of subsidiary	Country/ place of incorporation/ establishment	Class of shares held	Paid up issued share capital/ capital contribution	Proportion of nominal value of issued capital/ registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2011	2010	**2011**	2010	
				%	%	**%**	%	
Dragon Spirit Limited *(Note 1)*	British Virgin Islands	Ordinary	US$1	**–**	–	**–**	100	Investment holding
Gallaria Furnishings International Limited *(Note 1)*	Hong Kong	Ordinary	HK$2,000,020	**–**	–	**–**	100	Inactive
Hebo Urge Company Limited *(Note 1)*	Hong Kong	Ordinary	HK$2	**–**	100	**–**	–	Holding of a painting
Hong Kong Parkview (China) Limited	Hong Kong	Ordinary	HK$10,000,000	**–**	–	**100**	100	Investment holding
Hong Kong Parkview International Management Limited	Hong Kong	Ordinary	HK$2	**–**	–	**100**	100	Personnel management
Newmeadow Limited *(Note 1)*	British Virgin Islands	Ordinary	US$1	**–**	–	**–**	100	Investment holding
Shanghai Gang Li Furnishing Co., Ltd. *(Note 1)*	The PRC	Registered	US$200,000	**–**	–	**–**	100	Property investment
Parkview Management Services Limited	British Virgin Islands	Ordinary	US$4	**100**	100	**–**	–	Investment holding
Parkview Property Development Limited	Hong Kong	Ordinary	HK$1,000	**100**	100	**–**	–	Investment holding
Chyau Fwu Investment Limited *(Note 2)*	Hong Kong	Ordinary	HK$20	**–**	–	**100**	–	Property investment
		Non-voting deferred	HK$8,500,000	**–**	–	**100**	–	

Notes:

1. The subsidiaries were disposed of on 7 January 2011.

2. A subsidiary acquired on 7 January 2011.

None of the subsidiaries had issued any debt securities during the year or at 31 March 2011.

Five Years Financial Summary

FOR THE YEAR ENDED 31 MARCH 2011

	2007	2008	2009	2010	**2011**
	HK$	*HK$*	*HK$*	*HK$*	***HK$***
CONSOLIDATED RESULTS					
Revenue	22,371,767	6,247,246	2,316,785	1,834,992	**1,238,263**
Profit (loss) for the year attributable to owners of the Company	7,932,541	(16,837,193)	(39,115,039)	(12,721,327)	**41,774,880**
Basic earnings (loss) earnings per share	HK1.48 cents	HK(3.15 cents)	HK(7.31 cents)	HK(2.38 cents)	**HK7.80 cents**
CONSOLIDATED ASSETS AND LIABILITIES					
Total assets	198,889,667	187,276,562	167,459,537	180,912,369	**366,102,675**
Total liabilities	(67,337,691)	(65,552,373)	(83,229,558)	(111,712,544)	**(201,757,316)**
	131,551,976	121,724,189	84,229,979	69,199,825	**164,345,359**
Equity attributable to owners of the Company	131,551,976	121,724,189	84,229,979	69,199,825	**164,345,359**

僑福建設企業機構

THE HONG KONG PARKVIEW GROUP LTD.

Hong Kong Parkview, 88 Tai Tam Reservoir Road, H.K. ☎(852) 2810 5511
陽明山莊　香港大潭水塘道88號　(852) 2810 0667
www.hkparkviewgroup.com