

HERITAGE

INTERNATIONAL
HOLDINGS
LIMITED

ANNUAL REPORT 2011

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Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Kwong Kai Sing, Benny (*Chairman*)

Wong Chun Hung (*Vice Chairman*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chow Chi Wah, Vincent

Independent Non-executive Directors:

Chung Yuk Lun*

Chan Sze Hung*

To Shing Chuen*

Ha Kee Choy, Eugene*

Lo Wong Fung*

* *Member of Audit Committee*

COMPANY SECRETARY

Chow Chi Wah, Vincent

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

PRINCIPAL OFFICE

29th Floor, China United Centre

28 Marble Road

North Point

Hong Kong

STOCK CODE ON THE STOCK EXCHANGE OF HONG KONG LIMITED

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AUDITORS

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street

Central

Hong Kong

LEGAL ADVISERS

Hong Kong law:

Iu Lai & Li Solicitors
20th Floor, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

Bermuda law:

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited
No.1 Queen's Road Central
Hong Kong

**PRINCIPAL REGISTRARS
IN BERMUDA**

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

**BRANCH REGISTRARS
IN HONG KONG**

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

CLOSURE OF REGISTER OF MEMBER

The register of members will be temporarily closed from 1 August 2011 to 3 August 2011, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting in the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on 29 July 2011.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heritage International Holdings Limited (the “Company”) will be held at 30/F., China United Centre, No. 28 Marble Road, North Point, Hong Kong on 3 August 2011 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 March 2011.
2. To re-elect retiring directors and to authorise the board of directors to fix the directors’ remuneration.
3. To re-appoint the auditors and to authorise the board of directors to fix their remuneration.

As special business, to consider and, if thought fit, pass (with or without modification) the following resolutions:

ORDINARY RESOLUTIONS

4. “THAT:
 - (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

Notice of Annual General Meeting

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(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (defined below) or the exercise of subscription rights under any share option scheme or an issue of shares upon the exercise of the subscription rights attached to any existing warrants, bonds, debentures, notes, deeds or other securities which are convertible into shares of the Company or an issue of shares in lieu of the whole or part of a dividend on shares or any scrip dividend scheme or similar arrangement in accordance with the bye-laws of the Company, shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company or, where appropriate, such other securities (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to factional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory).”

Notice of Annual General Meeting

5. “THAT:

- (a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as may be amended from time to time, be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors of the Company;
- (c) the aggregate nominal amount of the shares of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the time of passing this resolution, and the said approval shall be limited accordingly; and
- (d) for the purpose of this resolution:

“Relevant Period” means the period from the time of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting.”

Notice of Annual General Meeting

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6. “THAT conditional upon the passing of the ordinary resolutions numbered 4 and 5 set out in the notice of meeting of which this resolution forms part, the aggregate nominal amount of the shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with the said ordinary resolution numbered 5 shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with ordinary resolution numbered 4.”

By order of the Board
Chow Chi Wah, Vincent
Executive Director and Company Secretary

Hong Kong, 4 July 2011

Notes:

- (1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
- (2) In case of joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto. However, if more than one of such joint holders are present at the meeting personally or by proxy, that one of such holders whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that share.

Chairman's Statement & Management Discussion and Analysis

To Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for the year ended 31 March 2011.

FINANCIAL RESULTS

The Group's audited consolidated loss for the year ended 31 March 2011 was HK\$391,908,000 compared with last year's attributable loss of HK\$7,382,000. The net assets value of the Group decreased from HK\$1,113,319,000 as at 31 March 2010 to HK\$957,970,000 as at 31 March 2011.

The Group recorded a negative revenue for the year amounted to HK\$171,624,000 compared to last year negative revenue of HK\$79,098,000. Details of the breakdown of the revenue can be seen on note 5 to the financial statements.

On the expenses side, the level of total operating expenses increased in this year mainly due to the fair value losses on investments at fair value through profit or loss amounted to HK\$72,834,000. General and administrative expenses increased from last year's figure of HK\$30,261,000 to HK\$35,471,000 in this year being in line with the increase in the size of our operation. Finance costs decreased from last year's figure of HK\$3,124,000 to HK\$2,144,000 this year.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year (2010: Nil).

**MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL RESULTS**

The Board announces that the Group has made a loss before tax of approximately HK\$392 million for the year ended 31 March 2011. The loss is mainly attributable to loss on sale of equity and debt investments, unrealised fair value losses arisen from equity and debt investments and share of losses of associates as at the fiscal year end date.

The Group is an investment holding company with the following major lines of business:

a) Real Estate Investment

The Group owned certain commercial properties in North Point and a luxury residential property in Stanley. With the increase in property prices in Hong Kong the Group's property portfolio appreciated in value. The gain arising from changes in fair value amounted to approximately HK\$4.2 million for the year ended 31 March 2011. The value of the Group's property investment stood at HK\$246.8 million as at 31 March 2011. Subsequent to fiscal year end, the Group entered into an agreement on 4 May 2011 with an independent third party to dispose of one of its commercial properties in cash of approximately HK\$117 million. This transaction is subject to approval by shareholders at the forth coming special general meeting on 28 June 2011.

b) Investment in Listed Securities

The Group's securities portfolio has suffered a loss on sale of investments at fair value through profit or loss of approximately HK\$177.1 million for the year ended 31 March 2011. Besides, there are fair value losses on investments at fair value through profit and loss of approximately HK\$72.8 million in the same period.

c) Money Lending Business

The Group's share of losses of associates, engaging in money lending business, amounted to approximately HK\$182.6 million for the year ended 31 March 2011. Besides, a new wholly owned subsidiary was formed to engage in the money lending business.

d) Investment in Lottery Related Business in the People's Republic of China (the "PRC")

The Group has a 20% interest in a company engaging in lottery related business in the PRC (the "PRC Company"). In view of the technological development in the PRC which makes internet more popular and selling of lottery tickets through internet possible, the Group is recently considering diversifying its business into internet lottery business by increasing its investment in the PRC Company.

Chairman's Statement & Management Discussion and Analysis

PROSPECT

With the globalization of the world economy, economic measures taken in one country may have devastating consequences in other nations. For example, in the United States, the loose monetary policy quantitative easing 2, lead to severe inflation in other parts of the world. On the other hand, if an over aggressive tightening policy was used, it may block economic rebound. While the global economy is dealing with the aftermath of the financial tsunami and each country is trying to resolve its own economical problems, China has proactively taken monetary precautionary measures to guard against the rising inflation. With its existing foreign exchange policy and economic growth and size, China is relatively insulated from global economic forces. To avoid economic bubble, the central government restored China's economy through a series of tightening policy measures including currency revaluation, interest rate controls and tightening money supply to drive away unacceptable inflation. Such policies will slowdown China's economy in the immediate term but it is believed to be beneficial to the long term growth and sustainability of the economy as a whole. To get through such economic volatility, the Group is prepared and equipped through the combination of sufficient cash level and low gearing.

Recently, the Group has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic. This operation includes Chinese medical consultation and other Chinese manipulative therapy treatments such as acupuncture, tui na, moxibustion, fire cupping, Chinese herbalism and qigong. The Management believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

With the growing uncertainty in the global economy and gradual slowdown of the economy in China, the Group is taking a cautious approach in its future growth. However since the Group is relatively lowly geared, it will take on good business opportunity as and when it arises.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2011, the Group's total assets and borrowings were HK\$1,049,257,000 and HK\$66,244,000 respectively. Borrowings represented interest-bearing bank borrowings. A majority of the bank borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was approximately 6%. As at 31 March 2011, investment properties amounted to HK\$244,500,000, were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK\$636,488,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all its employees.

CONTINGENT LIABILITIES

The Company has major contingent liabilities relating to guarantees given to banks in connection with facilities granted to subsidiaries of approximately HK\$61,500,000 (2010: HK\$65,500,000).

Finally, I would like to take this opportunity to thank all of my fellow directors and members of staff for their dedicated services, support and contribution during the year. Looking forward to their continue support and excellent services in the coming years.

Dr. Kwong Kai Sing, Benny

Chairman

Hong Kong
22 June 2011

Profile of the Management

EXECUTIVE DIRECTORS

Dr. Kwong Kai Sing, Benny, aged 52, is the Chairman and an Executive Director of the Company. Dr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. Dr. Kwong was awarded the honor degree of doctor of commerce by The University of West Alabama in 2008.

Dr. Kwong held senior positions with major international banks in Hong Kong in respective lending departments and China department for many years. For the past several years, he has served as executive director of over 10 publicly listed companies both in Hong Kong, Canada and the UK. Dr. Kwong has extensive knowledge in corporate finance and banking.

Dr. Kwong was a director of the Tung Wah Group of Hospitals from 2008 to 2010 and was been a member of the Campaign Committee of The Community Chest from 2006 to 2010. Dr. Kwong was nominated as 中國企業創新優秀人物 in China in 2006 and was an appointed member of the China People's Political Consultative Conference of the Hubei Province in 1995-1996. He is currently an appointed member of the China People's Political Consultative Conference of the Zhaoqing City.

Mr. Wong Chun Hung, aged 56, is the Vice Chairman and an Executive Director of the Company. He was also an executive director of the Company for the period from 1991 to 2001. He holds a Bachelor of Mathematics degree from the University of Waterloo, Canada. Mr. Wong has more than 15 years' experience in property investment, development and construction and project management in Mainland China, which was acquired from his years developing the now completed Dong-Jun Plaza and Universal Plaza in Guangzhou.

Mr. Ong Peter, aged 41, is the Managing Director and an Executive Director of the Company. Mr. Ong holds a bachelor degree from California State University, Los Angeles, the United States of America. He has extensive experience in the press and the insurance industries.

Ms. Poon Chi Wan, aged 55, is an Executive Director of the Company. Ms. Poon has over 10 years' experience in administrative management including management experience in another listed company. Ms. Poon graduated from the Royal School of Music.

Mr. Chow Chi Wah, Vincent, aged 42, is the Financial Controller as well as Company Secretary of the Company. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 15 years' experience in the finance and accounting field in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. Chan Sze Hung, aged 58, is an Independent Non-Executive Director of the Company. Mr. Chan graduated from the University of Hong Kong with a degree in law. He is now a consultant of Chan, Lau and Wai, a firm of solicitors in Hong Kong. He has over 20 years' experience in the legal profession.

Mr. To Shing Chuen, aged 60, is an Independent Non-Executive Director of the Company. Mr. To has a Bachelor's degree in Arts and has over 19 years' experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies.

Mr. Ha Kee Choy, Eugene, aged 54, is an Independent Non-Executive Director of the Company. He was appointed as Independent Non-Executive Director on 1 October 2005. Mr. Ha is the director of a certified public accounting practice limited and the director of an advisory services limited in Hong Kong. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. Mr. Ha possesses over 20 years of experience in the finance and banking industry and acts as director of a number of private and listed companies in Hong Kong.

Mr. Chung Yuk Lun, aged 50, is an Independent Non-Executive Director of the Company. Mr. Chung has over 20 years' experience in the finance and accounting field. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales).

Mr. Lo Wong Fung, JP, aged 64, is an Independent Non-Executive Director of the Company. Mr. Lo is the founder and Chairman of Golden Fame Logistics Holding Limited and has more than 30 years' experience in the logistic field. He is the Chairman of The Chamber of Hong Kong Logistics Industry, a director and the Chairman of the Technology Committee of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, the Permanent President of Hong Kong CFS & Logistics Association, the Permanent President of Hong Kong Container Drayage Services Association, the Honorary President of Hong Kong Cargo Vessel Traders' Association and also a member of the Hong Kong Logistics Development Council. Mr. Lo is also the Vice Chairman and Welfare Committee Chairman of Ning Po Residents Association (H.K.), a member of the Political Consultative Committee of Zhongshan City, China and the Vice Chairman of Zhongshan Association of Overseas Chinese Enterprises. Mr. Lo is currently a visiting professor at the Shanghai Maritime University of China.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the financial year.

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 31 March 2011 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 122.

The directors do not recommend the payment of any dividend in respect of the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 123. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the financial year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 124.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTE

Details of movements in the Company's share capital, share options and convertible note during the financial year are set out in notes 25, 26 and 23 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK\$1,448,035,000 may be distributed under certain circumstances and accordingly, the Company's reserves available for distribution, calculated in accordance with the Bermuda Companies Act 1981, amounted to HK\$45,868,000 as at 31 March 2011. In addition, the Company's share premium account and capital redemption reserve, totalling HK\$1,019,954,000 as at 31 March 2011, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2011, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's revenue and total purchases, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK\$102,000.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2011 were:

Kwong Kai Sing, Benny (*Chairman*)

Wong Chun Hung (*Vice Chairman*)

Ong Peter (*Managing Director*)

Poon Chi Wan

Chow Chi Wah, Vincent

Chung Yuk Lun*

Chan Sze Hung*

To Shing Chuen*

Ha Kee Choy, Eugene*

Lo Wong Fung*

* *Independent non-executive directors*

In accordance with Bye-law 99 of the bye-laws, Mr. Ong Peter, Mr. Chan Sze Hung, Mr. Ha Kee Choy, Eugene and Mr. Chung Yuk Lun will retire from office by rotation at the annual general meeting. While Mr. Chan Sze Hung has decided to retire from the Board and therefore will not offer himself for re-election, other retiring Directors, namely, Mr. Ong Peter, Mr. Ha Kee Choy, Eugene and Mr. Chung Yuk Lun, all being eligible, will offer themselves for re-election as directors at the forthcoming annual general meeting.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

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 or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the interests of the directors in the share capital and underlying shares of the Company or 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") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through controlled corporation	Total	
Kwong Kai Sing, Benny	231,660	–	231,660	0.08
Ong, Peter	128,929	–	128,929	0.04
Poon Chi Wan	17,820	–	17,820	0.01

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 March 2011, none of the directors 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

Apart from the share option scheme disclosures in note 26 to the financial statements, at no time during the financial 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 spouses or minor children, or were any such rights exercised by them; or was the 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 PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the following interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Anwar Hendra	Individual interest	18,200,649	6.39

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

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 37 to the financial statements.

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

Dr. Kwong Kai Sing, Benny

Chairman

Hong Kong
22 June 2011

CORPORATE GOVERNANCE PRACTICES

The Company has recognized the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance, and thus during the year the Company has complied with most of the code provisions (“Code Provision”) as set out in Appendix 14 of the Rules Governing the Listing of Securities (“Listing Rules”) on the Stock Exchange of Hong Kong Limited (“Stock Exchange”). Any deviation from the Code Provisions will be explained in this report. The Company aims to comply with all the Code Provisions. The Company will review and update the current practices of the corporate governance regularly in order to achieve the aims.

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 of the Listing Rules as its code of conduct regarding director’s securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2011.

BOARD OF DIRECTORS

As at 31 March 2011, the board comprises ten Directors, of which five are executive Directors namely Kwong Kai Sing, Benny (Chairman), Wong Chun Hung (Vice Chairman), Ong, Peter (Managing Director), Poon Chi Wan and Chow Chi Wah, Vincent and five are independent non-executive Directors namely Chan Sze Hung, To Shing Chuen, Ha Kee Choy, Eugene, Chung Yuk Lun and Lo Wong Fung. The five independent non-executive Directors are professionals with strong experience. Two of the independent non-executive Directors have professional accounting qualification, which is in compliance with the requirement of the Listing Rules. One of the independent non-executive Directors is a practicing solicitor. Biographical details of all Directors are disclosed on pages 12 to 13 of this Annual Report.

Corporate Governance Report

The attendance of Directors of 26 board meetings held for the year ended 31 March 2011 is as follows:

Name	Attended
<i>Executive Directors</i>	
Kwong Kai Sing, Benny (<i>Chairman</i>)	26/26
Wong Chun Hung (<i>Vice Chairman</i>)	20/26
Ong, Peter (<i>Managing Director</i>)	23/26
Poon Chi Wan	25/26
Chow Chi Wah, Vincent	25/26
<i>Independent non-executive Directors</i>	
Chan Sze Hung	2/26
To Shing Chuen	2/26
Ha Kee Choy, Eugene	2/26
Chung Yuk Lun	3/26
Lo Wong Fung	2/26

The Board is responsible for the leadership and control of the Company and oversees the Group's strategic decision, business and performances. The Management was delegated the authority and responsibility by the Board for the management and administration of the Group.

Each of our independent non-executive Directors has presented an annual confirmation of independence to the Company in accordance with the requirement of the Listing Rules. The Company considered that all of the independent non-executive Directors to be independent.

None of the Directors has any financial, business, family or other material/relevant relationship(s) with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and chief executive officer of the Company is Dr. Kwong Kai Sing, Benny. The deviates from Code Provision A.2.1 which stipulates that the roles of the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Dr. Kwong Kai Sing, Benny is primarily responsible for the leadership of the Board and overall management of the Company. The Company considers that currently vesting the roles of both Chairman and chief executive officer in the same person provided the Group with strong and consistent leadership and allows for more effective planning and execution of business strategies. However, the Company understands the importance to comply with Code Provisions and it is also the Company's aim to comply with all the Code Provisions. Therefore, the Company will continue to consider the feasibility to comply with Code Provision A.2.1. If compliance is determined, appropriate persons will be nominated to the different roles of Chairman and chief executive officer.

NON-EXECUTIVE DIRECTORS

Although not less than one-third of the Directors of the Company (both executive and non-executive) are subject to retirement by rotation at the Company's annual general meeting (Code Provision A.4.2 requires every director should be subject to retirement by rotation at least once every three years (the "Rotation Period Restriction")) as specified by the Company's bye-laws, they are not appointed for a specific term. Thus the Company has deviated from Code Provision A.4.1. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

Corporate Governance Report

REMUNERATION OF DIRECTORS

The remuneration committee of the Company (the “Remuneration Committee”) was established in March 2006. As at the date of this report, the Remuneration Committee comprises two Independent Non-executive Directors and one Executive Director:

Mr. To Shing Chuen (*Independent Non-executive Director*)

Mr. Ha Kee Choy, Eugene (*Independent Non-executive Director*)

Ms. Poon Chi Wan (*Executive Director*)

The adopted terms of reference of the Remuneration Committee is in compliance with the Code Provision B.1.3.

The Remuneration Committee held one meeting during the financial year of 2011. Details of the attendance of the Remuneration Committee meeting were as follows:

Committee members	Attendance	Title
Mr. To Shing Chuen	I/I	INED
Mr. Ha Kee Choy, Eugene	I/I	Chairman, INED
Ms. Poon Chi Wan	I/I	Executive Director

The Directors are remunerated with reference to their responsibility with the Company, their qualifications, experiences and past remuneration, the Company’s performance and current market situation.

NOMINATION OF DIRECTORS

Nomination committee of the Company is not considered necessary after the assessment of the current situation of the Company. The Board will review the profile of current Directors and nominated directors (if any) on a regular basis in order to ensure that the composition of the Board is capable to fulfill its obligation and be responsible for the Company.

AUDITORS' REMUNERATION

During the year ended 31 March 2011, fees paid to the Company's external auditors for non-audit activities amounted to approximately HK\$590,000 which comprised agreed-upon procedures in respect of the Group's interim financial information and corporate transactions.

Audit fee for the year 2011 is HK\$1,588,000.

AUDIT COMMITTEE

The Audit Committee is composed of five independent non-executive Directors namely Chan Sze Hung (Chairman of the Committee), To Shing Chuen, Ha Kee Choy, Eugene, Chung Yuk Lun and Lo Wong Fung. Two of the members possess appropriate professional accounting qualification; the other one member is a practicing solicitor. Code Provision C.3.3 requires the terms of reference of the audit committee should include certain minimum duties. The terms of reference of the audit committee were revised to include all the duties set out in the Code Provision C.3.3 of which among other things include reviewing financial statements of the Company. Any findings and recommendations of the Audit Committee are to be submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

Corporate Governance Report

The members and attendance of the audit committees for the year ended 31 March 2011 are as follows:

Name	Attended
Chan Sze Hung	2/2
To Shing Chuen	2/2
Ha Kee Choy, Eugene	2/2
Chung Yuk Lun	2/2
Lo Wong Fung	2/2

During the meetings, the Audit Committee reviewed reports from external auditors regarding their audit on annual financial statements and review on interim financial results.

OTHERS

The Directors are responsible for the preparation of financial statements. The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the financial statements. Also, the internal control system of the Group has also been reviewed during the year.

The statement of the auditors of the Company regarding their reporting responsibilities is set out in the Auditors' Report on pages 25 to 26 of this Annual Report.



**To the shareholders of
Heritage International Holdings Limited**
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Heritage International Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 27 to 122, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, 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 a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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.

Independent Auditors' Report

To the shareholders of
Heritage International Holdings Limited
(Incorporated in Bermuda with limited liability)

AUDITORS' RESPONSIBILITY (continued)

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.

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 loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

18th Floor

Two International Finance Centre

8 Finance Street, Central

Hong Kong

22 June 2011

Consolidated Income Statement

Year ended 31 March 2011

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	Notes	2011 HK\$'000	2010 HK\$'000
REVENUE	5	(171,624)	(79,098)
Other income and gains, net	5	7,567	6,903
Gains arising from changes in fair value of investment properties, net	14	4,193	79,210
Fair value gains/(losses) on investments at fair value through profit or loss, net		(72,834)	55,468
Fair value gain on a convertible note classified as a financial liability at fair value through profit or loss	23	–	11,595
Gain/(losses) on disposal of subsidiaries	28(a)	1,490	(28,489)
Gain on partial disposal of associates	17	69,000	–
General and administrative expenses		(35,471)	(30,261)
Other expenses	6	(9,955)	(1,142)
Finance costs	7	(2,144)	(3,124)
Share of losses of associates	17	(182,587)	(16,294)
LOSS BEFORE TAX	6	(392,365)	(5,232)
Income tax	10	457	(2,150)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	(391,908)	(7,382)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			(Restated)
Basic	12	HK\$(2.58)	HK\$(0.16)

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	2011 HK\$'000	2010 HK\$'000
LOSS FOR THE YEAR	(391,908)	(7,382)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	(53)	41
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(391,961)</u>	<u>(7,341)</u>

Consolidated Statement of Financial Position

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31 March 2011

	Notes	31 March 2011 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	6,047	8,185	4,895
Investment properties	14	246,800	236,200	105,900
Investments in jointly-controlled entities	16	–	–	–
Investments in associates	17	–	182,587	–
Available-for-sale investment		–	–	4,080
Loans receivable	18	8,442	–	3,302
Convertible bond – loan portion		–	–	2,556
Rental deposit		–	–	279
Deposits paid for purchases of items of property, plant and equipment		5,814	–	2,242
Investments at fair value through profit or loss	20	105,487	122,130	15,000
Total non-current assets		372,590	549,102	138,254
CURRENT ASSETS				
Loans receivable	18	2,608	–	402,188
Convertible bond – loan portion	19	–	2,106	–
Convertible bond – option derivatives	19	–	–	–
Investments at fair value through profit or loss	20	666,099	718,632	346,389
Prepayments, deposits and other receivables	21	6,293	7,608	33,151
Due from an associate	17	–	546	–
Tax recoverable		–	–	1,030
Cash and bank balances		1,667	10,583	29,473
Total current assets		676,667	739,475	812,231
CURRENT LIABILITIES				
Other payables and accruals		11,204	18,357	4,401
Due to an associate	17	10,094	–	–
Interest-bearing bank borrowings	22	66,244	71,987	43,627
Total current liabilities		87,542	90,344	48,028
NET CURRENT ASSETS		589,125	649,131	764,203
TOTAL ASSETS LESS CURRENT LIABILITIES		961,715	1,198,233	902,457

Consolidated Statement of Financial Position

31 March 2011

	Notes	31 March 2011 HK\$'000	31 March 2010 HK\$'000 (Restated)	1 April 2009 HK\$'000 (Restated)
NON-CURRENT LIABILITIES				
Convertible note	23	–	80,712	–
Deferred tax liabilities	24	3,745	4,202	52
Total non-current liabilities		3,745	84,914	52
Net assets		957,970	1,113,319	902,405
EQUITY				
Equity attributable to owners of the Company				
Issued capital	25	2,849	82,730	25,577
Reserves	27(a)	955,121	1,030,589	876,828
Total equity		957,970	1,113,319	902,405

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

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		Attributable to owners of the Company							
Notes		Share	Share	Capital	Contributed	Exchange	Accumulated	Total	
		Issued	premium	option		redemption			fluctuation
		capital	account	reserve	reserve	reserve			
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
	At 1 April 2009	25,577	729,247	-	1,177	1,259,970	12	(1,113,578)	902,405
	Loss for the year	-	-	-	-	-	-	(7,382)	(7,382)
	Other comprehensive income for the year:								
	Exchange differences on translation of foreign operations	-	-	-	-	-	41	-	41
	Total comprehensive loss for the year	-	-	-	-	-	41	(7,382)	(7,341)
	Placement of new shares	25(a)	55,023	162,563	-	-	-	-	217,586
	Share issue expenses	25	-	(5,765)	-	-	-	-	(5,765)
	Exercise of warrants	25(b)	-	12	-	-	-	-	12
	Exercise of share options	25(c)	2,130	2,790	-	-	-	-	4,920
	Equity-settled share option expenses	26	-	-	1,502	-	-	-	1,502
	Transfer from share option reserve	25	-	1,502	(1,502)	-	-	-	-
	At 31 March 2010 and at 1 April 2010	82,730	890,349	-	1,177	1,259,970	53	(1,120,960)	1,113,319
	Loss for the year	-	-	-	-	-	-	(391,908)	(391,908)
	Other comprehensive loss for the year:								
	Exchange differences on translation of foreign operations	-	-	-	-	-	(53)	-	(53)
	Total comprehensive loss for the year	-	-	-	-	-	(53)	(391,908)	(391,961)
	Placement of new shares	25(d)	89,861	62,818	-	-	-	-	152,679
	Share issue expenses	25	-	(4,655)	-	-	-	-	(4,655)
	Exercise of share options	25(e)	17,373	18,028	-	-	-	-	35,401
	Capital reorganisation	25(f)	(188,065)	-	-	188,065	-	-	-
	Rights issue	25(g)	950	46,541	-	-	-	-	47,491
	Equity-settled share option expenses	26	-	-	5,696	-	-	-	5,696
	Transfer from share option reserve	25	-	5,696	(5,696)	-	-	-	-
	At 31 March 2011	2,849	1,018,777*	-	1,177*	1,448,035*	-	(1,512,868)*	957,970

* These reserve accounts comprise the consolidated reserves of HK\$955,121,000 (2010: HK\$1,030,589,000) 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 #			
Loss before tax		(392,365)	(5,232)
Adjustments for:			
Finance costs	7	2,144	3,124
Interest income on a convertible bond	5	(444)	(56)
Interest income from an associate	5	-	(1,001)
Bank interest income	5	-	(1)
Share of losses of associates		182,587	16,294
Depreciation	6	2,089	3,678
Fair value losses/(gains) on investments at fair value through profit or loss, net		72,834	(55,468)
Loss on disposal/write-off of items of property, plant and equipment, net	6	667	399
Fair value gain on a convertible note classified as a financial liability at fair value through profit or loss	23	-	(11,595)
Losses/(gain) on disposal of subsidiaries	28(a)	(1,490)	28,489
Loss on deemed disposal of associates	6	-	743
Gain on partial disposal of associates		(69,000)	-
Loss on redemption of a convertible note	6, 23	9,288	-
Changes in fair value of investment properties, net	14	(4,193)	(79,210)
Equity-settled share option expenses	6, 26	5,696	1,502
		(192,187)	(98,334)
Decrease/(increase) in loans receivable		(8,500)	148,008
Decrease/(increase) in investments at fair value through profit or loss		65,342	(170,259)
Decrease in prepayments, deposits and other receivables		1,280	20,425
Change in balance with an associate		10,640	(105,568)
Increase/(decrease) in other payables and accruals		(7,121)	13,956
		(130,546)	(191,772)
Interest received		-	1
Interest paid		(2,144)	(3,124)
Net cash flows used in operating activities		(132,690)	(194,895)

Consolidated Statement of Cash Flows

Year ended 31 March 2011

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	Notes	2011 HK\$'000	2010 HK\$'000
Net cash flows used in operating activities		(132,690)	(194,895)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		(5,814)	–
Purchases of items of property, plant and equipment		(625)	(5,143)
Purchases of/additions to investment properties		(6,407)	(51,090)
Proceeds from disposal of items of property, plant and equipment		–	18
Redemption of a convertible bond	19	–	450
Disposal of subsidiaries	28(a)	1,500	(13,384)
Net cash flows used in investing activities		(11,346)	(69,149)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	25(d)	152,679	217,586
Share issue expenses	25	(4,655)	(5,765)
Proceeds from warrants exercised	25	–	12
Proceeds from share options exercised	25(c), 25(e)	35,401	4,920
Proceeds from rights issue	25(g)	47,491	–
New loan from an associate	32(a)(iii)	–	100,000
Repayment of a loan from an associate	32(a)(iii)	–	(100,000)
New other loan		200,000	–
Repayment of other loan		(200,000)	–
New bank borrowing		30,000	31,500
Repayment of bank borrowings		(35,743)	(3,140)
Redemption of a convertible note	23	(90,000)	–
Net cash flows from financing activities		135,173	245,113
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,863)	(18,931)
Cash and cash equivalents at beginning of year		10,583	29,473
Effect of foreign exchange rate changes, net		(53)	41
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,667	10,583
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,667	10,583

Included in "Cash flows from operating activities" above are loan interest and dividends and other interest received from the Group's principal activities amounting to HK\$278,000 (2010: HK\$6,001,000) and HK\$4,293,000 (2010: HK\$14,721,000), respectively.

Statement of Financial Position

31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	1,081,246	1,156,855
CURRENT ASSETS			
Prepayments, deposits and other receivables	21	599	665
Due from an associate	17	–	546
Cash and bank balances		1,339	9,988
Total current assets		1,938	11,199
CURRENT LIABILITIES			
Other payables and accruals		4,419	3,530
Due to an associate	17	10,094	–
Total current liabilities		14,513	3,530
NET CURRENT ASSETS/(LIABILITIES)		(12,575)	7,669
TOTAL ASSETS LESS CURRENT LIABILITIES		1,068,671	1,164,524
NON-CURRENT LIABILITY			
Convertible note	23	–	80,712
Net assets		1,068,671	1,083,812
EQUITY			
Issued capital	25	2,849	82,730
Reserves	27(b)	1,065,822	1,001,082
Total equity		1,068,671	1,083,812

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

I. CORPORATE INFORMATION

Heritage International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 29th Floor, China United Centre, 28 Marble Road, North Point, Hong Kong.

During the year, the Group was primarily involved in property investment, investments in securities, money lending and investment holding.

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 (the “HKICPA”), 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, except for investment properties, a convertible note classified as a financial liability at fair value through profit or loss, derivative financial instruments and certain investments, which have been measured at fair value. 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.

Notes to Financial Statements

31 March 2011

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

Other than as further explained below regarding the impact of HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

Notes to Financial Statements

31 March 2011

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(continued)

HK Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The interpretation requires a term loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement. Prior to the adoption of this interpretation, the Group's term loans were classified in the statement of financial position as non-current liabilities based on their maturity dates of repayment. Upon the adoption of the interpretation, the term loans have been reclassified entirely as current liabilities. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1, these financial statements also include a statement of financial position as at 1 April 2009.

Further details of the loans are disclosed in note 22 to the financial statements.

The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 March 2011 HK\$'000	31 March 2010 HK\$'000	1 April 2009 HK\$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank borrowings	62,275	68,424	41,459
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank borrowings	(62,275)	(68,424)	(41,459)

There was no impact on the net assets of the Group.

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	<i>Amendment to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ¹
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ³
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets</i> ³
HKFRS 9	<i>Financial Instruments</i> ⁵
HKAS 12 Amendments	<i>Amendments to HKAS 12 Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ⁴
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ²
HK(IFRIC)-Int 14 Amendments	<i>Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement</i> ²
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> 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

Notes to Financial Statements

31 March 2011

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits or losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Joint ventures (continued)

- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investments in jointly-controlled entities are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entities are eliminated to the extent of the Group's investments in the jointly-controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's investments in jointly-controlled entities. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Associates (continued)

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Business combinations and goodwill (continued)

Business combinations from 1 April 2010 (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 April 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of non-financial assets (continued)

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 other than goodwill 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) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (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.

Notes to Financial Statements

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where 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:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25% to 30%

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 the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the supply of services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Leases

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 operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss and loans and receivables, 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 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.

Notes to Financial Statements

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets (continued)

Subsequent measurement

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

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for “Revenue recognition” below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

(ii) *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 the income statement. The loss arising from impairment is recognised in the income statement in other expenses.

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; 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 assets, 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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate (that is, 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 the income statement. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 finance costs in the income statement.

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 and loans and borrowings, 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.

Subsequent measurement

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

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement. The net fair value gain or loss recognised in the income statement does not include any interest charged on these financial liabilities.

Notes to Financial Statements

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial liabilities (continued)

Subsequent measurement (continued)

(ii) *Loans and borrowings*

After initial recognition, 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 the income statement 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 the income statement.

(iii) *Financial guarantee contracts*

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

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.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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2.4 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 country 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 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, associates and jointly-controlled entities, 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, 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 assets 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 assets to be recovered.

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

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

Revenue recognition

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

- (a) rental income, on a time proportion basis over the lease terms;
- (b) income from the sale of equity and debt securities, on a trade-date basis;
- (c) management fee income, when such services are rendered;
- (d) dividend income, when the shareholders' right to receive payment has been established; and
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Notes to Financial Statements

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payment transactions

The Company currently operates a share option scheme for the purpose of providing incentives and rewards to eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) who render services and/or contribute to the success of the Group's operations. Employees (including directors) and investment advisors of the Group receive remuneration in the form of share-based payment transactions, whereby employees/investment advisors render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binominal model, further details of which are given in note 26 to the financial statements.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee/investment advisors as measured at the date of modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

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 the income statement as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Notes to Financial Statements

31 March 2011

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions 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 the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of a subsidiary registered in the People's Republic of China (the "PRC") and certain jointly-controlled entities registered in the PRC 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 a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of a subsidiary registered in the PRC are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the subsidiary registered in the PRC which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Notes to Financial Statements

31 March 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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 loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a loan/receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

Fair value of investment properties

Investment properties are carried in the statement of financial position at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in the income statement.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair values of convertible notes classified as financial assets/liabilities at fair value through profit or loss

Convertible notes classified as financial assets/liabilities at fair value through profit or loss are stated at their fair values. The fair values were determined based on the quoted market prices of their underlying listed securities conducted by an independent firm of professionally qualified valuers using valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's convertible notes classified as financial assets/liabilities at fair value through profit or loss and the corresponding adjustments to the gain or loss recognised in the income statement.

Fair value of an unlisted equity investment

The unlisted equity investment has been valued based on observable market prices or rates in comparable market transactions. The fair value of the unlisted equity investment at 31 March 2011 was HK\$78,000,000 (2010: HK\$15,000,000). Further details are included in note 20 to the financial statements.

Notes to Financial Statements

31 March 2011

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of equity-settled transactions

The Group operates a share option scheme under which eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with eligible participants is measured by reference to the fair value at the date at which they are granted, using assumptions including expected volatility and risk-free interest rate.

4. OPERATING SEGMENT INFORMATION

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

- (i) the property investment segment engages primarily in the investments in properties for rental income potential and/or appreciation in values;
- (ii) the investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;
- (iii) the money lending segment engages primarily in money lending operations in Hong Kong; and
- (iv) the investment holding segment engages primarily in investment holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation.

There were no material intersegment sales and transfers during the year (2010: Nil).

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 results, which is a measure of adjusted profit/(loss) before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, certain gains and finance costs, and unallocated expenses are excluded from such measurement.

The Group's revenue is substantially derived from its external customers in Hong Kong and the Group's operating assets are substantially located in Hong Kong.

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	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:										
Revenue from external customers	926	1,821	(172,828)	(86,920)	278	6,001	-	-	(171,624)	(79,098)
Other income and gains, net	2	71	2,283	265	4,763	5,335	519	230	7,567	5,901
Total	928	1,892	(170,545)	(86,655)	5,041	11,336	519	230	(164,057)	(73,197)
Segment results	60	76,732	(253,598)	(33,587)	(109,000)	(37,607)	342	(3,226)	(362,196)	2,312
<i>Reconciliation:</i>										
Bank interest income									-	1
Interest income from an associate									-	1,001
Gain on disposal of a subsidiary - unallocated									1,490	-
Fair value gain on a convertible note classified as a financial liability at fair value through profit or loss									-	11,595
Loss on disposal/write-off of items of property, plant and equipment, net									(667)	(399)
Unallocated finance costs									(400)	(856)
Unallocated expenses									(30,592)	(18,886)
Loss before tax									(392,365)	(5,232)

Notes to Financial Statements

31 March 2011

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Consolidated	
	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
Other segment information:										
Finance costs – allocated	(1,744)	(2,268)	-	-	-	-	-	-	(1,744)	(2,268)
Finance costs – unallocated									(400)	(856)
									(2,144)	(3,124)
Depreciation – unallocated									(2,089)	(3,678)
Losses on disposal of subsidiaries – allocated	-	-	-	(2,082)	-	(26,407)	-	-	-	(28,489)
Gain on disposal of a subsidiary – unallocated									1,490	-
									1,490	(28,489)
Loss on deemed disposal of associates	-	-	-	-	-	(743)	-	-	-	(743)
Gain on partial disposal of associates	-	-	-	-	69,000	-	-	-	69,000	-
Share of losses of associates	-	-	-	-	(182,587)	(16,294)	-	-	(182,587)	(16,294)
Gains arising from changes in fair value of investment properties, net	4,193	79,210	-	-	-	-	-	-	4,193	79,210
Fair value gains/(losses) on investments at fair value through profit or loss, net	-	-	(72,834)	55,468	-	-	-	-	(72,834)	55,468
Loss on redemption of a convertible note	-	-	(9,288)	-	-	-	-	-	(9,288)	-
Capital expenditure – allocated	6,407	51,090	-	-	-	-	-	-	6,407	51,090
Capital expenditure – unallocated									625	7,385
									7,032	58,475

5. REVENUE, OTHER INCOME AND GAINS, NET

Revenue, which is also the Group's turnover, represents gross rental income received and receivable from investment properties; interest income earned from money lending operations; dividend and interest income from investments at fair value through profit or loss; and loss on sale of investments at fair value through profit or loss, net, during the year.

An analysis of revenue, other income and gains, net is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Revenue		
Gross rental income from investment properties	926	1,821
Interest income from money lending operations	278	6,001
Dividend and interest income from investments at fair value through profit or loss	4,293	14,721
Loss on sale of investments at fair value through profit or loss, net*	(177,121)	(101,641)
	(171,624)	(79,098)
	7,567	6,903
Other income and gains, net		
Interest income on a convertible bond	444	56
Bank interest income	–	1
Interest income from an associate	–	1,001
Management fee income from an associate	4,761	5,335
Others	2,362	510
	7,567	6,903
	7,567	6,903

* Represents the proceeds from the sale of investments at fair value through profit or loss of HK\$497,246,000 (2010: HK\$861,486,000) less the cost of sales and the carrying amount of the investments sold of HK\$674,367,000 (2010: HK\$963,127,000).

Notes to Financial Statements

31 March 2011

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Notes	2011 HK\$'000	2010 HK\$'000
Depreciation	13	2,089	3,678
Minimum lease payments under operating leases in respect of land and buildings		4,939	5,395
Auditors' remuneration		1,588	1,588
Employee benefit expense (excluding directors' remuneration (note 8)):			
Salaries and allowances		1,662	1,925
Retirement benefit scheme contributions (defined contribution schemes)*		78	69
		<u>1,740</u>	<u>1,994</u>
Foreign exchange differences, net		–	64
Equity-settled share option expenses to investment advisors for investment advisory services	26	5,696	1,502
Loss on disposal/write-off of items of property, plant and equipment, net**		667	399
Loss on deemed disposal of associates**		–	743
Loss on redemption of a convertible note**	23	9,288	–
Direct operating expenses arising on rental-earning investment properties		1,074	921
		<u><u>1,074</u></u>	<u><u>921</u></u>

* At 31 March 2011, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2010: Nil).

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Interest on bank loans not wholly repayable within five years	1,744	2,268
Interest on a loan from an associate	–	856
Interest on other loan	400	–
	<hr/> 2,144 <hr/>	<hr/> 3,124 <hr/>
	<hr/> 2,144 <hr/>	<hr/> 3,124 <hr/>

8. 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	600	600
Other emoluments:		
Salaries and allowances	5,631	5,398
Retirement benefit scheme contributions (defined contribution scheme)	60	58
	<hr/> 5,691 <hr/>	<hr/> 5,456 <hr/>
	<hr/> 6,291 <hr/>	<hr/> 6,056 <hr/>
	<hr/> 6,291 <hr/>	<hr/> 6,056 <hr/>

Notes to Financial Statements

31 March 2011

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2011 HK\$'000	2010 HK\$'000
Mr. Chan Sze Hung	120	120
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	120	120
Mr. Lo Wong Fung	120	120
	<u>600</u>	<u>600</u>

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

(b) Executive directors

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total remuneration HK\$'000
2011				
Dr. Kwong Kai Sing, Benny	-	2,400	12	2,412
Mr. Ong Peter	-	1,080	12	1,092
Ms. Poon Chi Wan	-	870	12	882
Mr. Chow Chi Wah, Vincent	-	681	12	693
Mr. Wong Chun Hung	-	600	12	612
	<u>-</u>	<u>5,631</u>	<u>60</u>	<u>5,691</u>

8. DIRECTORS' REMUNERATION (continued)
(b) Executive directors (continued)

	Fees HK\$'000	Salaries and allowances HK\$'000	Retirement benefit scheme contributions HK\$'000	Total remuneration HK\$'000
2010				
Dr. Kwong Kai Sing, Benny	–	2,400	12	2,412
Mr. Ong Peter	–	1,080	12	1,092
Ms. Poon Chi Wan	–	795	12	807
Mr. Chow Chi Wah, Vincent	–	615	12	627
Mr. Wong Chun Hung	–	508	10	518
	–	5,398	58	5,456

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2010: five) directors of the Company, details of whose remuneration in the capacity as directors of the Company are set out in note 8 above.

10. INCOME TAX

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).

	Group	
	2011	2010
	HK\$'000	HK\$'000
Deferred (note 24) and total tax charge/(credit) for the year	(457)	2,150

Notes to Financial Statements

31 March 2011

10. INCOME TAX (continued)

A reconciliation of the tax credit applicable to the Group's loss before tax at the Hong Kong statutory tax rate (the statutory tax rate of the principal place of business of the Company and the majority of its subsidiaries) to the tax charge/(credit) at the effective tax rate is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Loss before tax	(392,365)	(5,232)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2010: 16.5%)	(64,740)	(863)
Losses attributable to associates	30,127	2,689
Income not subject to tax	(15,221)	(17,525)
Expenses not deductible for tax	5,623	5,682
Tax losses utilised from previous periods	(76)	(112)
Tax losses not recognised	43,627	11,778
Others	203	501
Tax charge/(credit) at the Group's effective rate	(457)	2,150

The share of tax expense attributable to associates for the year ended 31 March 2010 amounting to HK\$950,000 is included in "Share of losses of associates" on the face of the consolidated income statement.

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2011 includes a loss of HK\$240,101,000 (2010: profit of HK\$45,760,000) which has been dealt with in the financial statements of the Company.

**12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY
HOLDERS OF THE COMPANY**

(a) Basic loss per share

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the Company of HK\$391,908,000 (2010: HK\$7,382,000), and the weighted average number of ordinary shares of 151,993,978 (2010: 47,314,727 (restated)) in issue during the year as adjusted to reflect the consolidation of shares and rights issue during the year (note 25). The basic loss per share amount for the prior year has been adjusted to reflect the consolidation of shares and rights issue during the year.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issues during the year. No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2010 as the impact of the convertible note classified as a financial liability at fair value through profit or loss outstanding during that year had an anti-dilutive effect on the basic loss per share amount presented.

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13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
31 March 2011				
At 31 March 2010 and at 1 April 2010:				
Cost	5,378	4,322	9,998	19,698
Accumulated depreciation	(1,068)	(1,883)	(8,562)	(11,513)
	<u>4,310</u>	<u>2,439</u>	<u>1,436</u>	<u>8,185</u>
Net carrying amount	<u><u>4,310</u></u>	<u><u>2,439</u></u>	<u><u>1,436</u></u>	<u><u>8,185</u></u>
At 1 April 2010, net of accumulated depreciation				
	4,310	2,439	1,436	8,185
Additions	–	3	622	625
Write-off	(452)	(73)	(142)	(667)
Disposal of a subsidiary (note 28(a))	–	(7)	–	(7)
Depreciation provided during the year	(1,051)	(603)	(435)	(2,089)
	<u>2,807</u>	<u>1,759</u>	<u>1,481</u>	<u>6,047</u>
At 31 March 2011, net of accumulated depreciation	<u><u>2,807</u></u>	<u><u>1,759</u></u>	<u><u>1,481</u></u>	<u><u>6,047</u></u>
At 31 March 2011:				
Cost	4,628	4,172	5,398	14,198
Accumulated depreciation	(1,821)	(2,413)	(3,917)	(8,151)
	<u>2,807</u>	<u>1,759</u>	<u>1,481</u>	<u>6,047</u>
Net carrying amount	<u><u>2,807</u></u>	<u><u>1,759</u></u>	<u><u>1,481</u></u>	<u><u>6,047</u></u>

13. PROPERTY, PLANT AND EQUIPMENT (continued)
Group

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 March 2010				
At 1 April 2009:				
Cost	2,433	1,653	9,998	14,084
Accumulated depreciation	(1,302)	(1,298)	(6,589)	(9,189)
Net carrying amount	<u>1,131</u>	<u>355</u>	<u>3,409</u>	<u>4,895</u>
At 1 April 2009, net of accumulated depreciation				
Additions	4,628	2,757	–	7,385
Disposals	(404)	(13)	–	(417)
Depreciation provided during the year	<u>(1,045)</u>	<u>(660)</u>	<u>(1,973)</u>	<u>(3,678)</u>
At 31 March 2010, net of accumulated depreciation	<u>4,310</u>	<u>2,439</u>	<u>1,436</u>	<u>8,185</u>
At 31 March 2010:				
Cost	5,378	4,322	9,998	19,698
Accumulated depreciation	(1,068)	(1,883)	(8,562)	(11,513)
Net carrying amount	<u>4,310</u>	<u>2,439</u>	<u>1,436</u>	<u>8,185</u>

Notes to Financial Statements

31 March 2011

14. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Carrying amount at 1 April	236,200	105,900
Additions	6,407	51,090
Net profit from a fair value adjustment	4,193	79,210
	<hr/>	<hr/>
Carrying amount at 31 March	246,800	236,200
	<hr/> <hr/>	<hr/> <hr/>

The Group's investment properties are all situated in Hong Kong and are held under long term leases.

The Group's investment properties were revalued on 31 March 2011 by Asset Appraisal Limited, independent professionally qualified valuers, at HK\$246,800,000 (2010: HK\$236,200,000) on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of which are included in note 31(a) to the financial statements.

At 31 March 2011, the Group's investment properties with an aggregate carrying value of HK\$244,500,000 (2010: HK\$234,000,000) were pledged to secure general banking facilities granted to the Group (note 22).

Further particulars of the Group's investment properties are included on page 124.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK\$'000	2010 HK\$'000
Unlisted shares, at cost	1	1
Due from subsidiaries	2,600,075	2,457,098
	2,600,076	2,457,099
Impairment*	(1,518,830)	(1,300,244)
	1,081,246	1,156,855

* Due to the dismal performance of certain subsidiaries, an impairment testing for amounts due therefrom was performed. An impairment was recognised for certain amounts due from subsidiaries with a carrying amount of HK\$2,600,075,000 (2010: HK\$2,457,098,000) (before deducting the impairment loss) because these subsidiaries have deficiency in assets and, accordingly, a portion of the receivables is impaired. The impairment losses recognised for the year amounted to HK\$218,586,000 (2010: reversal of impairment losses of HK\$39,581,000).

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these balances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Brilliant Crown Trading Limited	Hong Kong	HK\$1,000,000	–	100	Holding of motor vehicles
Dollar Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investments in securities

Notes to Financial Statements

31 March 2011

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
East Champion Limited	Hong Kong	HK\$2	–	100	Property investment
Heritage International Finance Limited	Hong Kong	HK\$1	–	100	Money lending
Heritage Strategic Enterprises Limited	Hong Kong	HK\$10,000	–	100	Provision of corporate services
Mass Nation Investments Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Planner Ford Limited	Hong Kong	HK\$2	–	100	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK\$2	100	–	Provision of corporate services
Rightmind Developments Limited	British Virgin Islands/ Hong Kong	US\$1	100	–	Investment holding
Great Gains International Limited	Hong Kong	HK\$100	–	100	Property investment
Greater Chance Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
High Heritage Group Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Property investment

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rainbow Fair Development Limited	Hong Kong	HK\$2	–	100	Holding of motor vehicles
Waytech Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Easywin Cotai Entertainment Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Provision of management services
E-Garden Properties Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Noble Castle International Limited	Hong Kong	HK\$1	–	100	Property investment

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.

Notes to Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (continued)

The goodwill arising from the acquisition of a subsidiary in the prior years is as follows:

	2011	2010
	HK\$'000	HK\$'000
At beginning and end of year:		
Cost	2,688	2,688
Accumulated impairment	(2,688)	(2,688)
	<hr/>	<hr/>
Net carrying amount	-	-
	<hr/> <hr/>	<hr/> <hr/>

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

Group

	2011	2010
	HK\$'000	HK\$'000
Share of net assets	-	-
Goodwill on acquisition	15,972	15,972
	<hr/>	<hr/>
	15,972	15,972
Provision for impairment	(15,972)	(15,972)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

(continued)

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held/ registered capital	Place of incorporation/ registration	Percentage of ownership interest, voting power and profit sharing attributable to the Group		Principal activities
			2011	2010	
New Range Investments Limited ("New Range")*	Ordinary shares of HK\$1 each	Hong Kong	20	20	Investment holding
上海漢基新幹線投資 諮詢有限公司* ^	Registered capital of RMB10,000,000	PRC	20	20	Provision of investment and management consultancy services
上海新幹線廣告 有限公司* ^	Registered capital of RMB1,000,000	PRC	20	20	Provision of advertising and related services

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

^ Subsidiaries of New Range

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities have been accounted for using the equity method in these financial statements.

Notes to Financial Statements

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16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

(continued)

On 28 June 2006, the Group entered into an agreement (the “Agreement”) to subscribe for a 20% equity interest in New Range. Pursuant to the Agreement, within 18 months from the date of approval and due registration of a joint venture contract to be entered into between the shareholders of New Range in relation to their respective rights and obligations in New Range by the relevant government authorities and registration authorities, respectively, the Group would also have the rights to further increase its equity interest in New Range to 40% by injecting another HK\$20 million into New Range.

The Group’s share of net liabilities and losses of the jointly-controlled entities was limited by its investments in the jointly-controlled entities as further explained below.

The Group has discontinued the recognition of its share of losses of New Range and its subsidiaries because the share of losses of the jointly-controlled entities exceeded the Group’s investments in the jointly-controlled entities. The amounts of the Group’s unrecognised share of profit of the jointly-controlled entities for the current year and the cumulative losses were approximately HK\$28,000 (2010: share of loss of HK\$45,000) and HK\$649,000 (2010: HK\$677,000), respectively.

In the prior years, the Group recognised a provision for impairment of investments in jointly-controlled entities of HK\$15,972,000, based on an annual assessment of the recoverable amount for the cash-generating unit specific to the jointly-controlled entities.

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

(continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities as extracted from the consolidated financial statements of New Range for the year ended 31 March 2011 (not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network):

	2011	2010
	HK\$'000	HK\$'000
Current assets	318	11
Non-current assets	12	17
Current liabilities	(3,816)	(3,430)
Net liabilities	(3,486)	(3,402)
Revenue	288	–
Other income	–	59
Total expenses	(147)	(282)
Profit/(loss) for the year	141	(223)

17. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	HK\$'000	HK\$'000
Share of net assets	–	182,587

The amount due from/to an associate included in the Group's and Company's statements of financial position is unsecured, interest-free and has no fixed terms of repayment.

Notes to Financial Statements

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17. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group		Principal activities
			2011	2010	
Best Purpose Limited ("Best Purpose")	US\$4,004	British Virgin Islands	27.75	47.50	Investment holding
Double Smart Finance Limited ^	HK\$2	Hong Kong	27.75	47.50	Money lending
Dario Enterprises Limited #	US\$11	British Virgin Islands	27.75	–	Investment holding
All Cosmos Investments Limited #	US\$1	British Virgin Islands	27.75	–	Investment holding

The above associates were not audited by Ernst & Young, Hong Kong or another member firm of Ernst & Young global network.

^ Subsidiary of Best Purpose

Subsidiary of Double Smart Finance Limited

On 4 January 2011, the Group entered into a sale and purchase agreement with Hennabun Capital Group Limited ("Hennabun"), a company incorporated in the British Virgin Islands, to dispose of a 19.75% equity interest in Best Purpose for a consideration of HK\$69,000,000, resulting in a gain on disposal of HK\$69,000,000. The consideration was satisfied by the issue and allotment of 11,500,000 shares issued by Hennabun to the Group at the issue price of HK\$6 per share. The disposal was completed on 16 February 2011 and Best Purpose became a 27.75%-owned associate of the Group thereafter.

17. INVESTMENTS IN ASSOCIATES (continued)

During the year, the Group's share of losses of Best Purpose and its subsidiaries (collectively the "Best Purpose Group") amounted to HK\$182,587,000 (2010: HK\$16,294,000). The Group has discontinued the recognition of its share of losses of the Best Purpose Group because the share of losses of the Best Purpose Group exceeded the Group's investments in the associates. The amounts of the Group's unrecognised share of losses of the Best Purpose Group for the current year and the cumulative losses were approximately HK\$26,286,000 (2010: Nil) and HK\$26,286,000 (2010: Nil), respectively.

The following table illustrates the summarised financial information of the Group's associates as extracted from the consolidated financial statements of Best Purpose for the year ended 31 March 2011:

	2011	2010
	HK\$'000	HK\$'000
Non-current assets	1,432	14,150
Current assets	76,081	371,174
Current liabilities	(140,996)	(931)
Net assets/(liabilities)	(63,483)	384,393
Revenue	10,129	14,017
Other income	519	20,943
Total expenses	(458,524)	(46,358)
Loss for the year	(447,876)	(11,398)

Notes to Financial Statements

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18. LOANS RECEIVABLE

	Group	
	2011 HK\$'000	2010 HK\$'000
Loans receivable	11,050	–
Portion classified as current assets	(2,608)	–
	<hr/>	<hr/>
Non-current portion	8,442	–
	<hr/> <hr/>	<hr/> <hr/>

Loans receivable as at 31 March 2011 represented receivables arising from the money lending business of the Group and bore interest at rates ranging from 1.33% to 10% per annum. The granting of these loans had been approved and monitored by the Company's executive directors in charge of the Group's money lending operations. Overdue balances were reviewed regularly by senior management.

The movements in the provision for impairment of loans receivable are as follows:

	2011 HK\$'000	2010 HK\$'000
At beginning of year	–	18,000
Disposal of subsidiaries (note 28(a))	–	(18,000)
	<hr/>	<hr/>
At end of year	–	–
	<hr/> <hr/>	<hr/> <hr/>

The aged analysis of the loans receivable that are not considered to be impaired is as follows:

	Group	
	2011 HK\$'000	2010 HK\$'000
Neither past due nor impaired	11,050	–
	<hr/> <hr/>	<hr/> <hr/>

18. LOANS RECEIVABLE (continued)

Receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default. Based on past experience, the executive directors of the Company in charge of the Group's money lending operations were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable. The Group did not hold any collateral or other credit enhancements over these balances, except for a loan receivable as at 31 March 2011 amounting to HK\$6,000,000, which was secured by the pledge of collateral.

19. CONVERTIBLE BOND

	Group	
	2011	2010
	HK\$'000	HK\$'000
Unlisted convertible bond:		
Loan portion	-	2,106
Option derivatives, at fair value	-	-
	-	2,106
	-	2,106

On 16 February 2008, an indirect wholly-owned subsidiary of the Company (the "Subscriber") entered into a conditional subscription agreement (the "Subscription Agreement") with Hang Fa Lau Holdings Limited ("Hang Fa Lau"), a private company incorporated in Hong Kong with limited liability, for the subscription of a 2% convertible bond due 2011 with an aggregate principal amount of HK\$18 million issued by Hang Fa Lau (the "Convertible Bond"), which will entitle the holder thereof to convert the principal amount outstanding into new fully paid ordinary shares of Hang Fa Lau (the "Conversion Shares") at the then effective conversion price. The Convertible Bond is unsecured, bears interest at a rate of 2% per annum and will mature in three years from the date of issue of the Convertible Bond (the "Maturity Date"). The initial conversion price is HK\$1,800 per Conversion Share. The Convertible Bond does not contain any provisions for anti-dilution adjustments but provides that Hang Fa Lau may not create or issue any class of share capital, without the written approval of holder(s) of 51% of the aggregate principal amount of the Convertible Bond then outstanding.

Notes to Financial Statements

31 March 2011

19. CONVERTIBLE BOND (continued)

The holder of the Convertible Bond has the right to convert the whole or any part of the outstanding principal amount of the Convertible Bond into the Conversion Shares at the then prevailing conversion price at any time on or after the issue of the Convertible Bond up to the close of business of the Maturity Date. Upon full conversion of the entire principal amount of the Convertible Bond by the Group at the initial conversion price of HK\$1,800 per Conversion Share, the Group would be interested in 50% of the enlarged issued share capital of Hang Fa Lau. On early redemption of the Convertible Bond, the interest in issued share capital of Hang Fa Lau will be decreased proportionally.

Unless previously converted, redeemed or cancelled in accordance with the terms of the Convertible Bond, Hang Fa Lau will redeem the Convertible Bond on the Maturity Date at 124% of the principal amount of the Convertible Bond then outstanding. Hang Fa Lau may at any time on or before the Maturity Date redeem the whole or any part of the outstanding principal amount of the Convertible Bond at the following rates:

- (i) if redemption is made on or before the first anniversary date from the issue date of the Convertible Bond, at 108% of the principal amount of the Convertible Bond to be redeemed;
- (ii) if redemption is made on or before the second anniversary date from the issue date of the Convertible Bond but after the first anniversary date from the issue date of the Convertible Bond, at 116% of the principal amount of the Convertible Bond to be redeemed; and
- (iii) if redemption is made on or before the third anniversary date from the issue date of the Convertible Bond but after the second anniversary date from the issue date of the Convertible Bond, at 124% of the principal amount of the Convertible Bond to be redeemed.

19. CONVERTIBLE BOND (continued)

During the years ended 31 March 2009 and 2010, Hang Fa Lau served a notice to the Group to early redeem part of the Convertible Bond with an aggregate principal amount of HK\$15,000,000 and HK\$450,000, respectively. The redemption was made at 100% (instead of 108% and 124%, respectively, under the original terms of the Convertible Bond) of the principal amount to be redeemed. During the year ended 31 March 2011, Hang Fa Lau fully redeemed the remaining principal amount of the Convertible Bond of HK\$2,550,000 by way of loan advance by the Group in the same amount. The redemption was made at 100% (instead of 124% under the original terms of the Convertible Bond) of the principal amount to be redeemed. The Group has agreed to waive the penalty to be received from Hang Fa Lau as a result of the above redemptions with a view to maintaining a good co-operative relationship with Hang Fa Lau.

Pursuant to the terms of the Subscription Agreement, so long as any Convertible Bond remains outstanding and registered in the name of the Subscriber, the Subscriber shall have the rights to appoint up to two directors to the board of Hang Fa Lau and to remove or substitute any of them by giving written notice to Hang Fa Lau.

The fair values of the Convertible Bond's option derivatives had been determined using the trinomial model.

The effective interest rate of the loan portion of the Convertible Bond as at 31 March 2010 was 11%.

On the same date of entering into the Subscription Agreement, an indirect wholly-owned subsidiary of the Company also entered into a loan agreement with Hang Fa Lau to make available to Hang Fa Lau an unsecured revolving loan facility of up to HK\$25 million, subject to and upon the terms and conditions contained in the loan agreement (the "Revolving Loan Facility"). The revolving loan would bear interest at 5% over the prime or best lending rate for Hong Kong dollar loans as quoted by The Hongkong and Shanghai Banking Corporation Limited from time to time and is available from 16 February 2009 to the earlier of 15 February 2011 and the date on which the Revolving Loan Facility is cancelled or terminated under the provisions of the loan agreement. During the year, none of the Revolving Loan Facility was utilised (2010: Nil) and the Revolving Loan Facility expired on 15 February 2011.

Notes to Financial Statements

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20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011 HK\$'000	2010 HK\$'000
Non-current assets		
Unlisted investment, at fair value	78,000	–
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	27,487	122,130
	<u>105,487</u>	<u>122,130</u>
Current assets		
Unlisted investment, at fair value	–	15,000
Listed equity investments, at market value:		
Hong Kong	636,488	669,012
Elsewhere	29,611	25,262
	<u>666,099</u>	<u>709,274</u>
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	–	9,358
	<u>666,099</u>	<u>718,632</u>

The above unlisted investment at 31 March 2011 and 2010 was, upon initial recognition, designated by the Group as a financial asset at fair value through profit or loss.

The above listed equity investments and convertible notes classified as financial assets at fair value through profit or loss at 31 March 2011 and 2010 were classified as held for trading.

The fair values of the convertible notes classified as financial assets at fair value through profit or loss have been estimated by independent professionally qualified valuers using valuation techniques based on the quoted market prices of the underlying listed securities. The fair value of the unlisted investment has been estimated based on the observable market prices or rates in comparable market transactions.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount at the end of the reporting period of approximately HK\$636,488,000 (2010: HK\$669,012,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group (note 30).

At 31 March 2011 and 2010, the carrying amount of the Group's shareholding in the following listed equity security exceeded 10% of the total assets of the Group.

Company name	Place of incorporation	Principal activities	Particulars of issued share capital	Interest held by the Group as investments at fair value through profit or loss
Rising Development Holdings Limited	Bermuda	Investment holding, trading of securities, manufacture and sale of fur garments, fur skins and mining of natural resources	Ordinary shares of HK\$0.01 each	4.9%

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011 HK\$'000	2010 HK\$'000	2011 HK\$'000	2010 HK\$'000
Prepayments	624	1,885	291	236
Deposits	509	616	50	50
Other receivables	5,160	5,107	258	379
	<u>6,293</u>	<u>7,608</u>	<u>599</u>	<u>665</u>

None of the above assets is either past due or impaired and such financial assets relate to deposits and receivables for which there was no recent history of default.

Notes to Financial Statements

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22. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group	
			2011 HK\$'000	2010 HK\$'000 (Restated)
Current				
Portion of bank loans due for repayment within one year				
– secured	2.52	2012	3,969	3,563
Portion of bank loans due for repayment after one year which contains a repayment on demand clause (note (a))				
– secured	2.52	2013 – 2029	62,275	68,424
			66,244	71,987

22. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

- (a) As further explained in notes 2.2 and 35 to the financial statements, due to the adoption of HK Interpretation 5 in the current year, term loans of the Group with an aggregate carrying amount of HK\$66,244,000 (2010: HK\$71,987,000) containing a repayment on demand clause have been classified in total as current liabilities. Accordingly, a portion of the bank loans due for repayment after one year with an aggregate carrying amount of HK\$62,275,000 (2010: HK\$68,424,000) has been reclassified under current liabilities. Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans are repayable:

	Group	
	2011 HK\$'000	2010 HK\$'000
Within one year	3,969	3,563
In the second year	4,179	3,741
In the third to fifth years, inclusive	13,181	11,947
Beyond five years	44,915	52,736
	66,244	71,987

- (b) At the end of the reporting period, certain of the Group's bank loans are secured by:
- (i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK\$244,500,000 (2010: HK\$234,000,000); and
 - (ii) a corporate guarantee given by the Company up to HK\$61,500,000 (2010: HK\$65,500,000) at the end of the reporting period (note 29).
- (c) All borrowings of the Group are denominated in Hong Kong dollars.

Notes to Financial Statements

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23. CONVERTIBLE NOTE

On 12 October 2009, the Group issued a zero coupon convertible note due 2012 in the principal amount of HK\$90 million (the “Note”) to an independent third party (the “Noteholder”). The Note is unsecured, non-interest-bearing and will mature in 2012. The Note is convertible at the option of the Noteholder into the Company’s ordinary shares at a conversion price of HK\$0.76 per share, subject to adjustments, in full or part in an integral multiple of HK\$1 million at any time from the date of issue up to the maturity date of the Note. The Group has the right to early redeem the Note in full or part in an integral multiple of HK\$1 million at any time from the date of issue up to the maturity date of the Note. To the extent not previously redeemed or converted, the Group shall, on the maturity date, redeem at 100% of the outstanding principal amount of the Note.

The Note was, upon initial recognition, designated by the Group as a financial liability at fair value through profit or loss as the Note contains embedded derivatives. As at 31 March 2010, the fair value of the Note was HK\$80,712,000. The fair value of the Note had been estimated by independent professionally qualified valuers using a valuation technique based on the quoted market price of the Company’s listed ordinary shares. A fair value gain of HK\$11,595,000 was recognised in the income statement for the year ended 31 March 2010.

On 22 June 2010, the Group fully redeemed the Note in the principal amount of HK\$90 million and recognised a loss on redemption of HK\$9,288,000 in the income statement during the year.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	Revaluation of properties	
	2011	2010
	HK\$'000	HK\$'000
At beginning of year	4,202	52
Deferred tax charged/(credited) to the income statement during the year (note 10)	(457)	4,150
	<hr/>	<hr/>
At end of year	<u>3,745</u>	<u>4,202</u>

Deferred tax assets

Group

	Losses available for offsetting against future taxable profits	
	2011	2010
	HK\$'000	HK\$'000
At beginning of year	-	-
Deferred tax credited to the income statement during the year (note 10)	-	2,000
Disposal of subsidiaries (note 28(a))	-	(2,000)
	<hr/>	<hr/>
At end of year	<u>-</u>	<u>-</u>

At 31 March 2011, the Group had tax losses arising in Hong Kong of approximately HK\$1,190,242,000 (2010: HK\$926,297,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits of the companies in which the losses arising in Hong Kong. Deferred tax assets have not been recognised in respect of the above items due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the above items can be utilised.

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25. SHARE CAPITAL

	Company	
	2011 HK\$'000	2010 HK\$'000
Authorised:		
50,000,000,000 (2010: 5,000,000,000) ordinary shares of HK\$0.01 (2010: HK\$0.10) each (note (f)(iv))	500,000	500,000
Issued and fully paid:		
284,947,018 (2010: 827,302,494) ordinary shares of HK\$0.01 (2010: HK\$0.10) each	2,849	82,730

A summary of the movements in the Company's issued ordinary shares capital and share premium account is as follows:

	Number of Notes shares in issue	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2009	255,766,791	25,577	729,247	754,824
Placement of new shares	(a) 550,233,749	55,023	162,563	217,586
Warrants exercised	(b) 1,954	–	12	12
Share options exercised	(c) 21,300,000	2,130	2,790	4,920
Transfer from share option reserve	–	–	1,502	1,502
Share issue expenses	–	–	(5,765)	(5,765)
At 31 March 2010 and at 1 April 2010	827,302,494	82,730	890,349	973,079
Placement of new shares	(d) 898,614,296	89,861	62,818	152,679
Share options exercised	(e) 173,730,000	17,373	18,028	35,401
Capital reorganisation	(f) (1,709,682,111)	(188,065)	–	(188,065)
Rights issue	(g) 94,982,339	950	46,541	47,491
Transfer from share option reserve	–	–	5,696	5,696
Share issue expenses	–	–	(4,655)	(4,655)
At 31 March 2011	284,947,018	2,849	1,018,777	1,021,626

25. SHARE CAPITAL (continued)

Notes:

- (a) During the year ended 31 March 2010, the Company had the following placements of shares:
- (i) On 28 April 2009, the Company allotted and issued a total of 51,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.50 per share. Further details of the placing are set out in the Company's announcement dated 28 April 2009.
 - (ii) On 29 September 2009, the Company allotted and issued a total of 61,350,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.44 per share. Further details of the placing are set out in the Company's announcement dated 30 September 2009.
 - (iii) On 26 November 2009, the Company allotted and issued a total of 300,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.44 per share. Further details of the placing are set out in the Company's announcement dated 30 September 2009.
 - (iv) On 22 March 2010, the Company allotted and issued a total of 137,883,749 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.24 per share. Further details of the placing are set out in the Company's announcement dated 22 March 2010.

Notes to Financial Statements

31 March 2011

25. SHARE CAPITAL (continued)

Notes: (continued)

- (b) During the year ended 31 March 2008, a bonus issue of warrants (the “Warrants”) was made in the proportion of one Warrant for every five shares held by members of the Company on the register of members of the Company on 20 December 2007, resulting in 355,333,583 Warrants being issued. Each Warrant originally entitled the holder thereof to subscribe for one ordinary share of the Company of HK\$0.10 at an initial subscription price of HK\$0.60, payable in cash and subject to adjustment, and the Warrant would be exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 18 months after the date of issue.

Pursuant to the terms and conditions of the instrument creating the Warrants, the subscription price and rights of the outstanding Warrants of the Company were adjusted as a result of a capital reorganisation of the Company which became effective on 28 November 2008. The subscription price of the outstanding Warrants of the Company was adjusted from HK\$0.60 per share to HK\$6.00 per consolidated share and the subscription rights attached to each Warrant were adjusted from the rights to subscribe for one ordinary share of the Company to the rights to subscribe for 0.1 consolidated share.

During the year ended 31 March 2010, 19,540 Warrants were exercised for 1,954 shares of HK\$0.10 each at a price of HK\$6.00 per share. As at 31 March 2010, the Company had no outstanding Warrants as the Warrants expired on 30 June 2009.

- (c) During the year ended 31 March 2010, the subscription rights attaching to 21,300,000 share options were exercised at the subscription price of HK\$0.23 per share, resulting in the issue of 21,300,000 ordinary shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$4,920,000.

25. SHARE CAPITAL (continued)

Notes: (continued)

- (d) During the year ended 31 March 2011, the Company had the following placements of shares:
- (i) On 3 June 2010, the Company allotted and issued a total of 400,000,000 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.250 per share. Further details of the placing are set out in the Company's announcement dated 9 April 2010.
 - (ii) On 2 August 2010, the Company allotted and issued a total of 182,006,498 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.112 per share. Further details of the placing are set out in the Company's announcement dated 27 July 2010.
 - (iii) On 19 October 2010, the Company allotted and issued a total of 316,607,798 ordinary shares of HK\$0.10 each for cash at a price of HK\$0.102 per share. Further details of the placing are set out in the Company's announcement dated 5 October 2010.
- (e) During the year ended 31 March 2011, the following share options were granted by the Company and were exercised:
- (i) On 27 April 2010, subscription rights attaching to 82,730,000 share options were granted and exercised at the subscription price of HK\$0.2990 per share (note 26), resulting in the issuance of 82,730,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$24,736,000.
 - (ii) On 9 August 2010, subscription rights attaching to 91,000,000 share options were granted and exercised at the subscription price of HK\$0.1172 per share (note 26), resulting in the issuance of 91,000,000 shares of HK\$0.10 each for a total cash consideration, before expenses, of approximately HK\$10,665,000.

Notes to Financial Statements

31 March 2011

25. SHARE CAPITAL (continued)

Notes: (continued)

- (f) The Company effected a capital reorganisation on 17 February 2011 which involved: (i) a share consolidation of every 10 shares in the issued ordinary share capital of the Company of HK\$0.10 each into one consolidated share of HK\$1.00 each; (ii) a reduction in the nominal value of each consolidated share of the Company from HK\$1.00 to HK\$0.01 by the cancellation of HK\$0.99 of the paid-up capital for each consolidated share; (iii) a transfer of the credit arising from the capital reduction of approximately HK\$188,065,000 to the Company's contributed surplus account; and (iv) a sub-division of every authorised but unissued ordinary share of the Company of HK\$0.10 into 10 shares of HK\$0.01 each. Further details of the capital reorganisation are also set out in the Company's circular dated 24 January 2011.
- (g) A rights issue of one rights share for every two existing shares held by members on the register of members on 2 March 2011 was made, at an issue price of HK\$0.50 per rights share, resulting in the issuance of 94,982,339 shares of HK\$0.01 each for a total cash consideration, before expenses, of approximately HK\$47,491,000.

26. SHARE OPTION SCHEMES

The Company adopted a share option scheme on 10 October 1996, which was subsequently amended on 30 September 1997, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations (the "Old Share Option Scheme"). The provisions of the Old Share Option Scheme did not comply with the current requirements of Chapter 17 of the Listing Rules. Accordingly, pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004, a new share option scheme (the "New Share Option Scheme") which complies with Chapter 17 of the Listing Rules was adopted to replace the Old Share Option Scheme and the Old Share Option Scheme was terminated with immediate effect.

Eligible participants of the New Share Option Scheme include the Company's directors, including the independent non-executive directors, and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity. The New Share Option Scheme became effective on 28 September 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

26. SHARE OPTION SCHEMES (continued)

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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26. SHARE OPTION SCHEMES (continued)

The following share options were granted and exercised under the New Share Option Scheme during the year:

Name or category of participant	Number of share options**				Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of the Company's shares***		
	At 1 April 2010	Granted during the year	Exercised during the year	At 31 March 2011				At grant date of share options	Immediately before the exercise date	At exercise date of share options
	'000	'000	'000	'000			HK\$ per share	HK\$ per share	HK\$ per share	HK\$ per share
Investment advisors										
In aggregate	-	82,730	(82,730)	-	27-4-2010	27-4-2010 to 26-4-2020	0.2990	0.300	0.300	0.290
In aggregate	-	91,000	(91,000)	-	9-8-2010	9-8-2010 to 8-8-2020	0.1172	0.117	0.117	0.117
	-	173,730	(173,730)	-						

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted during the year was HK\$5,696,000 (2010: HK\$1,502,000), of which the Group recognised equity-settled share option expenses of HK\$5,696,000 (2010: HK\$1,502,000) during the year ended 31 March 2011.

26. SHARE OPTION SCHEMES (continued)

The fair value of equity-settled share option granted during the year was estimated as at the date of grant, using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2011 and 2010:

	2011	2010
Expected volatility (%)	95.56	114.91
Historical volatility (%)	95.56	114.91
Risk-free interest rate (%)	2.54	2.76
Option life (year)	10	10
Weighted average share price (HK\$)	0.20	0.21
Exercise multiple	1.2	1.5

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had no share option outstanding under the New Share Option Scheme.

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27. 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

	Notes	Reserves					Total HK\$'000
		Share premium account HK\$'000	Share option reserve HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Accu- mulated losses HK\$'000	
At 1 April 2009		729,247	-	1,177	1,259,970	(1,183,898)	806,496
Issue of new shares	25(a)	162,563	-	-	-	-	162,563
Share issue expenses	25	(5,765)	-	-	-	-	(5,765)
Warrants exercised	25(b)	12	-	-	-	-	12
Equity-settled share option expenses	26	-	1,502	-	-	-	1,502
Transfer from share option reserve		1,502	(1,502)	-	-	-	-
Share options exercised	25(c)	2,790	-	-	-	-	2,790
Total comprehensive income for the year		-	-	-	-	33,484	33,484
At 31 March 2010 and at 1 April 2010		890,349	-	1,177	1,259,970	(1,150,414)	1,001,082
Issue of new shares	25(d)	62,818	-	-	-	-	62,818
Share issue expenses	25	(4,655)	-	-	-	-	(4,655)
Equity-settled share option expenses	26	-	5,696	-	-	-	5,696
Transfer from share option reserve		5,696	(5,696)	-	-	-	-
Share options exercised	25(e)	18,028	-	-	-	-	18,028
Capital reorganisation	25(f)	-	-	-	188,065	-	188,065
Rights issue	25(g)	46,541	-	-	-	-	46,541
Total comprehensive loss for the year		-	-	-	-	(251,753)	(251,753)
At 31 March 2011		1,018,777	-	1,177	1,448,035	(1,402,167)	1,065,822

Under the Bermuda Companies Act 1981, the Company's share premium account may be distributed in the form of fully paid bonus shares.

Under the Bermuda Companies Act 1981, the Company may make distributions to its members out of the contributed surplus in certain circumstances.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

	2011	2010
	HK\$'000	HK\$'000
Net assets/(liabilities) disposed of:		
Property, plant and equipment (note 13)	7	–
Deferred tax assets (note 24)	–	2,000
Available-for-sale investment	–	4,080
Prepayments, deposits and other receivables	35	8,637
Impairment of loan interest receivables	–	(3,184)
Tax recoverable	–	1,030
Loans receivable	–	275,482
Impairment of loans receivable (note 18)	–	(18,000)
Cash and bank balances	–	15,384
Other payables and accruals	(32)	–
Amounts due from/to group companies	(5,887)	106,023
	(5,877)	391,452
Amounts due to holding companies disposed of	5,887	–
Gain/(losses) on disposal of subsidiaries	1,490	(28,489)
	1,500	362,963
	1,500	362,963
Satisfied by:		
Cash	1,500	2,000
Investments in associates	–	199,624
Convertible notes (classified as investments at fair value through profit or loss)	–	161,339*
	1,500	362,963
	1,500	362,963

Notes to Financial Statements

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28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(a) Disposal of subsidiaries (continued)

- * On 8 June 2009, the Group entered into a conditional sale and purchase agreement with Welltodo Investments Limited, a wholly-owned subsidiary of Willie International Holdings Limited (“Willie”), a company incorporated and listed in Hong Kong, to dispose of a 50% of the issued share capital of Best Purpose Limited (“Best Purpose”), an indirect wholly-owned subsidiary of the Company incorporated in the British Virgin Islands on 12 May 2009, resulting in a loss of HK\$26,408,000. The consideration was satisfied by a 2% convertible note issued by Willie. The convertible note was valued on the completion date of the disposal by Asset Appraisal Limited, independent professionally qualified valuers, at HK\$161,339,000. Best Purpose is primarily involved in investment holding. Double Smart Finance Limited, a wholly-owned subsidiary of Best Purpose, is primarily involved in the money lending business. Further details of the above transactions are contained in the Company’s circular dated 17 July 2009. The disposal was completed on 7 August 2009 and Best Purpose became an associate of the Group thereafter.

An analysis of the net cash flows of cash and cash equivalents from the disposal of subsidiaries is as follows:

	2011 HK\$'000	2010 HK\$'000
Cash consideration	1,500	2,000
Cash and bank balances disposed of	—	(15,384)
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	<u>1,500</u>	<u>(13,384)</u>

The subsidiary disposed of during the year ended 31 March 2011 contributed none of the Group’s consolidated revenue and contributed a loss for the year of HK\$124,000 to the Group’s consolidated loss for the year.

The subsidiaries disposed of during the year ended 31 March 2010 contributed HK\$2,559,000 to the Group’s consolidated revenue and contributed a profit for the year of HK\$2,552,000 to the Group’s consolidated loss for that year.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Major non-cash transactions

- (i) During the year, the Group entered into a sale and purchase agreement with Hennabun to dispose of its 19.75% equity interest in Best Purpose for a consideration of HK\$69,000,000. The consideration was satisfied by the issue of 11,500,000 new ordinary shares at the issue price of HK\$6 per share by Hennabun. Further details are set out in note 17 to the financial statements.

- (ii) As detailed in note 19 to the financial statements, the Convertible Bond in the principal amount of HK\$2,550,000 was redeemed by way of loan advance by the Group in the same amount.

29. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2011	2010
	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	61,500	65,500

As at 31 March 2011, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK\$57,717,000 (2010: HK\$62,405,000).

30. PLEDGE OF ASSETS

The Group's investments in listed equity securities with an aggregate carrying amount at the end of the reporting period of approximately HK\$636,488,000 (2010: HK\$669,012,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which were not utilised as at 31 March 2011 and 2010 (note 20).

Details of the Group's interest-bearing bank borrowings, which are secured by the assets of the Group (note 14), are included in note 22 to the financial statements.

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31. COMMITMENTS

Operating lease arrangements

(a) *As lessor*

The Group leases certain of its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within one year	920	910
	<u> </u>	<u> </u>

(b) *As lessee*

The Group leases certain office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Within one year	4,261	3,920
In the second to fifth years, inclusive	3,560	–
	<u> </u>	<u> </u>
	7,821	3,920
	<u> </u>	<u> </u>

31. COMMITMENTS (continued)

Capital commitments

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

	Group	
	2011	2010
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Office equipment	440	130
Leasehold improvements	5,850	1,949
	6,290	2,079
	6,290	2,079

At the end of the reporting period, the Company had no significant commitments (2010: Nil).

32. RELATED PARTY TRANSACTIONS

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

		Group	
	<i>Notes</i>	2011	2010
		HK\$'000	HK\$'000
Management fee income from			
an associate	(i)	4,761	5,335
Interest income from an associate	(ii)	-	1,001
Interest expense to an associate	(iii)	-	856
		4,761	7,192
		4,761	7,192

Notes to Financial Statements

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32. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

- (i) The management fee income was related to administrative and accounting services rendered by the Group to the associate. The fee was charged based on 15% of the loan interest income of the associate.
- (ii) The interest income from an associate arose from the amounts due therefrom during the prior year. The interest was charged at rates ranging from 1% to 5.25% per annum.
- (iii) The interest was related to a loan in the amount of HK\$100 million advanced from an associate during the prior year. The loan was unsecured, bore interest at 2% per annum below the Hong Kong dollar prime lending rate as quoted by The Hongkong and Shanghai Banking Corporation Limited and was fully repaid during the year ended 31 March 2010.

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

	2011	2010
	HK\$'000	HK\$'000
Short term employee benefits	5,631	5,398
Post-employment benefits	60	58
	<hr/>	<hr/>
Total compensation paid to key management personnel	5,691	5,456
	<hr/> <hr/>	<hr/> <hr/>

Further details of directors' emoluments are included in note 8 to the financial statements.

33. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2011

Financial assets

	Financial assets at fair value through profit or loss			Total HK\$'000
	– held for trading HK\$'000	– designated as such upon initial recognition HK\$'000	Loans and receivables HK\$'000	
Investments at fair value through profit or loss	693,586	78,000	–	771,586
Loans receivable	–	–	11,050	11,050
Financial assets included in prepayments, deposits and other receivables (note 21)	–	–	5,669	5,669
Cash and bank balances	–	–	1,667	1,667
	693,586	78,000	18,386	789,972

Financial liabilities

	Financial liabilities at fair value through profit or loss		Total HK\$'000
	– designated as such upon initial recognition HK\$'000	Financial liabilities at amortised cost HK\$'000	
Due to an associate	–	10,094	10,094
Other payables and accruals	–	11,204	11,204
Interest-bearing bank borrowings	–	66,244	66,244
	–	87,542	87,542

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33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group – 2010

Financial assets

	Financial assets at fair value through profit or loss			Total HK\$'000
	– held for trading HK\$'000	– designated as such upon initial recognition HK\$'000	Loans and receivables HK\$'000	
Due from an associate	–	–	546	546
Convertible bond – loan portion	–	–	2,106	2,106
Investments at fair value through profit or loss	825,762	15,000	–	840,762
Financial assets included in prepayments, deposits and other receivables (note 21)	–	–	5,723	5,723
Cash and bank balances	–	–	10,583	10,583
	825,762	15,000	18,958	859,720
	825,762	15,000	18,958	859,720

Financial liabilities

	Financial liabilities at fair value through profit or loss		Total HK\$'000
	– designated as such upon initial recognition HK\$'000	Financial liabilities at amortised cost HK\$'000	
Other payables and accruals	–	18,357	18,357
Interest-bearing bank borrowings	–	71,987	71,987
Convertible note	80,712	–	80,712
	80,712	90,344	171,056
	80,712	90,344	171,056

33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company

Financial assets

	Loans and receivables	
	2011	2010
	HK\$'000	HK\$'000
Due from an associate	–	546
Financial assets included in prepayments, deposits and other receivables (note 21)	308	429
Cash and bank balances	1,339	9,988
	<hr/>	<hr/>
	1,647	10,963
	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	Financial liabilities at fair value through profit or loss – designated		Financial liabilities at amortised cost	
	as such upon initial recognition			
	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due to an associate	–	–	10,094	–
Other payables and accruals	–	–	4,419	3,530
Convertible note	–	80,712	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	–	80,712	14,513	3,530
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes to Financial Statements

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34. FAIR VALUE AND FAIR VALUE HIERARCHY

At the end of the reporting period, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Loans receivable, financial assets included in prepayments, deposits and other receivables, an amount due from/to an associate, cash and bank balances, other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair value of the convertible note is estimated using an equivalent market interest rate for a similar convertible note.

The fair values of listed equity investments are based on quoted market prices. The fair value of investment in equity instruments that do not have a quoted market price in an active market that are linked to and must be settled by delivery of such an unquoted equity instrument is reliably measurable if (a) the variability in the range of reasonable fair value estimates is not significant for that instrument or (b) the probabilities of the various estimates within the range can be reasonably assessed and used in estimating fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

34. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

	Group			
	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2011				
Investments at fair value through profit or loss	666,099	105,487	–	771,586
As at 31 March 2010				
Investments at fair value through profit or loss	694,274	131,488	15,000	840,762

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

The Company did not have any financial assets measured at fair value as at 31 March 2011 and 31 March 2010.

Liability measured at fair value:

	Group and Company	
	Level 2	
	2011	2010
	HK\$'000	HK\$'000
Convertible note (classified as a financial liability at fair value through profit or loss)	–	80,712

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank borrowings and cash and bank balances. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as loans receivable, deposits and other receivables, other payables and accruals, a convertible bond and investments at fair value through profit or loss, which mainly arise directly from its operations or for investment purposes.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities. Interest-bearing financial assets are mainly loans receivable primarily at floating interest rates which are mostly short term in nature whereas financial liabilities are mainly bank borrowings at floating interest rates. The Group's policy is to obtain the most favourable interest rate available.

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

	Group	
	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK\$'000
2011		
Hong Kong dollar	25	142
Hong Kong dollar	(25)	(142)
2010		
Hong Kong dollar	25	(163)
Hong Kong dollar	(25)	163

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

Credit risk

The credit risk of the Group's financial assets, which comprise loans receivable, a convertible bond, financial assets at fair value through profit or loss, deposits and other receivables, and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the executive directors in charge of the Group's money lending operations on an ongoing basis. The Company is also exposed to credit risk through the granting of financial guarantee, further details of which are disclosed in note 29 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable is disclosed in note 18 to the financial statements.

Liquidity risk

The Group's liquidity risk is managed by senior management on an ongoing basis by the raising of loans and/or equity fundings to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long term.

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

Liquidity risk (continued)

Company

	2011				Total HK\$'000
	On demand/ no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Due to an associate	10,094	-	-	-	10,094
Other payables and accruals	629	3,704	26	60	4,419
Guarantees given to banks in connection with facilities granted to subsidiaries	57,717	-	-	-	57,717
	<u>68,440</u>	<u>3,704</u>	<u>26</u>	<u>60</u>	<u>72,230</u>

	2010				Total HK\$'000
	On demand/ no fixed terms of repayment HK\$'000	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	
Other payables and accruals	681	2,728	26	95	3,530
Convertible note	-	-	-	90,000	90,000
Guarantees given to banks in connection with facilities granted to subsidiaries	62,405	-	-	-	62,405
	<u>63,086</u>	<u>2,728</u>	<u>26</u>	<u>90,095</u>	<u>155,935</u>

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note:

Included in the above interest-bearing bank borrowings are term loans with an aggregate carrying amount of HK\$66,244,000 (2010: HK\$71,987,000). The loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as “repayable on demand”.

Notwithstanding the above clause, the directors do not believe that the loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of these financial statements; the Group’s compliance with the loan covenants; the lack of events of default; and the fact that the Group has made all previously scheduled repayment on time.

In accordance with the terms of the loans which contain a repayment on demand clause, the maturity profile of those loans as at the end of the reporting period, based on the contractual undiscounted payment and ignoring the effect of any repayment on demand clause, is as follows:

	Group				Total HK\$'000
	Less than 3 months HK\$'000	3 to less than 12 months HK\$'000	1 to 5 years HK\$'000	Over 5 years HK\$'000	
	As at 31 March 2011	1,260	4,244	22,634	
As at 31 March 2010	1,380	4,471	23,843	64,325	94,019

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 20) as at 31 March 2011. The Group's listed investments are listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 March 2011	Highest/lowest point during the year ended 31 March 2011	31 March 2010	Highest/lowest point during the year ended 31 March 2010
Hong Kong – Hang Seng Index	23,528	24,989/18,972	21,239	23,100/13,412
Singapore – Straits Times Index	3,106	3,314/2,648	2,887	2,947/1,689

The following table demonstrates the sensitivity to every 10% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued) Equity price risk (continued)

	Carrying amount of equity investments and convertible notes HK\$'000	Increase/ decrease in loss before tax HK\$'000
2011		
Investments in:		
Hong Kong – Held-for-trading	663,975	66,397
Singapore – Held-for-trading	29,611	2,961
2010		
Investments in:		
Hong Kong – Held-for-trading	800,500	79,157
Singapore – Held-for-trading	25,262	2,526

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 operations 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 adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 2010.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings include interest-bearing bank borrowings and the convertible note classified as a financial liability at fair value through profit or loss. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2011	2010
	HK\$'000	HK\$'000
Total borrowings	66,244	152,699
Total assets	1,049,257	1,288,577
Gearing ratio	6%	12%

36. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third statement of financial position as at 1 April 2009 has been presented.

Notes to Financial Statements

31 March 2011

37. EVENTS AFTER THE REPORTING PERIOD

On 4 May 2011, the Group entered into a conditional sale and purchase agreement (the “S&P Agreement”) with Dragonite International Limited (“Dragonite”), a company incorporated in Hong Kong to dispose of the entire issued capital of a wholly-owned subsidiary, Central Town Limited, together with the assignment of the benefit of a shareholder loan to Dragonite, for an aggregate cash consideration of HK\$117,000,000, resulting in a loss on disposal, after transaction cost, of approximately HK\$5,900,000. Central Town Limited and its subsidiaries are primarily involved in the holding of a property. This transaction is subject to approval by shareholders at the forth coming special general meeting on 28 June 2011.

According to the terms of the S&P Agreement, upon the completion of the S&P Agreement, the Group and Dragonite shall also enter into an option agreement (the “Option Agreement”) whereby (i) the Group shall grant to Dragonite an option to purchase and; (ii) Dragonite shall grant to the Group an option to sell, for a period of five years, the entire issued capital of the Company’s wholly-owned subsidiary, Apex Corporate Investments Limited, together with the assignment of a shareholder loan (if any) in accordance with the terms of the Option Agreement. Further details are set out in the Company’s circular dated 10 June 2011.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2011.

Five Year Financial Summary

31 March 2011

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A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Such summary was prepared as if the current structure of the Group has been in existence throughout these financial years and is presented on the basis as set out in note 2.1 to the financial statements.

RESULTS

	Year ended 31 March				
	2011 HK\$'000	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000
REVENUE	(171,624)	(79,098)	(20,459)	51,765	(80,411)
LOSS BEFORE TAX	(392,365)	(5,232)	(432,340)	(366,275)	(225,892)
Income tax	457	(2,150)	–	(1,476)	(2,553)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	(391,908)	(7,382)	(432,340)	(367,751)	(228,445)

ASSETS AND LIABILITIES

	As at 31 March				
	2011 HK\$'000	2010 HK\$'000 (Restated)	2009 HK\$'000 (Restated)	2008 HK\$'000 (Restated)	2007 HK\$'000 (Restated)
TOTAL ASSETS	1,049,257	1,288,577	950,485	1,355,171	1,002,232
TOTAL LIABILITIES	(91,287)	(175,258)	(48,080)	(94,207)	(184,746)
NET ASSETS	957,970	1,113,319	902,405	1,260,964	817,486

Particulars of Investment Properties

31 March 2011

Location	Attributable interest of the Group	Tenure	Use
Shop 6 of G/F China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Basement China United Centre 28 Marble Road North Point Hong Kong	100%	Long term lease	Commercial
Shop 6 of G/F Wing Wah House Nos. 28-38 Fan Wa Street Kowloon Hong Kong	100%	Long term lease	Commercial
House No. B7 (including 2 car park spaces) Regalia Bay No. 88 Wong Ma Kok Road Hong Kong	100%	Long term lease	Residential