2011
Annual Report

SHUN CHEONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 650

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Director

MO Tianquan

Independent Non-Executive Directors

YE Jianping
PALASCHUK Derek Myles
YAO Xusheng

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

YAO Xusheng *(Chairman)*
YE Jianping
CAO Jing

NOMINATION COMMITTEE

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

COMPANY SECRETARY

TING Kin Wai

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

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

STOCK CODE

SEHK 650

WEBSITE

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

EXECUTIVE DIRECTORS

Ms. Cao Jing – Executive Chairman

Ms. Cao, aged 43, was appointed as a director of the Company on 2 May 2006. She has over 10 years of experience in architecting large-scale enterprise software, project management and leading development in various companies in the United States of America ("USA"). Ms. Cao holds a Bachelor's Degree in Automation Engineering from Tsinghua University, the People's Republic of China (the "PRC"), and a Master's Degree in Electrical Engineering from Wright State University, the USA. She is also a director of Upsky Enterprises Limited and the spouse of Mr. Mo Tianquan.

Mr. Zhang Shaohua – Managing Director

Mr. Zhang, aged 47, was appointed as an independent non-executive director of the Company on 16 September 2006. On 6 March 2008, Mr. Zhang was re-designated as the executive director and appointed as the managing director of the Company. He is an entrepreneur with over 20 years of experience in starting up, developing and managing businesses in various industry sectors. He is the founder of and has been the managing director of Beijing Beyondal Electric Co. Ltd. since 2003, a company which has a large market share in setting up internet data centre in the PRC. He has worked as the General Manager (China) for GE Digital Energy and in other companies in the areas of power quality and precision environmental control industry for many years. He holds a Bachelor's Degree in Science from the South China University of Technology and a Master's Degree in Business Administration from the Capital University of Economics and Business, the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Mo Tianquan

Mr. Mo, aged 47, was appointed as a director of the Company on 2 May 2006. He has over 13 years of experience in the provision of on-line information and analysis on the trading, leasing, financing and valuation of real estate properties. He holds a Bachelor's Degree in Mechanical Engineering from South China University of Technology, a Master's Degree in Engineering from Tsinghua University, the PRC and a Degree of Master of Arts from Indiana University, the USA. He is a director and the executive chairman of SouFun Holdings Limited, a company whose shares are listed on the New York Stock Exchange conducting real estate internet business in the PRC. Mr. Mo is also a director of and has beneficial interests in all the issued share capital of Upsky Enterprises Limited, the ultimate holding company of the Company holding approximately 60.39% of the issued share capital of the Company as at the date of this annual report. He is the spouse of Ms. Cao Jing.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Ye Jianping

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

Mr. Palaschuk Derek Myles

Mr. Palaschuk, aged 47, was appointed as an independent non-executive director of the Company on 25 February 2008. He was chief financial officer of Longtop Financial Technologies, a New York Stock Exchange listed company from September 2006 to May 2011. He was previously the chief financial officer of eLong Inc, a China-based Nasdaq-listed company, from April 2004 until July 2006. Prior to this, he worked with Sohu.com, a China-based Nasdaq-listed company, from July 2000 to March 2004 in various financial positions including chief financial officer. He also worked as an audit manager with PricewaterhouseCoopers in Hong Kong and Beijing. He holds a Bachelor of Commerce degree in accounting from the University of Saskatchewan, and an LLB from the University of British Columbia in Canada. He is also a Canadian Chartered Accountant.

Mr. Yao Xusheng

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

SENIOR MANAGEMENT

Mr. Ting Kin Wai

Mr. Ting, aged 31, joined the Company in January 2011 and is the Financial Controller and Company Secretary of the Company. Mr. Ting holds a Bachelor degree in Business Administration from The Chinese University of Hong Kong and a Master degree in Corporate Finance from The Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Ting has extensive experience in auditing, finance and accounting and corporate secretarial functions and had worked at a reputable accountancy firm and listed companies in Hong Kong.

CHAIRMAN'S STATEMENT

BUSINESS REVIEW

For the year ended 31 March 2011, the revenue of the Group's continuing operations, being the operation of the Guangxi Wharton International Hotel Limited (the "Nanning Hotel") located in Guangxi Province, the PRC, increased by 9.8% to HK$144.7 million (2010: HK$131.8 million). The increase was mainly attributable to the higher average room rate charged to customers and the improved performance in the restaurant operation of the Nanning Hotel. Owing to the improved revenue and gross profit of the hotel operation and a one-off recovery of bad debt as other operating income during the year, the Group's profit before tax from continuing operations has surged to HK$5.2 million (2010: HK$0.3 million). During the year, the Nanning Hotel reported an average room rate of HK$629 (2010: HK$548) and an average occupancy rate of 73% (2010: 72%).

In September 2010, the Group completed the disposal of its entire interest in the building services contracting and maintenance business. The profit contributed to the Group by the disposed operation was HK$0.7 million (2010: HK$0.3 million). After the disposal, the hotel and restaurant operations have become the sole business of the Group.

As at 31 March 2011, net asset value attributable to owners of the Company increased by 5.2%, amounting to HK$207.3 million (2010: HK$197.0 million).

BUSINESS PROSPECTS

Looking ahead, the Group is determined to further develop its existing core business in the Nanning Hotel. With the continuous effort by the PRC government in promoting the economies of the less developed regions and the rapid development of tourism industry in the second tier cities, the Board believes that the operation of the Nanning Hotel will continue to grow and contribute positively to the Group's performance in the coming years. The management of the Group will also explore and evaluate other potential investment opportunities cautiously which could bring long-term benefits to the Group.

ACKNOWLEDGEMENT

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

Cao Jing
Executive Chairman

Hong Kong
17 June 2011

CORPORATE GOVERNANCE REPORT

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company had complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of 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, except for code provisions A.1.1, A.4.1, A.4.2, B.1.3 and E.1.2, details of which are discussed in this report.

BOARD OF DIRECTORS

Composition and Role

The Board comprises:

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

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

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

Members of the Board are collectively responsible for overseeing the business and affairs of the Group that aims to enhancing the Company's value for stakeholders. Roles of the Board include reviewing and guiding corporate strategies and policies; monitoring financial and operating performance; ensuring the integrity of the Group's accounting and financial reporting systems; and setting appropriate policies in managing risks of the Group while the day-to-day management is delegated to the executive directors and the management. The directors of the Company during the year and up to the date of this annual report are set out in the section "Directors" on page 15 of the annual report.

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

BOARD OF DIRECTORS (CONTINUED)

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

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Company was Ms. Cao Jing and the Company did not have the position of Chief Executive Officer ("CEO"). The functions of CEO were performed by the Managing Director. The Managing Director of the Company was Mr. Zhang Shaohua. The roles of the Chairman and Managing Director were segregated and were not exercised by the same individual.

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

RE-ELECTION OF DIRECTORS

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

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

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

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

REMUNERATION COMMITTEE

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

During the year, the Remuneration Committee held one meeting to review and discuss matters related to directors' fee and remuneration.

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

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

REMUNERATION COMMITTEE (CONTINUED)

Details of remuneration packages of the directors during the year are set out under the heading "Directors' Remuneration" on pages 50 to 51 of this annual report. One committee meeting was held during the year and the attendance of each member is shown as follows:

Name of member	Number of meetings attended
Mr. Yao Xusheng *(Chairman)*	1/1
Ms. Cao Jing	1/1
Prof. Ye Jianping	1/1

AUDIT COMMITTEE

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

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

During the year ended 31 March 2011, the Audit Committee reviewed the accounting principles and policies adopted by the Company and discussed with management the financial reporting matters, internal controls, the unaudited interim results for the six months ended 30 September 2010 and the annual results for the year ended 31 March 2011.

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

Name of member	Number of meetings attended
Mr. Palaschuk Derek Myles *(Chairman)*	2/2
Prof. Ye Jianping	2/2
Mr. Yao Xusheng	2/2

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

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

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

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

The Nomination Committee met one time during the year to consider the re-election of directors at the Company's annual general meeting and the attendance of each Nomination Committee member is shown below:

Name of member	Number of meetings attended
Prof. Ye Jianping *(Chairman)*	1/1
Ms. Cao Jing	1/1
Mr. Palaschuk Derek Myles	1/1

AUDITORS' REMUNERATION

For the year ended 31 March 2011, services provided to the Group by Ernst & Young, the existing auditors of the Company, and the respective fees paid and payable were:

Services rendered	Fees HK$'000
Audit services	880
Non-audit services (review and other services)	48

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.

All directors have confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 March 2011.

INTERNAL CONTROL

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

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

In respect of the year ended 31 March 2011, the Board and the Audit Committee conducted annual review of the effectiveness of the internal control system of the Group covering the finance, operational and compliance controls and risk management functions. Based on the review, the Board considered that the Group's internal control systems were effective and adequate for its present requirements.

ACCOUNTABILITY AND AUDIT

The directors acknowledge their responsibility for overseeing the preparation of financial statements for each financial period with a view to ensuring such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgments and estimates made are prudent and reasonable. The statement of the external auditors of the Company, Messrs. Ernst & Young, with regard to their reporting responsibilities on the Company's financial statements is set out in the Independent Auditors' Report on pages 19 and 20 of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting of the Company. The chairman did not attend the 2010 annual general meeting due to other business engagement. An executive director had chaired the 2010 annual general meeting and answered questions from the shareholders.

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

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal activities of its subsidiaries consisted of hotel and restaurant operations and the provision of building related maintenance services, which was discontinued upon the Group disposed of the related business during the year on 28 September 2010. Details of the principal subsidiaries at the end of the reporting period and their activities are set out in note 16 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 78.

The directors do not recommend the payment of any dividend in respect of the year (2010: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operation Review

A review of the Group's business operations and prospects is included in the Chairman's Statement on page 5 of the annual report.

Liquidity and Financial Resources

The Group's cash and bank balances are mostly in Hong Kong dollars and Renminbi. As at 31 March 2011, the Group had unpledged cash and bank deposit balances of approximately HK$106.5 million (2010: HK$86.9 million). As at 31 March 2011, the Group had outstanding bank borrowing of HK$264.3 million (2010: HK$256.5 million). The gearing ratio of the Group which represented the total bank borrowings to the total assets was 42% (2010: 42%).

Treasury and Funding Policy

The assets and liabilities of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group's bank borrowing is on a floating rate at the prime lending rate of the People's Bank of China. The maximum bank facilities granted by bank to the Group is HK$377.6 million (2010: HK$361.6 million). Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements. The Renminbi has been pegged to a basket of currencies. Accordingly, the Group has minimal exposure to foreign exchange fluctuation.

Pledge of Assets

At 31 March 2011, the hotel properties held with an aggregate carrying amount of approximately HK$302.8 million (2010: HK$302.7 million) were mortgaged to a bank to secure banking facilities granted to the Group.

Employees and Remuneration Policy

The Group employed approximately 570 employees as at 31 March 2011 (2010: 610). Remuneration is determined by reference to market terms and the qualifications and experience of the staff concerned. Salaries are reviewed annually depending on individual merits. The Group also provides other benefits including retirement benefit scheme, medical insurance and educational subsidies to all eligible staff.

REPORT OF THE DIRECTORS

SUMMARY OF FINANCIAL INFORMATION

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

RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
CONTINUING OPERATIONS					
REVENUE	**144,684**	131,826	15,302	–	–
Profit/(loss) for the year from continuing operations	**135**	251	(8,411)	–	–
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**749**	250	(4,379)	(8,704)	(2,726)
PROFIT/(LOSS) FOR THE YEAR	**884**	501	(12,790)	(8,704)	(2,726)
Profit/(loss) attributable to:					
Owners of the Company	**1,647**	633	(12,684)	(8,361)	(2,508)
Non-controlling interests	**(763)**	(132)	(106)	(343)	(218)
	884	501	(12,790)	(8,704)	(2,726)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**623,088**	605,075	636,983	239,471	121,153
TOTAL LIABILITIES	**(415,838)**	(406,764)	(439,173)	(132,875)	(67,341)
NON-CONTROLLING INTERESTS	**–**	(1,265)	(1,397)	(665)	(1,008)
	207,250	197,046	196,413	105,931	52,804

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

REPORT OF THE DIRECTORS

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 15 to the financial statements.

SHARE CAPITAL AND CONVERTIBLE BONDS

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

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

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

DISTRIBUTABLE RESERVES

Under the laws of Bermuda, the Company's reserves available for distribution to shareholders amounted to approximately HK$1,220,000 as at 31 March 2011.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, both the sales to the Group's five largest customers and the purchases from the Group's five largest suppliers accounted for less than 30% of the total sales and total purchases for the year, respectively.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive directors:
Cao Jing
Zhang Shaohua

Non-executive director:
Mo Tianquan

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

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

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

REMUNERATION POLICY

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

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

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

On 29 October 2007, the Company (as issuer), Tanisca Investments Limited ("Tanisca" as subscriber) entered into a subscription agreement pursuant to which the Company conditionally agreed to issue and Tanisca conditionally agreed to subscribe for the redeemable convertible bonds (the "Bonds") in an aggregate principal amount of HK$120 million. The Bonds bear interest at 1% per annum, being payable semi-annually, and will mature on the fifth anniversary of the date of issue. The conversion price of the Bonds was set at HK$0.60 per conversion share (subject to adjustments in certain events). Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a director and also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2011. Mr. Mo is thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules and details of the transaction were disclosed in a circular dated 21 November 2007 to all shareholders of the Company. The ordinary resolution approving the connected transaction and the subscription agreement was duly passed by the independent shareholders at the Special General Meeting by way of poll on 7 December 2007. The issue of the Bonds was completed on 28 March 2008.

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

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the interests and short positions of the directors of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

(a) *Long positions in ordinary shares of the Company:*

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

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

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

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

(b) *Long positions in convertible bonds of the Company:*

Name of director	Nature of interest	Number of underlying shares
Mo Tianquan	Corporate	324,763,193 *(Note 1)*
Cao Jing	Family	324,763,193 *(Note 2)*

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK$120,000,000 convertible bonds held by Tanisca Investments Limited, a company wholly-owned by Mr. Mo Tianquan, at a conversion price of HK$0.3695 per share issued by the Company on 28 March 2008.

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

Save as disclosed above, as at 31 March 2011, none of the directors of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares and Underlying Shares" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

As at 31 March 2011, the following interests in the issued share capital and underlying shares of the Company were recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

(a) *Long position in ordinary shares of the Company:*

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

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

(b) Long position in convertible bonds of the Company:

Name	Capacity and nature of interest	Number of underlying shares
Tanisca Investments Limited	Directly beneficially owned	324,763,193 *(Note 1)*

Note 1: The underlying shares represented the new ordinary shares to be issued upon full conversion of HK$120,000,000 convertible bonds held by Tanisca Investments Limited at a conversion price of HK$0.3695 per share issued by the Company on 28 March 2008.

Save as disclosed above, as at 31 March 2011, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

CONFIRMATION OF INDEPENDENCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

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

ON BEHALF OF THE BOARD

Cao Jing
Executive Chairman

Hong Kong
17 June 2011

INDEPENDENT AUDITORS' REPORT

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Shun Cheong Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 21 to 78, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give 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 in necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (continued)

安 永

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

OPINION

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

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
17 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
REVENUE	*6*	**144,684**	131,826
Cost of sales		**(92,870)**	(82,365)
Gross profit		**51,814**	49,461
Other income	*6*	**1,802**	580
Administrative expenses		**(22,499)**	(23,439)
Other operating income/(expenses), net		**485**	(2,340)
Finance costs	*7*	**(26,397)**	(24,011)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*8*	**5,205**	251
Income tax expense	*11*	**(5,070)**	–
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**135**	251
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	*12*	**749**	250
PROFIT FOR THE YEAR		**884**	501
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		**8,557**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9,441**	501

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Profit for the year attributable to:			
Owners of the Company	13	**1,647**	633
Non-controlling interests		**(763)**	(132)
		884	501
Total comprehensive income attributable to:			
Owners of the Company	13	**10,204**	633
Non-controlling interests		**(763)**	(132)
		9,441	501
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	14		
Basic			
– For profit for the year		**0.47 cent**	0.18 cent
– For profit from continuing operations		**0.26 cent**	0.08 cent
Diluted			
– For profit for the year		**0.47 cent**	0.18 cent
– For profit from continuing operations		**0.26 cent**	0.08 cent

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**485,356**	488,154
Deferred tax assets	*26*	**–**	1,025
Total non-current assets		**485,356**	489,179
CURRENT ASSETS			
Inventories	*17*	**2,819**	3,126
Gross amounts due from contract customers	*18*	**–**	547
Trade receivables	*19*	**17,210**	15,825
Prepayments, deposits and other receivables	*20*	**11,179**	9,497
Cash and cash equivalents	*21*	**106,524**	86,901
Total current assets		**137,732**	115,896
CURRENT LIABILITIES			
Gross amounts due to contract customers	*18*	**–**	6,046
Trade payables	*22*	**10,918**	7,320
Other payables and accruals	*23*	**36,168**	45,775
Due to related companies	*30(b)(ii)*	**685**	–
Tax payable		**3,999**	–
Interest-bearing bank borrowing – current portion	*24*	**3,540**	3,390
Total current liabilities		**55,310**	62,531
NET CURRENT ASSETS		**82,422**	53,365
TOTAL ASSETS LESS CURRENT LIABILITIES		**567,778**	542,544
NON-CURRENT LIABILITIES			
Convertible bonds	*25*	**99,748**	91,113
Interest-bearing bank borrowing	*24*	**260,780**	253,120
Total non-current liabilities		**360,528**	344,233
Net assets		**207,250**	198,311

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**3,473**	3,473
Equity component of convertible bonds	25	**43,272**	43,272
Reserves	28(a)	**160,505**	150,301
		207,250	197,046
Non-controlling interests		**–**	1,265
Total equity		**207,250**	198,311

Cao Jing
Director

Zhang Shaohua
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Attributable to owners of the Company									
	Issued capital	Share premium account	Contributed surplus	Equity component of convertible bonds	Capital redemptions reserve	Exchange fluctuation reserve	Accumulated losses	Total	Non–controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	3,473	119,068	46,909	43,272	132	–	(16,441)	196,413	1,397	197,810
Profit for the year and total comprehensive income for the year	–	–	–	–	–	–	633	633	(132)	501
At 31 March 2010 and 1 April 2010	3,473	119,068*	46,909*	43,272	132*	–*	(15,808)*	197,046	1,265	198,311
Profit for the year	–	–	–	–	–	–	1,647	1,647	(763)	884
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	8,557	–	8,557	–	8,557
Total comprehensive income for the year	–	–	–	–	–	8,557	1,647	10,204	(763)	9,441
Disposal of subsidiaries	–	–	–	–	–	–	–	–	(502)	(502)
At 31 March 2011	3,473	119,068*	46,909*	43,272	132*	8,557*	(14,161)*	207,250	–	207,250

* These reserve accounts comprise the consolidated reserves of HK$160,505,000 (2010: HK$150,301,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:			
From continuing operations		**5,205**	251
From a discontinued operation	12	**749**	284
Adjustments for:			
Finance costs	7	**26,397**	24,011
Interest income	6	**(593)**	(47)
Depreciation	8	**30,505**	29,751
Impairment/(write back of impairment) of trade receivables	8	**598**	(118)
Impairment /(write back of impairment) of other receivables	8	**(1,601)**	2,703
Loss on disposal of items of property, plant and equipment	8	**363**	–
Gain on disposal of subsidiaries	8	**(449)**	–
		61,174	56,835
Decrease in inventories		**445**	430
Decrease in gross amounts due from contract customers		**135**	2,564
Decrease/(increase) in trade receivables		**(4,816)**	6,954
Decrease in retention money receivables		**–**	255
Decrease/(increase) in prepayments, deposits and other receivables		**(2,927)**	11,959
Decrease in gross amounts due to contract customers		**(445)**	(6,743)
Increase/(decrease) in trade payables		**3,619**	(4,511)
Decrease in retention money payables		**–**	(696)
Decrease in other payables and accruals		**(7,031)**	(2,261)
Increase in amounts due to related companies		**685**	–
Cash generated from operations		**50,839**	64,786
Interest paid		**(19,659)**	(16,219)
Hong Kong profits tax paid, net		**–**	(15)
Net cash flows from operating activities		**31,180**	48,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**593**	47
Purchases of items of property, plant and equipment	15	**(10,418)**	(8,268)
Disposal of subsidiaries	29	**(232)**	–
Proceeds from disposal of items of property, plant and equipment		**7**	–
Net cash flows used in investing activities		**(10,050)**	(8,221)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in a bank loan		**(3,540)**	(3,390)
Advance from a shareholder		**–**	(22,600)
Net cash flows used in financing activities		**(3,540)**	(25,990)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**17,590**	14,341
Cash and cash equivalents at beginning of year		**86,901**	72,560
Effect of foreign exchange rate changes		**2,033**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**106,524**	86,901
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	*21*	**56,903**	77,256
Non-pledged time deposits with original maturity of less than three months when acquired	*21*	**49,621**	9,645
Cash and cash equivalents as stated in the statement of financial position and the statement of cash flows		**106,524**	86,901

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**19**	15
Investments in subsidiaries	16	**260,521**	256,253
Total non-current assets		**260,540**	256,268
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**4,584**	770
Cash and cash equivalents	21	**2,806**	9,823
Total current assets		**7,390**	10,593
CURRENT LIABILITIES			
Other payables and accruals	23	**1,017**	3,251
NET CURRENT ASSETS		**6,373**	7,342
TOTAL ASSETS LESS CURRENT LIABILITIES		**266,913**	263,610
NON-CURRENT LIABILITIES			
Convertible bonds	25	**99,748**	91,113
Net assets		**167,165**	172,497
EQUITY			
Issued capital	27	**3,473**	3,473
Reserves	28(b)	**120,420**	125,752
Equity component of convertible bonds	25	**43,272**	43,272
Total equity		**167,165**	172,497

Cao Jing
Director

Zhang Shaohua
Director

1. CORPORATE INFORMATION

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

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

- hotel and restaurant operations in the People's Republic of China (the "PRC"); and
- provision of building related maintenance services, which was discontinued upon the Group disposed of the related business during the year on 28 September 2010.

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

Basis of consolidation from 1 April 2010

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

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

Basis of consolidation from 1 April 2010 (continued)
If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

Basis of consolidation prior to 1 April 2010
Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards –Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of Term Loan that Contains a Repayment on Demand Clause*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and the amendment to HKAS 7 included in *Improvements to HKFRSs 2009*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendment most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures –Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting, derecognition and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKFRS 3 *Business Combinations*: Clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

(c) HKAS 27 *Consolidated and Separate Financial Statements*: Clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

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

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

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

Related parties

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

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

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

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

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

Land and buildings	2% to 3%
Machinery and equipment	6% to 20%
Furniture and office equipment	9% to 30%
Motor vehicles	18% to 24%
Leasehold improvements	3 to 5 years or over the lease terms, whichever is shorter

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

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

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

Investments and other financial assets

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, amounts due to related companies, an interest-bearing bank borrowing and convertible bonds.

Subsequent measurement

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

Loans and borrowings

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Convertible bonds

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

Inventories

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction contracts

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

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

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

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

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

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

Cash and cash equivalents

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

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

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

Revenue recognition

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

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

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

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

Employee benefits

Retirement benefit schemes

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (continued)

Retirement benefit schemes (continued)

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

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

Foreign currencies

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

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

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

Estimation uncertainty

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

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

5. OPERATING SEGMENT INFORMATION

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

(a) the hotel business consists of the hotel and restaurant operations in the PRC;

(b) the building services contracting and maintenance business consists of the provisions of building related maintenance services. During the year, the Group disposed of the whole of the building services contracting and maintenance business, upon which this operating segment was discontinued; and

(c) the corporate and others segment consists of corporate income and expense items.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, tax recoverable, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Segment liabilities exclude interest-bearing bank borrowing, convertible bonds, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

During the year, the Group's operating segments changed as a result of the change in the Group's internal organisation structure. The corresponding information for the year ended 31 March 2010 has been re-presented accordingly.

	Continuing operations						**Discontinued operation**			
	Hotel business		**Corporate and others**		**Total continuing operations**		**Building services contracting and maintenance business**		**Total**	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**144,684**	131,826	**–**	–	**144,684**	131,826	**1,321**	21,948	**146,005**	153,774
Other revenue	**1,800**	533	**2**	47	**1,802**	580	**496**	166	**2,298**	746
Revenue	**146,484**	132,359	**2**	47	**146,486**	132,406	**1,817**	22,114	**148,303**	154,520
Segment results	**34,363**	30,817	**(2,761)**	(6,555)	**31,602**	24,262	**749**	284	**32,351**	24,546
Reconciliation										
Finance costs					**(26,397)**	(24,011)	**–**	–	**(26,397)**	(24,011)
Profit before tax					**5,205**	251	**749**	284	**5,954**	535
Segment assets and total assets	**612,893**	574,011	**10,195**	13,111	**623,088**	587,122	**–**	17,953	**623,088**	605,075
Segment liabilities	**49,863**	44,256	**1,907**	1,709	**51,770**	45,965	**–**	13,176	**51,770**	59,141
Reconciliation										
Unallocated liabilities									**364,068**	347,623
Total liabilities									**415,838**	406,764
Other segment information:										
Depreciation	**30,444**	29,594	**10**	18	**30,454**	29,612	**51**	139	**30,505**	29,751
Capital expenditure	**10,404**	8,268	**14**	–	**10,418**	8,268	**–**	–	**10,418**	8,268
Impairment/(write back of impairment) of other receivables recognised in profit or loss	**–**	–	**(1,502)**	2,340	**(1,502)**	2,340	**(99)**	363	**(1,601)**	2,703
Impairment/(write back of impairment) of trade receivables recognised in profit or loss	**598**	–	**–**	–	**598**	–	**–**	(118)	**598**	(118)

5. OPERATING SEGMENT INFORMATION (CONTINUED)

Geographical information

(a) *Revenue from external customers*

	2011	2010
	HK$'000	HK$'000
Mainland China, attributable to continuing operations	**144,684**	131,826
Hong Kong, attributable to discontinued operation	**1,321**	21,948
	146,005	153,774

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

(b) *Non-current assets*

	2011	2010
	HK$'000	HK$'000
Mainland China, attributable to continuing operations	**485,337**	486,001
Hong Kong, attributable to continuing operations	**19**	15
Hong Kong, attributable to discontinued operation	**–**	2,138
	485,356	488,154

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

Information about a major customer

During the year, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue (2010: nil)

6. REVENUE AND OTHER INCOME

Revenue from continuing operations, which is also the Group's turnover, represents the income from hotel and restaurant operations during the year.

An analysis of the Group's other income from continuing operations is as follows:

	2011	2010
	HK$'000	HK$'000
Bank interest income	**593**	47
Others	**1,209**	533
	1,802	580

7. FINANCE COSTS

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

	2011	2010
	HK$'000	HK$'000
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**16,562**	15,007
Interest on convertible bonds	**9,835**	8,992
Others	**–**	12
	26,397	24,011

8. PROFIT BEFORE TAX

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

	Notes	2011 HK$'000	2010 HK$'000
Cost of services provided		**92,870**	82,365
Depreciation	*15*	**30,505**	29,751
Minimum lease payments under operating leases in respect of land and buildings		**354**	127
Auditors' remuneration		**880**	950
Employee benefit expense (including directors' remuneration (note 9)):			
Wages, salaries and bonuses		**18,859**	14,076
Pension scheme contributions*		**15**	83
		18,874	14,159
Impairment/(write back of impairment) of trade receivables#	*19*	**598**	(118)
Impairment/(write back of impairment) of other receivables, net#		**(1,601)**	2,703
Loss on disposal of items of property, plant and equipment		**363**	–
Gain on disposal of subsidiaries	*29*	**(449)**	–
Foreign exchange differences, net#		**419**	–

* As at 31 March 2011, the Group did not have significant forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: nil).

These items are included in "Other operating income/(expenses),net" in the consolidated statement of comprehensive income.

^ The disclosures presented in this note include those amounts charged/(credited) in respect of the discontinued operation.

9. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees:		
Executive directors	**100**	100
Non-executive director	**600**	600
Independent non-executive directors	**380**	380
	1,080	1,080
Other emoluments	**–**	–
	1,080	1,080

(a) Independent non-executive directors

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

	2011	2010
	HK$'000	HK$'000
Ye Jianping	**100**	100
Palaschuk Derek Myles	**180**	180
Yao Xusheng	**100**	100
	380	380

There were no other emoluments payable to the independent non-executive directors during the year (2010: nil).

9. DIRECTORS' REMUNERATION (CONTINUED)

(b) Executive directors and a non-executive director

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance-related payments HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Executive directors:					
Cao Jing	**–**	**–**	**–**	**–**	**–**
Zhang Shaohua	**100**	**–**	**–**	**–**	**100**
	100	**–**	**–**	**–**	**100**
Non-executive director:					
Mo Tianquan	**600**	**–**	**–**	**–**	**600**

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

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

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group include two directors (2010: two directors), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining three non-director, highest paid employees (2010: three) for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,113**	1,134
Pension scheme contributions	**11**	12
	1,124	1,146

The remuneration of the remaining three non-director, highest paid employees (2010: three) fell within the band of HK$1 to HK$1,000,000.

11. INCOME TAX

The Company is exempt from tax in Bermuda until 2016. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2010: nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2011	2010
	HK$'000	HK$'000
Current – Elsewhere		
Charge for the year	**3,999**	–
Deferred (note 26)	**1,071**	–
Total tax charge for the year	**5,070**	–

11. INCOME TAX (CONTINUED)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Group operates to the tax expense at the effective tax rate for the year is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Profit before tax from continuing operations	**5,205**	251
Tax at the statutory tax rate	**859**	41
Different tax rate enacted by local authority	**1,493**	1,348
Income not subject to tax	**(7)**	–
Expenses not deductible for tax	**2,750**	2,575
Tax losses utilised from previous periods	**(25)**	(3,964)
Tax charge for the year	**5,070**	–

12. DISCONTINUED OPERATION

On 21 September 2010, the Company announced the decision of its board of directors to dispose of its entire interest in Super Highway Services Limited and its subsidiaries (collectively the "Disposed Group"). The Disposed Group was engaged in the building services contracting and maintenance business. The disposal of the Disposed Group was completed on 28 September 2010. As at 31 March 2011, no assets or liabilities of the Group were attributable to the discontinued operation.

	2011	2010
	HK$'000	HK$'000
Revenue and other income	**1,817**	22,114
Expenses	**(1,517)**	(21,830)
Profit for the year of the discontinued operation	**300**	284
Gain on disposal of the Disposed Group	**449**	–
Profit before tax from the discontinued operation	**749**	284
Income tax expense	**–**	(34)
Profit for the year from the discontinued operation	**749**	250
Attributable to:		
Owners of the Company	**749**	342
Non-controlling interests	**–**	(92)
	749	250

12. DISCONTINUED OPERATION (CONTINUED)

The net cash flows incurred by the Disposed Group are as follows:

	2011	2010
	HK$'000	HK$'000
Operating activities	**1,358**	4,163
Investing activities	**(6,283)**	–
Financing activities	**–**	–
Net cash inflow/(outflow)	**(4,925)**	4,163
Earnings per share:		
Basic, from the discontinued operation	**0.22 cent**	0.10 cent
Diluted, from the discontinued operation	**0.11 cent**	0.05 cent

The calculation of basic and diluted earnings per share from discontinued operation is based on:

	2011	2010
Profit attributable to owners of the Company from the discontinued operation	**HK$749,000**	HK$342,000
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (note 14)	**347,326,000**	347,326,000
Weighted average number of ordinary shares used in the diluted earnings per share calculation (note 14)	**672,089,193**	672,089,193

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2011 includes a loss of HK$5,332,000 (2010: HK$15,488,000) which has been dealt with in the financial statements of the Company (note 28(b)).

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to owners of the Company, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the year.

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

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Earnings		
Profit attributable to owners of the Company, used in the basic earnings per share calculation:		
From continuing operations	**898**	291
From a discontinued operation	**749**	342
	1,647	633
Interests on convertible bonds	**9,835**	8,992
Profit attributable to owners of the Company before interests on convertible bonds	**11,482***	9,625*
Attributable to:		
Continuing operations	**10,733**	9,283
Discontinued operation	**749**	342
	11,482	9,625

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (CONTINUED)

	Number of shares 2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**347,326,000**	347,326,000
Effect of dilution of the convertible bonds on the weighted average number of ordinary shares	**324,763,193**	324,763,193
	672,089,193*	672,089,193*

* Because the diluted earnings per share amount increases when taking the convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts are based on the profit for the year and the profit attributable to continuing operations of HK$1,647,000 (2010: HK$633,000) and HK$898,000 (2010: HK$291,000), respectively, and the weighted average number of ordinary shares of 347,326,000 (2010: 347,326,000) in issue during the year.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings HK$'000	Machinery and equipment HK$'000	Furniture and office equipment HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Construction in progress HK$'000	Total HK$'000
31 March 2011							
At 31 March 2010 and 1 April 2010:							
Cost	376,413	119,443	64,443	3,628	156,058	–	719,985
Accumulated depreciation	(71,569)	(79,697)	(42,700)	(2,279)	(35,586)	–	(231,831)
Net carrying amount	304,844	39,746	21,743	1,349	120,472	–	488,154
At 1 April 2010, net of accumulated depreciation	304,844	39,746	21,743	1,349	120,472	–	488,154
Additions	–	1,828	2,195	450	158	5,787	10,418
Disposals	–	–	(370)	–	–	–	(370)
Disposal of subsidiaries (note 29)	(2,078)	–	–	–	(7)	–	(2,085)
Depreciation provided during the year	(11,294)	(5,754)	(5,823)	(599)	(7,035)	–	(30,505)
Exchange realignment	11,295	2,141	770	223	5,315	–	19,744
At 31 March 2011, net of accumulated depreciation	302,767	37,961	18,515	1,423	118,903	5,787	485,356
At 31 March 2011:							
Cost	387,714	126,309	65,787	3,349	162,921	5,787	751,867
Accumulated depreciation	(84,947)	(88,348)	(47,272)	(1,926)	(44,018)	–	(266,511)
Net carrying amount	302,767	37,961	18,515	1,423	118,903	5,787	485,356

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group

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

Details of the land and buildings are as follows:

	Group 2011 HK$'000	2010 HK$'000
Medium-term leases:		
Hong Kong	–	2,109
Mainland China	**302,767**	302,735
	302,767	304,844

At 31 March 2011, certain of the Group's land and buildings with a net book value of approximately HK$302,767,000 (2010: HK$302,735,000) were pledged to secure general banking facilities granted to the Group (note 24).

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Furniture and office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
31 March 2011			
At 31 March 2010 and 1 April 2010:			
Cost	47	57	104
Accumulated depreciation	(32)	(57)	(89)
Net carrying amount	15	–	15
At 1 April 2010, net of accumulated depreciation	15	–	15
Additions	14	–	14
Depreciation provided during the year	(10)	–	(10)
At 31 March 2011, net of accumulated depreciation	19	–	19
At 31 March 2011:			
Cost	61	57	118
Accumulated depreciation	(42)	(57)	(99)
Net carrying amount	19	–	19

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

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

16. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**2**	2
Due from subsidiaries	**262,262**	256,251
Due to a subsidiary	**(1,743)**	–
	260,521	256,253

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

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

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Aykens Holdings Limited*	British Virgin Islands	US$100	100	–	Investment holding
Hopland Enterprises Limited*	British Virgin Islands	US$100	100	–	Investment holding
廣西沃頓國際大酒店有限公司*#	PRC/ Mainland China	US$31,927,280	–	100	Hotel and restaurant operations
Open Land Holdings Limited	Hong Kong	HK$10,000	–	100	Investment holding

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

\# Registered as a wholly-foreign-owned enterprise under PRC law.

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

17. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**704**	794
Low-valued consumables	**1,595**	1,634
Consumables	**520**	698
	2,819	3,126

18. CONSTRUCTION CONTRACTS

	Group	
	2011	2010
	HK$'000	HK$'000
Gross amounts due from contract customers	**–**	547
Gross amounts due to contract customers	**–**	(6,046)
	–	(5,499)
Contract costs incurred plus recognised profits less recognised losses and foreseeable losses to date	**–**	1,118,171
Less: Progress billings	**–**	(1,123,670)
	–	(5,499)

19. TRADE RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**17,739**	19,085
Impairment	**(529)**	(3,260)
	17,210	15,825

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

19. TRADE RECEIVABLES (CONTINUED)

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

	Group	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**3,675**	5,084
31 to 60 days	**1,782**	2,107
61 to 90 days	**1,617**	286
Over 90 days	**10,136**	8,348
	17,210	15,825

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

	Group	
	2011	2010
	HK$'000	HK$'000
At beginning of year	**3,260**	3,609
Impairment losses recognised/(reversed) (note 8)	**598**	(118)
Amounts written off as uncollectible	**(69)**	(231)
Disposal of subsidiaries	**(3,260)**	–
At end of year	**529**	3,260

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**–**	–
Less than 30 days past due	**3,675**	5,084
31 to 90 days past due	**3,399**	2,393
Past due over 90 days	**10,136**	8,348
	17,210	15,825

19. TRADE RECEIVABLES (CONTINUED)

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

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**5,882**	1,219	**1,787**	146
Deposits and other receivables	**5,297**	8,278	**2,797**	624
	11,179	9,497	**4,584**	770

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

Included in the above balance of the Group and the Company is an amount of HK$1,626,000 (2010: nil) due from Upsky Technology Investments Holding Limited, a related company controlled by Mr. Mo Tianquan, a non-executive director of the Company who was also interested in 60.39% of the total issued share capital of the Company as at 31 March 2011. The maximum amount outstanding during the year was HK$1,626,000 (2010: nil). The balance is unsecured, interest-free and has no fixed terms of repayment.

21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**56,903**	77,256	**385**	178
Time deposits	**49,621**	9,645	**2,421**	9,645
Cash and cash equivalents	**106,524**	86,901	**2,806**	9,823

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$89,502,000 (2010: HK$46,011,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

22. TRADE PAYABLES

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

	Group	
	2011	2010
	HK$'000	HK$'000
Current to 30 days	**2,793**	2,343
31 to 60 days	**2,084**	2,294
Over 60 days	**6,041**	2,683
	10,918	7,320

The trade payables are non-interest-bearing and are normally settled on 90-day terms (2010: 60-day terms).

23. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	**33,678**	40,315	**17**	2,021
Accruals	**2,490**	5,460	**1,000**	1,230
	36,168	45,775	**1,017**	3,251

At 31 March 2011, other payables were non-interest-bearing and were payable on demand or to be settled within three months.

At 31 March 2010, except for an outstanding other payable balance of the Group of HK$1,001,000 which bore interest at the Hong Kong dollar prime rate per annum, other payables were non-interest-bearing and were payable on demand or to be settled within three months.

24. INTEREST-BEARING BANK BORROWING

	2011			2010		
Group	**Effective interest rate (%)**	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Current portion of a long term bank loan – secured	**Floating rate at the prime lending rate of the People's Bank of China**	**February 2012**	**3,540**	Floating rate at the prime lending rate of the People's Bank of China	February 2011	3,390
Non-current						
Bank loan – secured	**Floating rate at the prime lending rate of the People's Bank of China**	**February 2013 to February 2019**	**260,780**	Floating rate at the prime lending rate of the People's Bank of China	February 2012 to February 2019	253,120
Total			**264,320**			256,510

24. INTEREST-BEARING BANK BORROWING (CONTINUED)

	2011 HK$'000	2010 HK$'000
Analysed into a bank loan repayable:		
Within one year	**3,540**	3,390
In the second year	**37,170**	24,860
In the third to fifth years, inclusive	**111,510**	74,580
Beyond five years	**112,100**	153,680
	264,320	256,510

Notes:

(a) The Group's loan facility amounted to HK$377,600,000 (2010: HK$361,600,000), of which HK$264,320,000 (2010: HK$256,510,000) had been utilised as at the end of the reporting period. The loan is secured by the pledge of certain of the Group's land and buildings situated in Mainland China of HK$302,767,000 at 31 March 2011 (2010: HK$302,735,000) (note 15).

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

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

25. CONVERTIBLE BONDS

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

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

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

25. CONVERTIBLE BONDS (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
Nominal value of the Bonds issued	**120,000**	120,000
Equity component*	**(43,405)**	(43,405)
Direct transaction costs attributable to the liability component	**(236)**	(236)
Liability component at the issuance date	**76,359**	76,359
Interest expense	**27,002**	17,167
Interest paid and payable	**(3,613)**	(2,413)
Liability component at 31 March	**99,748**	91,113

The effective interest rate of the Bonds was 10.5% per annum. The fair value of the liability component of the Bonds was estimated using an equivalent market interest rate for a similar convertible bond. The fair value of the liability component of the Bonds approximated to HK$98,283,000 as at the end of the reporting period.

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

26. DEFERRED TAX

Movements in deferred tax assets during the year are as follows:

	Losses available for offsetting against future taxable profits HK$'000
At 1 April 2009	1,025
Deferred tax utilised and credited to profit or loss during the year (note 11)	(1,025)
Deferred tax recoginsed and charged to profit or loss during the year (note 11)	1,025
At 31 March 2010 and 1 April 2010	1,025
Deferred tax utilised and credited to profit or loss during the year (note 11)	(1,071)
Exchange differences	46
At 31 March 2011	–

26. DEFERRED TAX (CONTINUED)

At 31 March 2011, there were no significant unrecognised tax losses arising in Hong Kong or Mainland China.

In the prior year, the Group had estimated tax losses in Hong Kong of HK$25,501,000 that were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets had not been recognised in respect of these losses as they had arisen in subsidiaries that had been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. No estimated tax losses are available at 31 March 2011 as the entities which the losses relate to had been disposed of. In the prior year, the Group also had estimated tax losses arising in Mainland China of HK$4,195,000 that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets had been recognised in respect of these losses to the extent that there are sufficient future taxable profits available against which the tax losses can be utilised.

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

At 31 March 2011, no deferred tax has been recognised for withholding tax that would be payable on the unremitted earnings that are subject to withholding tax of the Group's subsidiary established in Mainland China since the Group's subsidiary did not have any distributable profits as at the end of the reporting period.

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

27. SHARE CAPITAL

	Company	
	2011	2010
	HK$'000	HK$'000
Authorised:		
8,000,000,000 ordinary shares of HK$0.01 each	**80,000**	80,000
Issued and fully paid:		
347,326,000 ordinary shares of HK$0.01 each	**3,473**	3,473

28. RESERVES

(a) Group

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

(b) Company

	Share premium account	Contributed surplus*	Capital redemption reserve	Accumulated losses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	119,068	60,918	132	(38,878)	141,240
Total comprehensive loss for the year	–	–	–	(15,488)	(15,488)
At 31 March 2010 and 1 April 2010	119,068	60,918	132	(54,366)	125,752
Total comprehensive loss for the year	–	–	–	(5,332)	(5,332)
At 31 March 2011	119,068	60,918	132	(59,698)	120,420

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

29. DISPOSAL OF SUBSIDIARIES

	Note	2011 HK$'000
Net assets disposed of:		
Property, plant and equipment		**2,085**
Gross amounts due from contract customers		**412**
Trade receivables		**3,264**
Prepayments, deposits and other receivables		**2,976**
Cash and bank balances		**6,462**
Gross amounts due to contract customers		**(5,601)**
Trade payables		**(336)**
Other payables and accruals		**(2,979)**
Non-controlling interests		**(502)**
		5,781
Gain on disposal of subsidiaries	*8*	**449**
		6,230
Satisfied by:		
Cash		**6,230**

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

	2011 HK$'000
Cash consideration	**6,230**
Cash and bank balances disposed of	**(6,462)**
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(232)**

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year ended 31 March 2011:

		Group	
		2011	2010
	Note	**HK$'000**	HK$'000
Interest expenses on convertible bonds paid and payable to a related company	*(i)*	**1,200**	1,200

Note:

(i) Interest expenses on convertible bonds were paid and payable to Tanisca Investments Limited ("Tanisca"), the holder of the convertible bonds, at 1% per annum. Tanisca is wholly owned by Mr. Mo Tianquan ("Mr. Mo"), who is a non-executive director of the Company and is also interested in approximately 60.39% of the total issued share capital of the Company as at 31 March 2011. Mr. Mo was thus a connected person (as defined under the Listing Rules) of the Company and therefore the issue of the Bonds constituted a connected transaction for the Company under Chapter 14A of the Listing Rules. Details of the transaction and the terms of the convertible bonds were disclosed in a circular dated 21 November 2007 to all shareholders of the Company and note 25 to the financial statements, respectively.

(b) Outstanding balances with related parties:

(i) Details of the Company's balances with subsidiaries and the Group's and the Company's amount due from a related company are included in notes 16 and 20 to the financial statements, respectively.

(ii) As disclosed in the consolidated statement of financial position, the Group had outstanding balances due to its related companies of HK$685,000 (2010: nil) as at the end of the reporting period. These balances are unsecured, interest-free and have no fixed terms of repayment.

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

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

31. OPERATING LEASE ARRANGEMENTS

As lessee, the Group leases certain of its office properties under operating lease arrangements. Leases for office properties are negotiated for terms of three to five years (2010: three years).

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**747**	564
In the second to fifth years, inclusive	**622**	773
	1,369	1,337

32. COMMITMENTS

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

	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for, capital contribution payable to a jointly-controlled entity	**–**	11,934

At 31 March 2011, the Company did not have any commitments (2010: nil).

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**17,210**	15,825
Financial assets included in prepayments, deposits and other receivables (note 20)	**5,297**	8,278
Cash and cash equivalents	**106,524**	86,901
	129,031	111,004

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Trade payables	**10,918**	7,320
Financial liabilities included in other payables and accruals (note 23)	**33,678**	40,315
Due to related companies	**685**	–
Interest-bearing bank borrowing	**264,320**	256,510
Convertible bonds	**99,748**	91,113
	409,349	395,258

33. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK$'000	HK$'000
Financial assets included in prepayments, deposits and other receivables (note 20)	**2,797**	624
Cash and cash equivalents	**2,806**	9,823
	5,603	10,447

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals (note 23)	**17**	2,021
Convertible bonds	**99,748**	91,113
	99,765	93,134

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk

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

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

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

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

	Group			Company	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**	**Increase/ (decrease) in equity**	**Increase/ (decrease) in basis points**	**Increase/ (decrease) in equity**
		HK$'000	HK$'000		HK$'000
2011					
Hong Kong dollar	50	145	121	50	26
Hong Kong dollar	(50)	(145)	(121)	(50)	(26)
RMB	50	(963)	(722)	50	–
RMB	(50)	963	722	(50)	–
2010					
Hong Kong dollar	50	249	208	50	35
Hong Kong dollar	(50)	(249)	(208)	(50)	(35)
RMB	50	(1,141)	(856)	50	–
RMB	(50)	1,141	856	(50)	–

Credit risk

The Group maintains various credit policies for business operations as detailed in note 19. In addition, all receivable balances are closely monitored on an ongoing basis to minimise the Group's exposure to bad debts.

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

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Liquidity risk

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

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

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

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

Group

2011

	On demand HK$'000	**Less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade payables	**–**	**10,918**	**–**	**–**	**10,918**
Other payables	**33,678**	**–**	**–**	**–**	**33,678**
Due to related companies	**685**	**–**	**–**	**–**	**685**
Interest-bearing bank borrowing	**–**	**19,901**	**199,444**	**126,015**	**345,360**
Convertible bonds	**–**	**1,200**	**121,200**	**–**	**122,400**
	34,363	**32,019**	**320,644**	**126,015**	**513,041**

2010

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	–	2,343	4,977	–	7,320
Other payables	40,315	–	–	–	40,315
Interest-bearing bank borrowing	–	19,268	165,608	165,118	349,994
Convertible bonds	–	1,200	122,400	–	123,600
	40,315	22,811	292,985	165,118	521,229

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

Company

2011

	On demand HK$'000	Less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Other payables	**17**	**–**	**–**	**17**
Convertible bonds	**–**	**1,200**	**121,200**	**122,400**
	17	**1,200**	**121,200**	**122,417**

2010

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 31 March 2010.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is interest-bearing bank borrowing divided by total assets. The gearing ratios as at the end of the reporting periods were as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Interest-bearing bank borrowing	**264,320**	256,510
Total assets	**623,088**	605,075
Gearing ratio	**42%**	42%

35. COMPARATIVE AMOUNTS

The comparative consolidated statement of comprehensive income and the related notes to the financial statements have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 17 June 2011.