Annual Report **2011**

South East Group Limited
東 南 國 際 集 團 有 限 公 司*
(Incorporated in Bermuda with limited liability)
Stock Code: 726
* For identification purpose only

CONTENTS

CORPORATE INFORMATION

DIRECTORS:

Executive:

WU Siu Chung *(Chairman)*
CHEN Xiaoping

Non-executive:

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

* independent non-executive director

QUALIFIED ACCOUNTANT:

LAU Wah Ching

COMPANY SECRETARY:

CHAN Sau Chee

AUDIT COMMITTEE:

LO Yuk Lam
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

REMUNERATION COMMITTEE:

LO Yuk Lam
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

REGISTERED OFFICE:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:

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

With effect from 1 July 2011:

12th Floor, Entertainment Building
30 Queen's Road Central
Hong Kong

AUDITORS:

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

PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE:

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

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 March 2011, the Group's turnover amounted to approximately HK$1,383,000, which was wholly generated from sale of properties, an improvement as compared with the turnover of HK$244,000 of the previous year. During the year under review, the Group reported a loss of approximately HK$19,874,000 attributable to owners of the Company, as compared to the loss of approximately HK$13,067,000 of last year. The aggravated loss for the year was mainly attributable to increased administrative overhead which comprised professional, consultancy, due diligence and other relevant expenses of approximately HK$3,816,000 incurred for exploring new business opportunities; provision for impairment loss on trade receivables amounted to approximately HK$1,315,000; and higher staff costs which included approximately HK$1,218,000 non-cash expenses arising from granting of share options to the directors and employees of the Group or other eligible persons pursuant to the Company's share option scheme.

BUSINESS REVIEW AND PROSPECTS

In the year ended 31 March 2011, property development and investment remained the Group's only core business. For the year under review, the Group's turnover was wholly generated by its business of property development and investment in the People's Republic of China (the "PRC"), which represented sales of car park units located at Pudong, Shanghai amounted to HK$1,383,000 (2010: HK$244,000). No sales of commercial properties in Zouping, Shandong were recorded during the year (2010: nil). At 31 March 2011, completed properties held for sale by the Group consisted of commercial properties with a gross floor area of approximately 8,137 square metres in Zouping, Shandong, and 11 car park units in Pudong, Shanghai. The Group continued to lease out some of the commercial properties held in Zouping, Shandong for expedience sake. Accordingly, rental income of approximately HK$202,000 (2010: HK$153,000) was recorded and was accounted for as other revenues for the year ended 31 March 2011.

As stated in the previous annual and interim reports, the management has been actively seeking investment opportunities to build a sustainable business portfolio. It was reported in the Group's interim report for the six months ended 30 September 2010 that the management had serious discussions and negotiations with a potential vendor in respect of a new investment opportunity in the PRC. Unfortunately, this investment did not materialize as a result of vendor's back off from the intended transaction for personal reasons. Nevertheless, the management will continue to explore other business opportunities to replace the said investment, and has a couple of projects under evaluation.

APPRECIATION

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

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

Hong Kong, 17 June 2011

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2011, the Group had cash and bank balances amounted to approximately HK$68,691,000 (2010: HK$82,272,000). At the year-end date, the Group's total borrowings represented the carrying amount of the Convertible Bond (as defined below) of approximately HK$67,721,000 (2010: HK$66,074,000).

During the financial year under review, the Group's business operations were mainly in Hong Kong and the PRC. Hence, most of the transactions were denominated and settled in Hong Kong dollars and Renminbi. As there was no significant exposure to foreign exchange fluctuation arising from the normal course of operations, the Group did not enter into any foreign exchange hedge arrangement to reduce foreign exchange risk and exposure.

Shareholders' equity at 31 March 2011 was HK$28,683,000 (2010: HK$45,088,000), representing a decrease of 36% over last year.

The Group's gearing ratio at 31 March 2011, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 236% (2010: 147%).

CAPITAL STRUCTURE

During the year under review, 3,628,000 new ordinary shares of HK$0.10 each have been issued and allotted upon exercise of share options granted by the Company. The proceeds from the exercise of share options amounted to approximately HK$619,000. 10,424,000 new share options were granted on 9 March 2011 to eligible participants pursuant to the Company's share option scheme; all of which remained outstanding and unexercised at the year-end date.

At 31 March 2011, the Company's issued share capital was HK$34,795,388 with 347,953,880 ordinary shares of HK$0.10 each in issue.

The Company had an outstanding convertible bond as at 31 March 2011. The convertible bond was issued on 7 May 2008 by the Company to Loyal Delight Group Limited, an independent third party, with a principal amount of HK$68,000,000 bearing an annual interest rate of 2.5% and expiring on the third anniversary of the issue date, which was convertible into shares of the Company at an initial conversion price of HK$1.03 each before expiry (the "Convertible Bond"). On 9 March 2011, the Company and Loyal Delight Group Limited entered into a deed of amendment (the "Deed of Amendment") to amend various terms of the Convertible Bond. The Deed of Amendment was approved by the shareholders of the Company at a special general meeting held on 18 April 2011. The Convertible Bond with an outstanding principal amount of HK$68,000,000 in aggregate was amended accordingly, which included, among others, the extension of the maturity date for 5 years to 7 May 2016, adjustment of the conversion price to HK$0.418 per share and adjustment of the interest rate to 3% per annum with effect from 8 May 2011. Details of the Deed of Amendment are set out in the Company's circular dated 31 March 2011.

ACQUISITION OF SUBSIDIARIES

On 7 July 2010, the Company acquired the entire equity interest in Ricco Mining Investment Limited ("Ricco Mining"), a company incorporated in Hong Kong, at a consideration of HK$1 from Ricco Energy (Holdings) Limited which is a private company beneficially owned by Mr. Wu Siu Chung, the Chairman and an executive director of the Company. Ricco Mining has not started business since its incorporation. Except for holding the entire equity interest in Excel Profit International Investment Limited, a company incorporated in the British Virgin Islands, Ricco Mining is not holding other assets. Upon completion of the above share transfer, Ricco Mining and Excel Profit International Investment Limited (through Ricco Mining) have become wholly owned subsidiaries of the Company. Such subsidiaries are intended to be used as vehicles for the Company's possible investments in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE INFORMATION

At 31 March 2011, the total number of employees of the Group was 23 (2010: 19). 10 (2010: 10) of them worked in the PRC while 13 (2010: 9) of them worked in Hong Kong.

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

CHARGES ON GROUP ASSETS

At 31 March 2011, the Group had no assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2010: nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2011, the Group had no outstanding capital commitments (2010: nil) and no material contingent liabilities (2010: nil).

LITIGATION

Details and updated information of the litigation of the Company are set out in note 31 to the financial statements.

DIRECTORS' BIOGRAPHY

EXECUTIVE DIRECTORS

Mr. WU Siu Chung, aged 53, was appointed as the chairman and an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Wu has rich experience in investment activities and holds senior management positions in various investment companies. He was awarded World Outstanding Chinese in 2008 and received honorary doctorate from York University in the USA. Mr. Wu is the chairman and the beneficial owner of Ricco Capital (Holdings) Limited. He is also the sole director and the sole shareholder of Brilliant Express International Limited, the single largest shareholder of the Company as listed under the section headed "Substantial Shareholders" in the Report of Directors. Mr. Wu is responsible for the overall strategy for business development and corporate planning of the Group.

Mr. CHEN Xiaoping, aged 59, was appointed as an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Chen worked at senior management positions in banking and other business fields in the past twenty five years, such as Director of Kleinwort Benson Group, Senior Advisor of Global Interactive Technology AG and Financial Advisor of CNT Group. He is also a director and the chief executive officer of Ricco Capital (Holdings) Limited, which is wholly owned by the chairman of the Company. Mr. Chen assumes the role of chief executive officer of the Company and is responsible for the overall management and monitoring of the Group's activities.

NON-EXECUTIVE DIRECTORS

Mr. CHEN Yuan Shou, Budiman, aged 32, was re-designated as a non-executive director of the Company on 25 September 2007. Up to his re-designation, he had assumed the roles of executive director and chairman of the Company since September 2001 and September 2002 respectively. Mr. Chen was educated at the University of Southern California with an emphasis on Economics. His experience lies in the field of real estate project development and e-business development.

Mr. Eduard William Rudolf Helmuth WILL, aged 69, was appointed as a non-executive director of the Company and member of each of the Audit Committee and Remuneration Committee of the Company on 1 January 2008. He is also a director of a wholly owned subsidiary of the Company. Mr. Will graduated from University of Hamburg, is a seasoned investment banker specializing in international corporate finance. He has rich experience in cross border mergers and acquisitions in Europe, the USA and the Asia Pacific Region. He worked in management capacity for Morgan Guaranty Trust Company (JP Morgan), Amex Bank Limited (American Express's merchant bank), Bank of America, Bear Stearns and Company, Asian Oceanic Limited (Cigna Group's investment bank) and other big international corporations and is currently serving on the board of directors of Emerson Radio, a public company listed on the American Stock Exchange; and is a non-executive director of Integrated Data Resources whose shares are quoted on Nasdaq. He is also the vice chairman of Ricco Capital (Holdings) Limited, which is wholly owned by the chairman of the Company.

NON-EXECUTIVE DIRECTORS (continued)

Mr. LO Yuk Lam, aged 62, was appointed as an independent non-executive director of the Company on 2 January 2002. He is also a member of the Audit Committee and the Remuneration Committee of the Company respectively. Mr. Lo is presently the Chairman of the Chinese Manufacturers' Association of Hong Kong - Innovation and Technology Committee, and the Honorary Chairman of Hong Kong Biotechnology Organization. He was the former Chairman of the Innovation and Technology Fund (Biotechnology Projects) Vetting Committee and the Biotechnology Committee of the Industry and Technology Development Council. Mr. Lo is currently an Adjunct Professor of The Chinese University of Hong Kong, a special advisor to The Hong Kong University of Science and Technology, the court member of the Hong Kong Baptist University and Honorary Professor in several universities in Mainland China. Mr. Lo has been awarded the Honorary Fellowship by The Hong Kong University of Science and Technology and is heavily involved with several committees with the HKSAR Government. Currently, Mr. Lo is also serving as an independent director of two other US listed companies, namely Sinovac Biotech Limited and ShangPharma Corporation whose shares are quoted on Nasdaq and NYSE respectively.

Mr. WONG Kam Wah, aged 52, was appointed as an independent non-executive director of the Company on 1 December 2002. He is also a member of the Audit Committee and the Remuneration Committee of the Company respectively. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He served in senior positions in a multinational corporation and an audit firm. Mr. Wong is currently the principal of a certified public accountants firm. He has extensive experience in accounting and auditing work. Mr. Wong has been appointed as an independent non-executive director of another company publicly listed in Hong Kong, namely China Environmental Technology Holdings Limited (formerly known as Yardway Group Limited), since December 2009.

Mr. David R. PETERSON, aged 67, was appointed as an independent non-executive director of the Company on 8 April 2008. Mr. Peterson is currently a senior partner and chairman of the Toronto law firm of Cassels Brock & Blackwell LLP, where he practices corporate/commercial law. He was called to the Bar in Ontario in 1969 and appointed a Queen's Counsel in 1980 and was summoned by Her Majesty to the Privy Council in 1992. Mr. Peterson is also director of a number of public and private companies including Rogers Communications Inc., Ivanhoe Cambridge Inc., Industrielle-Alliance Life Assurance Company, Franco-Nevada Corporation, Shoppers Drug Mart, Versapay Corporation (JG Capital Corp.), Riverbank Power Inc. and Transmission Developers Inc. Mr. Peterson is or was director or active with a number of charitable, educational and environmental organizations. He is now the chancellor of the University of Toronto and a director of St. Michael's Hospital, and was an adjunct professor at York University, a fellow of McLaughlin College and Executive-in-Residence at Rotman School of Management. Other than possessing extensive business and professional experience, Mr. Peterson is also devoted to constituency and constitutional development. He was elected as a member of the Ontario Legislature in 1975, and became the leader of the Ontario Liberal party in 1982. He served as Premier of the Province between 1985 and 1990, overseeing a very active period of reform and playing a major role in the country's constitutional discussions. He was chairman of the Commonwealth Team observing the 1992 elections in Guyana and was chief federal negotiator for the devolution of the Northwest Territories. Mr. Peterson holds a Bachelor of Arts degree from the University of Western Ontario and a Bachelor of Law degree from the University of Toronto and studied at the University of Caen, France. He received honorary doctorates from the University of Toronto, the University of Western Ontario, the University of Ottawa, the University of Tel Aviv and the American University of the Caribbean. In 1994 the government of France appointed him a Knight of the Order of the Legion of Honour of France. In 1995 the International Assembly of French-Speaking Parliamentarians presented him with the Ordre de la Pléiade.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal business activities of the Group are property development and investment. Details of the principal activities of the Company's principal subsidiaries are set out in note 14 to the financial statements.

FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 March 2011 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 21 to 69.

DONATIONS

During the year, the Group has not made any charitable donations (2010: HK$50,000).

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2011 (2010: nil).

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 70.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity and note 24 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

PROPERTIES HELD FOR SALE

Details of the principal properties held for sale by the Group are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of share capital for the year are set out in note 23 to the financial statements.

LITIGATION

Details of the litigation of the Group are disclosed in note 31 to the financial statements.

BORROWINGS

Details of the borrowings of the Group at 31 March 2011 are set out in note 22 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 33 to the financial statements. Such transactions are exempt from the reporting requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of connected transactions.

EVENTS AFTER THE END OF REPORTING PERIOD

Details of the significant post statement of financial position event of the Group are set out in note 36 to the financial statements.

DIRECTORS

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

Executive directors:

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

Non-executive directors:

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

** Independent non-executive director

In accordance with bye-law 99 of the Company's bye-laws, Mr. Chen Xiaoping, Mr. Chen Yuan Shou, Budiman, and Mr. Eduard William Rudolf Helmuth Will shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wu Siu Chung and Mr. Chen Xiaoping has renewed his respective service agreement with the Company for a period of three years from 1 October 2010 and will continue thereafter unless and until terminated by either party by six months' prior notice.

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, details of the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
WU Siu Chung	Through a controlled corporation	92,000,000 (Note 1)	26.44 %
CHEN Yuan Shou, Budiman	Beneficially owned	12,748,820 (Note 2)	3.66%
LO Yuk Lam	Beneficially owned and through family interest	530,000 (Note 3)	0.15%
WONG Kam Wah	Beneficially owned	82,000	0.02%

Notes:

1. These shares were held by Brilliant Express International Limited, a company wholly owned by Mr. Wu Siu Chung.
2. After the year-end date, Mr. Chen Yuan Shou, Budiman further disposed of 4,082,000 shares in the issued share capital of the Company, so that he had interests in 8,666,820 shares only as at the date of this report.
3. Of these shares, 330,000 shares were personally held by Mr. Lo Yuk Lam and 200,000 shares were held by his wife, Ms. Pang Wai Bing, Cecilia.

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

Save as disclosed above, as at 31 March 2011, none of the directors and chief executive of the Company was interested in the equity and debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2011, according to the register kept by the Company under Section 336 of the SFO, the following shareholders, other than a director or chief executive of the Company, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Brilliant Express International Limited (Note)	Directly beneficially owned	92,000,000	26.44%

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

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

SHARE OPTION SCHEME

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

Details of the share option scheme of the Company are set out in note 25 to the financial statements.

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

Details of movements in the share options during the year ended 31 March 2011 were as follows:

Participants	Date of Grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2011
Directors								
WU Siu Chung	23/01/2008	23/01/2008 - 22/01/2011	1.200	3,000,000	–	–	(3,000,000)	–
	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	–	800,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	3,000,000	–	–	3,000,000
				3,800,000	**3,000,000**	**–**	**(3,000,000)**	**3,800,000**
CHEN Xiaoping	23/01/2008	23/01/2008 - 22/01/2011	1.200	500,000	–	–	(500,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	2,500,000	–	–	2,500,000
				500,000	**2,500,000**	**–**	**(500,000)**	**2,500,000**
Eduard William Rudolf Helmuth WILL	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	2,500,000	–	–	2,500,000
				200,000	**2,500,000**	**–**	**(200,000)**	**2,500,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2007 - 31/10/2010	0.177	3,305,000	–	(3,305,000)	–	–
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	–	3,305,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				13,420,000	**346,000**	**(3,305,000)**	**(200,000)**	**10,261,000**
LO Yuk Lam	18/12/2003	18/12/2004 - 17/12/2014	0.106	323,000	–	(323,000)	–	–
	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				853,000	**346,000**	**(323,000)**	**(200,000)**	**676,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				530,000	**346,000**	**–**	**(200,000)**	**676,000**
David R. PETERSON	09/03/2011	09/03/2011 - 08/03/2014	0.390	**–**	**346,000**	**–**	**–**	**346,000**
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	**–**	**1,040,000**	**–**	**–**	**1,040,000**
Total				**19,303,000**	**10,424,000**	**(3,628,000)**	**(4,300,000)**	**21,799,000**

The valuation of share options is set out in note 25 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2011:

(i) The Group's largest customer and five largest customers accounted for approximately 7% and 31% respectively of the Group's total turnover.

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

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

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float throughout the year ended 31 March 2011 and up to the date of this report.

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2011, except the deviations as disclosed in the "Corporate Governance Report".

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 March 2011, none of the directors of the Company has interest in competing business required to be disclosed pursuant to rule 8.10(2) of the Listing Rules.

DIRECTORS' REPORT

AUDITORS

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

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

Hong Kong, 17 June 2011

CORPORATE GOVERNANCE REPORT

(A) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 March 2011 except the following:

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

(B) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by directors of the Company. The Company has made specific enquiry to all directors that they have compiled with the required standard set out in the Model Code throughout the year ended 31 March 2011.

(C) BOARD OF DIRECTORS

The Board comprised the following directors during the year ended 31 March 2011 and up to the date of this report:

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

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

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

The relationship among members of the Board and biographical details of the directors who are currently serving the Board are set out on pages 6 to 7 of this annual report. The Company has complied with the requirements of the Listing Rules in relation to the appointment of a minimum of three independent non-executive directors and at least one independent non-executive director is having appropriate professional accounting or financial management experience. The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive directors to be independent.

The Board aims to meet regularly in person or through electronic means of communication at least 4 times a year. For the sake of flexibility, the Board may also hold meetings whenever necessary rather than the regular meetings. During the year ended 31 March 2011, the Board has convened four meetings (excluding committee meetings) that required Directors' attendance in person or through electronic means of communication, and has also obtained for one time Board consent by way of circulation of written resolutions. This complied with the minimum number of board meetings required under Code Provision A.1.1.

(C) BOARD OF DIRECTORS (continued)

During the year ended 31 March 2011, the attendance records of each director for the above Board meetings are as follows:

Name of director	Number of meetings attended
WU Siu Chung	4/4
CHEN Xiaoping	4/4
CHEN Yuan Shou, Budiman	2/4
Eduard William Rudolf Helmuth WILL	4/4
LO Yuk Lam	4/4
WONG Kam Wah	4/4
David R. PETERSON	4/4

The resolutions made by way of circulation of documents were unanimously passed by all directors for the time being.

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) NON-EXECUTIVE DIRECTORS

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

(F) REMUNERATION OF DIRECTORS

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

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

During the year ended 31 March 2011, the Remuneration Committee met once to review the remuneration packages of the executive directors and senior management, as well as consider and approve the renewal by the Company of service agreements with its executive directors. The attendance of each member of the Remuneration Committee is set out below:

Name of member	Number of meetings attended
LO Yuk Lam	1/1
WONG Kam Wah	1/1
Eduard William Rudolf Helmuth WILL	0/1

(G) NOMINATION OF DIRECTORS

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

(H) AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit and non-audit services provided by East Asia Sentinel Limited for the year ended 31 March 2011 was as follows:

	HK$'000
Audit services	205

(I) AUDIT COMMITTEE

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

During the year ended 31 March 2011, the Audit Committee met twice, with the attendance of each member as follows:

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

The Audit Committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls and financial reporting matters in conjunction with the external auditors, including reviews of the unaudited financial statements for the six months ended 30 September 2010 and the audited financial statements for the year ended 31 March 2011. The Audit Committee has also discussed on the financial, operational and compliance controls in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of the external auditors.

(J) ACCOUNTABILITY

Financial reporting

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

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

Internal controls

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

INDEPENDENT AUDITORS' REPORT

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

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

We have audited the consolidated financial statements of South East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 21 to 69, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981 and for no other purposes. 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 financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and 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.

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

Hong Kong
Date: 17 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
Turnover	6	**1,383**	244
Cost of properties sold		**(883)**	(150)
GROSS PROFIT		**500**	94
Other revenues	6	**1,106**	956
Selling and distribution costs		**(3)**	(6)
Administrative expenses		**(18,110)**	(13,283)
Gain on disposal of subsidiaries	7(b)	**–**	2,561
LOSS FROM OPERATIONS		**(16,507)**	(9,678)
Finance costs	8	**(3,352)**	(3,285)
LOSS BEFORE TAXATION	9	**(19,859)**	(12,963)
Taxation	10(a)	**(15)**	(8)
Loss for the year from continuing operations		**(19,874)**	(12,971)
Loss for the year from discontinued operations	7(a)	**–**	(96)
LOSS FOR THE YEAR		**(19,874)**	(13,067)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Translation difference		**1,127**	(2)
Change in fair value of available-for-sale financial assets		**506**	3,231
Other comprehensive income for the year		**1,633**	3,229
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(18,241)**	(9,838)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the company	11	**(19,874)**	(13,067)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
From continuing operations:			
Basic and diluted (cents)	12	**(5.75)**	(3.77)
From discontinued operations:			
Basic (cents)	12	**N/A**	(0.03)
Diluted (cents)	12	**N/A**	N/A

The notes on pages 27 to 69 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**591**	947
Goodwill	27	**—**	—
Available-for-sale financial assets	15	**6,194**	5,688
Total non-current assets		**6,785**	6,635
CURRENT ASSETS			
Held-to-maturity investments	16	**780**	780
Properties held for sale	17	**21,778**	22,182
Inventories	18	**—**	—
Trade and other receivables	19	**1,242**	2,381
Tax prepayment	10(b)	**183**	191
Cash and cash equivalents	20	**68,691**	82,272
Total current assets		**92,674**	107,806
CURRENT LIABILITIES			
Trade and other payables	21	**3,055**	3,279
Convertible bond	22	**1,877**	1,700
Total current liabilities		**4,932**	4,979
NET CURRENT ASSETS		**87,742**	102,827
TOTAL ASSETS LESS CURRENT LIABILITIES		**94,527**	109,462
NON-CURRENT LIABILITIES			
Convertible bond	22	**65,844**	64,374
NET ASSETS		**28,683**	45,088
EQUITY			
Equity attributable to owners of the Company:			
Share capital	23	**34,795**	34,433
Reserves	24	**(6,112)**	10,655
TOTAL EQUITY		**28,683**	45,088

Approved by the Board of Directors on 17 June 2011

WU Siu Chung	**CHEN Xiaoping**
Director	*Director*

The notes on pages 27 to 69 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**474**	790
Interests in subsidiaries	14	**54,525**	54,535
Available-for-sale financial assets	15	**6,010**	5,504
Total non-current assets		**61,009**	60,829
CURRENT ASSETS			
Other receivables	19	**1,112**	915
Cash and cash equivalents	20	**25,337**	40,091
Total current assets		**26,449**	41,006
CURRENT LIABILITIES			
Other payables	21	**2,046**	1,749
Convertible bond	22	**1,877**	1,700
Total current liabilities		**3,923**	3,449
NET CURRENT ASSETS		**22,526**	37,557
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,535**	98,386
NON-CURRENT LIABILITIES			
Convertible bond	22	**65,844**	64,374
NET ASSETS		**17,691**	34,012
EQUITY			
Share capital	23	**34,795**	34,433
Reserves	24	**(17,104)**	(421)
TOTAL EQUITY		**17,691**	34,012

Approved by the Board of Directors on 17 June 2011

WU Siu Chung
Director

CHEN Xiaoping
Director

The notes on pages 27 to 69 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

	Share capital HK$'000	Share premium HK$'000 Note 24(c)(i)	Available-for-sale financial assets revaluation reserve HK$'000 Note 24(c)(ii)	Equity component convertible bond HK$'000 Note 24(c)(iii)	Exchange reserve HK$'000 Note 24(c)(iv)	Contributed surplus reserve HK$'000 Note 24(c)(v)	Employee share-based payment reserve HK$'000 Note 24(c)(vi)	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2010									
At 1 April 2009	34,102	10,063	(3,766)	4,629	10,317	131,166	4,885	(136,912)	54,484
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(13,067)	(13,067)
Other comprehensive income/(loss):									
Change in fair value of available-for-sale financial assets	–	–	3,231	–	–	–	–	–	3,231
Translation difference	–	–	–	–	(2)	–	–	–	(2)
Total comprehensive (loss)/income for the year	–	–	3,231	–	(2)	–	–	(13,067)	(9,838)
Transactions with owners:									
Equity-settled share-based transactions	–	–	–	–	–	–	91	–	91
Exercise of share options	331	20	–	–	–	–	–	–	351
Total transactions with owners	331	20	–	–	–	–	91	–	442
At 31 March 2010	34,433	10,083	(535)	4,629	10,315	131,166	4,976	(149,979)	45,088
FOR THE YEAR ENDED 31 MARCH 2011									
At 1 April 2010	**34,433**	**10,083**	**(535)**	**4,629**	**10,315**	**131,166**	**4,976**	**(149,979)**	**45,088**
Comprehensive loss:									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,874)**	**(19,874)**
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	**–**	**–**	**506**	**–**	**–**	**–**	**–**	**–**	**506**
Translation difference	**–**	**–**	**–**	**–**	**1,127**	**–**	**–**	**–**	**1,127**
Total comprehensive (loss)/income for the year	**–**	**–**	**506**	**–**	**1,127**	**–**	**–**	**(19,874)**	**(18,241)**
Transactions with owners:									
Equity-settled share-based transactions	**–**	**–**	**–**	**–**	**–**	**–**	**1,218**	**–**	**1,218**
Cancellation of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(2,936)**	**2,936**	**–**
Exercise of share options	**362**	**641**	**–**	**–**	**–**	**–**	**(385)**	**–**	**618**
Total transactions with owners	**362**	**641**	**–**	**–**	**–**	**–**	**(2,103)**	**2,936**	**1,836**
At 31 March 2011	**34,795**	**10,724**	**(29)**	**4,629**	**11,442**	**131,166**	**2,873**	**(166,917)**	**28,683**

The notes on pages 27 to 69 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(19,859)	(12,963)
Adjustments for:		
Impairment on finished goods	–	226
Depreciation	358	362
Impairment loss of trade receivables	1,315	499
Recovery of trade receivables	(240)	–
Employee share option benefits	1,218	91
Gain on disposal of subsidiaries	–	(2,561)
Interest expenses	3,352	3,285
Interest income	(592)	(669)
Investment income	(72)	(88)
Operating loss before changes in working capital	(14,520)	(11,818)
Decrease in properties held for sale	404	138
Decrease/(Increase) in trade and other receivables	71	(245)
Decrease in trade and other payables	(224)	(1,850)
Cash used in continuing operations	(14,269)	(13,775)
Income taxes paid	(7)	(8)
Net cash used in operating activities of continuing operations	(14,276)	(13,783)
Discontinued operations		
Cash used in operating activities	–	(119)
Net cash used in operating activities of discontinued operations	–	(119)
NET CASH USED IN OPERATING ACTIVITIES	(14,276)	(13,902)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of subsidiaries (Notes 7(b))	–	594
Interest received	585	669
Investment income	72	88
Purchases of property, plant and equipment	–	(2)
Investment in a subsidiary	(1)	–
Net cash generated from investing activities of continuing operations	656	1,349
NET CASH GENERATED FROM INVESTING ACTIVITIES	656	1,349

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,704)**	(1,712)
Proceeds from issue of shares	**619**	351
Net cash used in financing activities of continuing operations	**(1,085)**	(1,361)
NET CASH USED IN FINANCING ACTIVITIES	**(1,085)**	(1,361)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(14,705)**	(13,914)
Effect of foreign exchange rate changes	**1,124**	(15)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**82,272**	96,201
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**68,691**	82,272
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**68,691**	82,272
	68,691	82,272

The notes on pages 27 to 69 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

1. GENERAL INFORMATION

South East Group Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business of the Company is 8A-B, Entertainment Building, 30 Queen's Road Central, Hong Kong (office changed to 12/F, Entertainment Building, 30 Queen's Road Central, Hong Kong effective from 1 July 2011).

The principal activity of the Company is investment holding. The principal activities and details of the Group's subsidiaries (collectively, the "Group") are set out in note 14 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

(a) Amendments to existing standards effective for the Group's annual financial year beginning on 1 April 2010 and relevant to the Group

In the current year, the Group has adopted the following new and amended HKFRSs issued by the HKICPA.

HKFRS 2 (Amendments)	Share-based Payment — Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRSs (Amendments)	Improvements to HKFRSs (2009)

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

HKFRS 2 (Amendments), "Group Cash-settled Share-based Payment Transactions" - effective from 1 January 2010.

In addition to incorporating HK(IFRIC) 8, "Scope of HKFRS 2", and HK(IFRIC) 11, "HKFRS 2 - Group and Treasury Share Transactions", the amendments expand on the guidance in HK(IFRIC) 11 to address the classification of group arrangements that were not covered by that interpretation.

HKFRS 3 (Revised), "Business Combinations", and consequential amendments to HKAS 27 "Consolidated and Separate Financial Statements", are effective prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. HKFRS 3 (revised) has had no impact on the current period, as there have been no contingent payments included in the purchase costs of the acquisition of the subsidiaries during the period.

HKFRSs (Amendments) — Improvements to HKFRSs (2009)

The "Improvements to HKFRSs (2009)" comprises a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The following new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2011. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than certain additional disclosures.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for accounting periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for accounting periods beginning on or after 1 July 2010.
3 Effective for accounting periods beginning on or after 1 January 2011.
4 Effective for accounting periods beginning on or after 1 July 2011.
5 Effective for accounting periods beginning on or after 1 January 2012.
6 Effective for accounting periods beginning on or after 1 January 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 March with the exception of those excluded from consolidation as disclosed in note 32 to the consolidated financial statements.

(b) Subsidiaries

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liaiblities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (note 27). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, and unrealised gains or losses on transactions between Group Companies are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (note 14). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group entities

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

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

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

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

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

(d) Property, plant and equipment

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

— Furniture and fixtures	5 years
— Computer equipment	3 years
— Motor vehicles	5 years

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

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

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

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

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

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

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

(f) Financial instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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

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

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(ii) Available-for-sale financial assets (continued)

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

(iii) Held-to-maturity investments

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

(iv) Other financial liabilities

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

(g) Operating leases

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

— the comprehensive income of the discontinued operation; and

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

(i) Properties held for sale

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

(j) Inventories

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

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

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

(k) Cash and cash equivalents

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

(l) Borrowings

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

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

(m) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition

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

Sales of properties held for sale

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

Interest income

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

Dividend income

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

Sundry income

Sundry income is recognised on an accrual basis.

(o) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

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

(iii) Termination benefits

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iv) Share-based compensation

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

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

(p) Taxation

The tax expense for the year comprises current income tax.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

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

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

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

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

(r) Provisions

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

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

(s) Segment reporting

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

Individually material operating segment are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of the products and services, the nature of the production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Convertible bond

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

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

(u) Events after the end of reporting period

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

5. CRITICAL JUDGMENT IN APPLYING POLICIES

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

5. CRITICAL JUDGMENT IN APPLYING POLICIES (continued)

(b) Impairment loss for doubtful debts

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

(c) Impairment for available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when available-for-sale financial assets are impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

6. TURNOVER AND OTHER REVENUES

	2011 **HK$'000**	2010 HK$'000
TURNOVER		
— Sales of properties held for sale	**1,383**	244
Total turnover	**1,383**	244
OTHER REVENUES		
— Interest income	**592**	669
— Investment income	**72**	88
— Recovery of trade receivables	**240**	—
— Sundry income	**202**	199
Total other revenues	**1,106**	956
Total turnover and other revenues	**2,489**	1,200

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

7. DISCONTINUED OPERATIONS

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

(a) Results of the discontinued operations

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

	2011 HK$'000	2010 HK$'000
Turnover	**–**	30
Cost of inventories sold	**–**	—
Gross profit	**–**	30
Other revenues	**–**	—
Selling and distribution costs	**–**	(5)
Administrative expenses	**–**	(121)
Loss from operations	**–**	(96)
Finance costs	**–**	—
Loss before taxation	**–**	(96)
Taxation	**–**	—
Loss for the year from discontinued operations	**–**	(96)

(b) Gain on disposal of subsidiaries

Net gain on disposal of subsidiaries is provided below:

	2011 HK$'000	2010 HK$'000
Consideration	**–**	1,600
Net liabilities associated with the disposal of subsidiaries	**–**	1,920
	–	3,520
Other expenses	**–**	(959)
Net gain on disposal	**–**	2,561
Net cash inflow arising on disposal:		
Cash consideration	**–**	1,600
Less: Cash and bank balances disposed	**–**	(47)
Other expenses	**–**	(959)
	–	594

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

8. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest expenses on convertible bond	3,348	3,272
Others	4	13
Total	3,352	3,285

9. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging:

	2011 HK$'000	2010 HK$'000
Auditors' remuneration		
— Current year	205	185
— Under-provision for prior year	—	17
	205	202
Impairment loss of trade receivables	1,315	499
Cost of properties sold	883	150
Depreciation	358	362
Impairment on finished goods	—	226
Impairment on goodwill	35	—
Operating lease payments	2,198	2,194
Employee share option benefits	1,218	91
Staff costs (excluding directors' remuneration)		
— Salaries and allowance	2,639	2,621
— Retirement benefit schemes contribution	137	132

10. TAXATION

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

	2011 HK$'000	2010 HK$'000
The PRC corporate income tax		
— Provision for the year	15	8
Total	15	8

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2010: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC corporate income tax rate of 25% (2010: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

10. TAXATION (continued)

(b) At the end of reporting period, the Group had following income tax (payable) and prepayment.

	2011 **HK$'000**	2010 HK$'000
The PRC corporate income tax		
— Tax payable	**(15)**	(4)
— Tax prepayment	**198**	195
Total	**183**	191

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

	2011 **HK$'000**	2010 HK$'000
Loss before taxation	**(19,859)**	(12,963)
Tax calculated at the applicable tax rates	**(3,348)**	(2,361)
Tax effect of non-deductible expenses	**305**	—
Tax effect of non-taxable income	**(87)**	(3,767)
Tax loss not recognised	**3,145**	6,136
Total tax expenses	**15**	8

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

As at 31 March 2011 and 31 March 2010, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Included in the loss of HK$19,874,000 (2010: loss of approximately HK$13,067,000) attributable to the owners of the Company was the loss of HK$18,663,000 (2010: loss of approximately HK$35,790,000) which has been dealt with in the Company's own accounts.

12. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year of approximately HK$19,874,000 (2010: loss of approximately HK$13,067,000 which comprises the loss from continuing operations of approximately HK$12,971,000 and from discontinued operations of approximately HK$96,000) and on the weighted average of 345,863,219 (2010: 343,456,620) ordinary shares in issue during the year. No diluted loss per share has been presented as the exercise of the Company's outstanding share options and convertible bond would result in a decrease in loss per share for the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2011 and 31 March 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
AT COST				
At 1 April 2009	115	—	1,892	2,007
Additions	—	2	—	2
At 31 March 2010	115	2	1,892	2,009
Exchange adjustments	**3**	**—**	**6**	**9**
At 31 March 2011	**118**	**2**	**1,898**	**2,018**
ACCUMULATED DEPRECIATION				
At 1 April 2009	90	—	610	700
Charge for the year	9	—	353	362
At 31 March 2010	99	—	963	1,062
Exchange adjustments	**3**	**—**	**4**	**7**
Charge for the year	**4**	**1**	**353**	**358**
At 31 March 2011	**106**	**1**	**1,320**	**1,427**
NET BOOK VALUE				
At 31 March 2011	**12**	**1**	**578**	**591**
At 31 March 2010	16	2	929	947

Depreciation expenses of HK$358,000 (2010: HK$362,000) has been charged in administrative expenses.

Company

	Motor vehicle HK$'000
COST	
At 1 April 2009, 31 March 2010 and 31 March 2011	**1,580**
ACCUMULATED DEPRECIATION	
At 1 April 2009	474
Charge for the year	316
At 31 March 2010	790
Charge for the year	**316**
At 31 March 2011	**1,106**
NET BOOK VALUE	
At 31 March 2011	**474**
At 31 March 2010	790

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

14. INTERESTS IN SUBSIDIARIES

	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	52,925	52,925
Amounts due from subsidiaries	132,870	133,224
Less: Provision for impairment#	(131,270)	(131,614)
	54,525	54,535

An impairment was recognised during the years ended 31 March 2011 and 31 March 2010 due to the repeated losses of these subsidiaries.

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

The following is a summary of the principal subsidiaries of the Company that, in the opinion of the directors, were significant in relation to the results of the year or formed a portion of the net assets of the Group as at 31 March 2011:

Direct subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity interests attributable to the Company 2011	2010	Principal activities
Benelux Property Development (Shanghai) Limited	The PRC	US$5,000,000	100%	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	100%	100%	Investment holding
Sunshine Universal Development Limited	The British Virgin Islands/Hong Kong	US$1	100%	100%	Trading of securities
Happy Universal Investment Limited	The British Virgin Islands/Hong Kong	US$1	100%	100%	Investment holding
South East Property (Shandong) Limited	The PRC	RMB15,000,000	100%	100%	Property development
Perfect Gold Investments Limited	Hong Kong	Ordinary HK$2	100%	100%	Inactive
Ricco Mining Investment Limited	Hong Kong	Ordinary HK$1	100%	–%	Inactive

Indirect subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Effective equity interest 2011	2010	Principal activities
Benelux International Electronics Co., Limited	The PRC	US$10,000,000	100%	100%	In the process of voluntary winding up
Shanghai Kaiyuen Computer Company Limited (Note)	The PRC	RMB500,000	100%	100%	Inactive
Excel Profit International Investment Limited	The British Virgin Islands/Hong Kong	US$1	100%	–%	Inactive

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 HK$'000	2010 HK$'000
Group		
Listed equity investments in Hong Kong, at fair value (Note (a))	**6,010**	5,504
Unlisted equity investments, at cost (Note (b))	**1,950**	1,950
Less: Impairment loss (Note (b))	**(1,766)**	(1,766)
	6,194	5,688
Company		
Listed equity investments in Hong Kong, at fair value (Note (a))	**6,010**	5,504

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

Notes:

(a) The fair value of listed shares is based on quoted market price.

(b) Unlisted equity investments are measured at cost less impairment at the end of reporting period on account that there is no quoted market price in an active market for the shares and the range of reasonable fair value estimates is so broad that the directors of the Company are of the opinion that their fair values cannot be reliably measured. The directors conduct a regular review of the investee companies' operating results and financial position and have not adjusted the impairment loss of HK$1,766,000 that has recognised in 2005.

16. HELD-TO-MATURITY INVESTMENTS

	2011 HK$'000	2010 HK$'000
Group		
Promissory note	**780**	780

The promissory note represents an unlisted security which bears interest at 5% per annum and which was initially due to mature in March 2008. The maturity date has been extended repeatedly until 15 December 2011. Interest accrued on the promissory note has been fully paid when become due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

17. PROPERTIES HELD FOR SALE

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

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

	2011 HK$'000	2010 HK$'000
Group		
Land cost	**5,879**	5,988
Development cost	**15,899**	16,194
	21,778	22,182

Particulars of the properties held for sale are as follows:

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

18. INVENTORIES

	2011 HK$'000	2010 HK$'000
Group		
Finished goods	**–**	226
Less: Provision for impairment	**–**	(226)
Finished goods, net of provision	**–**	–

No inventories were held by the Group at the end of reporting period (2010: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. TRADE AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Group		
Trade receivables	1,929	2,135
Less: Provision for impairment	(1,904)	(796)
Trade receivables, net of provision	25	1,339
Deposits and other receivables	655	648
Maximum exposure to credit risk	680	1,987
Prepayments	562	394
	1,242	2,381
Company		
Deposits and other receivables	558	553
Prepayments	554	362
	1,112	915

The carrying amounts of trade and other receivables approximate their fair values as at 31 March 2011 and 31 March 2010. The Group does not hold any collateral over these balances.

All trade receivables before provision for impairment of the Group were aged over twelve months based on the invoice issue date.

All trade receivables, net of provision of the Group were past due over twelve months but not impaired. The balance relates to a number of independent customers for whom there was no recent history of default.

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

	2011 HK$'000	2010 HK$'000
At 1 April	796	297
Provision for impairment of trade receivables	1,315	499
Recovery of trade receivables	(240)	—
Exchange difference	33	—
At 31 March	1,904	796

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

19. TRADE AND OTHER RECEIVABLES (continued)

The other classes within trade and other receivables do not contain impaired assets.

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

	2011 HK$'000	2010 HK$'000
Group		
Renminbi	121	1,461
Hong Kong dollars	1,121	920
	1,242	2,381
Company		
Hong Kong dollars	1,112	915

20. CASH AND CASH EQUIVALENTS

	2011 HK$'000	2010 HK$'000
Group		
Cash and bank balances	68,691	82,272
Maximum exposure to credit risk	68,617	82,252
Company		
Cash and bank balances	25,337	40,091
Maximum exposure to credit risk	25,332	40,087

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

	2011 HK$'000	2010 HK$'000
Group		
Renminbi	43,288	41,760
Hong Kong dollars	25,322	40,362
Others	81	150
	68,691	82,272
Company		
Hong Kong dollars	25,294	39,978
United States dollars	43	113
	25,337	40,091

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

21. TRADE AND OTHER PAYABLES

	2011 HK$'000	2010 HK$'000
Group		
Trade payables	328	498
Other payables and accruals	2,727	2,781
	3,055	3,279
Company		
Other payables and accruals	2,046	1,749

The carrying amounts of the Group's trade and other payables approximate their fair values as at 31 March 2011 and 31 March 2010 and are denominated in the following currencies:

	2011 HK$'000	2010 HK$'000
Group		
Hong Kong dollars	2,330	2,031
Renminbi	725	1,248
	3,055	3,279

The carrying amounts of the Company's other payables and accruals approximate their fair values as at 31 March 2011 and 31 March 2010 are denominated in Hong Kong dollars.

All trade payables of the Group were aged over twelve months based on the invoice issue date.

22. CONVERTIBLE BOND

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

The fair value of the liability component of the Convertible Bond was estimated at the issuance date using an equivalent market interest rate for a similar liability without a conversion option. The effective interest rate of the liability component on initial recognised is 2.5% per annum. The residual amount is assigned in the equity component of the Convertible Bond and is included in shareholder's equity.

On 9 March 2011, the Company entered into a Deed of Amendment with the bondholders of the Convertible Bond to revise the coupon rate to 3% per annum with the conversion price at HK$0.418 per share and the Maturity Date extended to 7 May 2016.

The Deed of Amendment was subject to the approval of the Company's shareholders which was obtained pursuant to a special general meeting held on 18 April 2011, at which an ordinary resolution was passed to approve, confirm and ratify the Deed of Amendment. On account of the approval of the Deed of Amendment, the Maturity Date of the Convertible Bond is extended to 7 May 2016 and accordingly the principal of the Convertible Bond remains to be classified as a long term liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

22. CONVERTIBLE BOND (continued)

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

Group and Company

	2011 **HK$'000**	2010 HK$'000
Nominal value of the Convertible Bond	**68,000**	68,000
Equity component	**(4,629)**	(4,629)
Liability component		
— Liability component at 1 April 2010 and 1 April 2009	**63,371**	63,371
— Interest expenses	**4,350**	2,703
Total liability component	**67,721**	66,074
Analysis into		
— Current liabilities	**1,877**	1,700
— Non-current liabilities	**65,844**	64,374
	67,721	66,074

23. SHARE CAPITAL

	Number of shares		Share capital	
	2011 **'000**	2010 '000	**2011** **HK$'000**	2010 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
Balance at the beginning and at the end of the year	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
Balance at the beginning of the year	**344,326**	341,021	**34,433**	34,102
Share options exercised	**3,628**	3,305	**362**	331
Balance at the end of the year	**347,954**	344,326	**34,795**	34,433

24. RESERVES

(a) Group

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. RESERVES (continued)

(b) Company

	Share premium HK$'000 Note 24(c)(i)	Available-for-sale financial assets revaluation reserve HK$'000 Note 24(c)(ii)	Equity component convertible bond HK$'000 Note 24(c)(iii)	Employee share-based payment reserve HK$'000 Note 24(c)(vi)	Contributed surplus reserve HK$'000 Note 24(c)(v)	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2010							
At 1 April 2009	10,063	(3,766)	4,629	4,885	157,955	(141,739)	32,027
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(35,790)	(35,790)
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	–	3,231	–	–	–	–	3,231
Total comprehensive income/(loss)	–	3,231	–	–	–	(35,790)	(32,559)
Transactions with owners:							
Equity-settled share-based transactions	–	–	–	91	–	–	91
Exercise of share options	20	–	–	–	–	–	20
Total transactions with owners	20	–	–	91	–	–	111
At 31 March 2010	10,083	(535)	4,629	4,976	157,955	(177,529)	(421)
FOR THE YEAR ENDED 31 MARCH 2011							
At 1 April 2010	**10,083**	**(535)**	**4,629**	**4,976**	**157,955**	**(177,529)**	**(421)**
Comprehensive loss:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(18,663)**	**(18,663)**
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	**–**	**506**	**–**	**–**	**–**	**–**	**506**
Total comprehensive income/(loss)	**–**	**506**	**–**	**–**	**–**	**(18,663)**	**(18,157)**
Transactions with owners:							
Equity-settled share-based transactions	**–**	**–**	**–**	**1,218**	**–**	**–**	**1,218**
Cancellation of share options	**–**	**–**	**–**	**(2,936)**	**–**	**2,936**	**–**
Exercise of share options	**641**	**–**	**–**	**(385)**	**–**	**–**	**256**
Total transactions with owners	**641**	**–**	**–**	**(2,103)**	**–**	**2,936**	**1,474**
At 31 March 2011	**10,724**	**(29)**	**4,629**	**2,873**	**157,955**	**(193,256)**	**(17,104)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

24. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Available-for-sale financial assets revaluation reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of reporting period and is dealt with in accordance with the accounting policies in note 4(f)(ii) to the consolidated financial statements.

(iii) Equity component convertible bond

The capital reserve represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in note 22 to the consolidated financial statements.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of the Group. The reserve is dealt with in accordance with the accounting policies set out in note 4(c)(ii) to the consolidated financial statements.

(v) Contributed surplus reserve

The amount arose from the capital reduction, cancellation of share premium and part of which has been set-off against the accumulated losses of the Company as at 31 March 2002 pursuant to the capital re-organisation.

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

(vi) Employee share-based payment reserve

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

25. SHARE OPTION SCHEME

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

(a) Purpose

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

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25. SHARE OPTION SCHEME (continued)

(b) Participants

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

(c) Total number of shares available for issue

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

(d) Maximum entitlement of each participant

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

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

(e) Option period

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

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

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

(g) Payment on acceptance of the option

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

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25. SHARE OPTION SCHEME (continued)

(h) Basis of determining the exercise price

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

(i) Remaining life of the Scheme

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

(j) Estimated fair value of share options

The estimated fair value of the share options granted to employees on 18 December 2003, 16 April 2007, 23 January 2008 and 9 March 2011 are measured based on Binomial Lattice Model. The variables input into the model are as follows:

Fair value of share options and assumptions:

	2011	2008	2007	2003
Fair value at measurement date	HK$0.12	HK$0.77	HK$0.11	HK$0.08
Share price	HK$0.38	HK$1.11	HK$0.17	HK$0.11
Exercise price	HK$0.39	HK$1.20	HK$0.177	HK$0.106
Expected volatility	91.21%	102.42%	83.98%	104.9%
Option life	3 years	4 years	4.55 years	12 years
Expected dividends	0%	0%	0%	0%
Risk-free interest rate	1.09%	1.98%	4.11%	4.375%

The Group recognised a total expense of approximately HK$1,218,000 (2010: HK$91,000) for the year in relation to share options granted by the Company.

The share options exercised during the year resulted in the issue of 3,628,000 (2010: 3,305,000) new ordinary shares of the Company and an increase in issued share capital of HK$362,000 (2010: HK$331,000) and a share premium of HK$641,000 (2010: HK$20,000).

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

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For the year ended 31 March 2011

25. SHARE OPTION SCHEME (continued)

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

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

	2011		2010	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 April	**0.4315**	**19,303**	0.3839	22,608
Granted during the year	**0.3900**	**10,424**	—	—
Exercised during the year	**0.1707**	**(3,628)**	0.1060	(3,305)
Cancelled during the year	**1.2000**	**(4,300)**	—	—
At 31 March	**0.3035**	**21,799**	0.4315	19,303

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

2011

Number of options '000	Exercise price per share HK$	Exercisable period
3,965	**0.106**	**18-Dec-2005 to 17-Dec-2015**
3,305	**0.177**	**1-Nov-2008 to 31-Oct-2011**
800	**1.200**	**23-Jan-2009 to 22-Jan-2012**
3,305	**0.177**	**1-Nov-2009 to 31-Oct-2012**
10,424	**0.390**	**9-Mar-2011 to 8-Mar-2014**
21,799		

Weighted average exercise price per share **0.3035**

2010

Number of options '000	Exercise price per share HK$	Exercisable period
323	0.106	18-Dec-2004 to 17-Dec-2014
3,965	0.106	18-Dec-2005 to 17-Dec-2015
3,305	0.177	1-Nov-2007 to 31-Oct-2010
4,300	1.200	23-Jan-2008 to 22-Jan-2011
3,305	0.177	1-Nov-2008 to 31-Oct-2011
800	1.200	23-Jan-2009 to 22-Jan-2012
3,305	0.177	1-Nov-2008 to 31-Oct-2012
19,303		

Weighted average exercise price per share 0.4315

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26. CAPITAL RISK MANAGEMENT

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

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

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

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. In view of the amount of cash and cash equivalents as compared to the total debts for the years ended 31 March 2011 and 31 March 2010, the directors did not find it necessary to restructure its share capital or adjust its total debts of the Group.

The net debt-to-equity ratio as at the end of reporting period was as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
LIABILITIES		
Trade and other payables	**3,055**	3,279
Convertible bond	**67,721**	66,074
Total debts	**70,776**	69,353
Less: cash and cash equivalents (Limited to total debts)	**(68,691)**	(69,353)
Net debt	**2,085**	—
Total equity	**28,683**	45,088
Net debt-to-equity ratio	**7%**	N/A

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

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27. BUSINESS COMBINATION

On 7 July 2010, the Group entered into an agreement to acquire 100% interest in Ricco Mining Investment Limited together with its wholly own subsidiary Excel Profit International Investment Limited (collectively the "Ricco Mining Group") from a related company, Ricco Energy (Holdings) Limited, for the cash consideration of HK$1.

The director, Mr. Wu Siu Chung, is also the director of the Ricco Energy (Holding) Limited, has significant influence over the related company.

The recognised amounts of identifiable liabilities assumed as at the date of acquisition are as follows:

	HK$'000
Amount due to related company	(36)
Total identifiable net liabilities	(36)
Purchase consideration	1
Goodwill arising from acquisition	35
Impairment on goodwill	(35)
Goodwill at 31 March 2011	—

Analysis of net outflow of cash and cash equivalents in respect of acquisition of additional interest in a subsidiary:

	HK$'000
Net cash outflow	1

Since its acquisition, the Ricco Mining Group did not generate any turnover to the Group and contributed a loss of approximately HK$2,000 to the Group.

Had Ricco Mining Group been consolidated from 1 April 2010, the consolidated statement of comprehensive income would have shown a loss of approximately HK$4,000.

28. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2011 HK$'000	2010 HK$'000
Fees - non-executive directors	**600**	600
Salaries, allowances and benefits in kind	**2,730**	2,730
Retirement benefit scheme contribution	**24**	24
	3,354	3,354

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

28. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

	Number of directors	
	2011	2010
Up to HK$1,000,000	**5**	5
HK$1,000,001 - HK$1,500,000	**1**	1
HK$1,500,001 - HK$2,000,000	**1**	1

The emoluments of each director, on a named basis, for the year ended 31 March 2011 were set out below:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

28. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

For the years ended 31 March 2011 and 31 March 2010, there was no arrangement under which a director waived or agreed to waive any remuneration. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

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

Participants	Date of Grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 April 2010	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2011
Directors								
WU Siu Chung	23/01/2008	23/01/2008 - 22/01/2011	1.200	3,000,000	–	–	(3,000,000)	–
	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	–	800,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	3,000,000	–	–	3,000,000
				3,800,000	**3,000,000**	**–**	**(3,000,000)**	**3,800,000**
CHEN Xiaoping	23/01/2008	23/01/2008 - 22/01/2011	1.200	500,000	–	–	(500,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	2,500,000	–	–	2,500,000
				500,000	**2,500,000**	**–**	**(500,000)**	**2,500,000**
Eduard William Rudolf Helmuth WILL	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	2,500,000	–	–	2,500,000
				200,000	**2,500,000**	**–**	**(200,000)**	**2,500,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2007 - 31/10/2010	0.177	3,305,000	–	(3,305,000)	–	–
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	–	3,305,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				13,420,000	**346,000**	**(3,305,000)**	**(200,000)**	**10,261,000**
LO Yuk Lam	18/12/2003	18/12/2004 - 17/12/2014	0.106	323,000	–	(323,000)	–	–
	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				853,000	**346,000**	**(323,000)**	**(200,000)**	**676,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	23/01/2008	23/01/2008 - 22/01/2011	1.200	200,000	–	–	(200,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	–	346,000	–	–	346,000
				530,000	**346,000**	**–**	**(200,000)**	**676,000**
David R. PETERSON	09/03/2011	09/03/2011 - 08/03/2014	0.390	**–**	**346,000**	**–**	**–**	**346,000**
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	**–**	**1,040,000**	**–**	**–**	**1,040,000**
Total				**19,303,000**	**10,424,000**	**(3,628,000)**	**(4,300,000)**	**21,799,000**

The five individuals whose emoluments were the highest in the Group for the year included two directors (2010: two directors) whose emoluments have already been disclosed in the analysis presented above.

28. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

	Number of individuals	
	2011	2010
Up to HK$1,000,000	**3**	3

The details of the emoluments payable to the remaining three (2010: three) non-director, highest paid employees were as follows:

	2011 HK$'000	2010 HK$'000
Salaries, allowances and benefits in kind	**1,281**	1,281
Retirement benefit schemes contribution	**36**	36
	1,317	1,317

29. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 March 2011 and 31 March 2010.

30. OPERATING LEASE ARRANGEMENT

At 31 March 2011 and 2010, the Group had the total future minimum lease payments under non-cancellable operating leases with respect of office premises as follows:

	2011 HK$'000	2010 HK$'000
Group		
Not later than one year	**865**	2,022
Within the second to fifth year inclusive	**–**	523
	865	2,545
Company		
Not later than one year	**642**	1,082
Within the second to fifth year inclusive	**–**	523
	642	1,605

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For the year ended 31 March 2011

31. LITIGATION

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

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

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

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

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

As advised by the Company's PRC lawyers, according to the relevant regulations of the Civil Procedure Law of the PRC (the "Civil Procedure Law"), after the first instance trial by Shenzhen Intermediate Court and the second trial by Guangdong High Court, the judgment made by the latter is a final judgment which is not subject to any or further appeal by any party to the case. However, under circumstances when certain preconditions contained in the Civil Procedure Law being fulfilled, the case may be remanded for retrial. Such circumstances include, for instance, the court of procuratorate quashing the final civil judgment and remanding the case for retrial; or on application to the court by any party to the case, which has to be made within two years from the date the final judgment came into effect. The Company's PRC lawyers further advised that, if SZL were to apply for retrial, it has to file its Application for Retrial with the Supreme People's Court of the PRC in Beijing, while observing the two-year limitation and certain preconditions contained in the Civil Procedure Law. As at the date hereof, neither the Company nor the PRC lawyers acting for the Company, were aware of any indication for the retrial of the above case. According to the legal opinion of the Company's PRC lawyers, as SZL had not applied to the Court for retrial within the two-year limit valid through 13 August 2010, its right for applying for retrial of the above case lapsed therefor. Based on the legal advice obtained, the Directors believed that the above litigation should have come to an end.

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

32. COMPANIES EXCLUDED FROM CONSOLIDATION

As disclosed in note 31 to the consolidated financial statements, Benelux Manufacturing Limited (In liquidation) ("BML") was put into liquidation in 1999. The directors have given due and careful consideration of the impact of the liquidation of BML on the Group's operations and financial position and are of the opinion that it will not have a material adverse effect on the Group. As BML was put under severe restrictions which significantly impaired control by the Company over BML's assets and operations, the directors have decided to exclude BML and the interest of BML from the consolidated financial statements from the date of appointment of the provisional liquidators since 2000.

Details of the companies excluded from consolidation are as follows:

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

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

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

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

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

	2011 **HK$'000**	**Previous years since acquisition** HK$'000
Dealt with in the consolidated financial statements of the Group	**Nil**	(46,232)
Not dealt with in the consolidated financial statements of the Group	**Nil**	(244,391)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

33. RELATED PARTY TRANSACTIONS

Other than those disclosed in notes 14, 27 and 28 to the consolidated financial statements, there is no other transaction carried out with any related party during the year.

34. SEGMENT INFORMATION

The chief operating decision-maker has been indentified as the Company's executive directors. The Group's principal activity is property development in the PRC. The executive directors regard it as a single business segment and no segment information is presented.

At the end of reporting period, non-current assets included property, plant and equipment with carrying amount of approximately HK$474,000 (2010: HK$790,000) and approximately HK$117,000 (2010: HK$158,000) are located in Hong Kong and the PRC respectively.

35. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, held-to-maturity investments and cash at banks.

The Group has no significant concentration of credit risk. In respect of trade receivables, credit is offered to customers following financial assessment and an established payment record. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Credit limits are set for all customers and these are exceeded only with the approval of senior company officers. These credit evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers. General credit terms are payment by the end of the month following the month in which sales took place. The Group will make specific provision for those balances which cannot be recovered. The Group staff will monitor the outstanding receivables and follow up the collections. In the opinion of the directors, the default credit risk of the Group is considered to be low.

In respect of other receivables and held-to-maturity investments, the directors are of the opinion that the credit risk is low because there is no past default history.

The credit risk on liquid funds are limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies and are the PRC large state-controlled banks. As such, no significant credit risk is anticipated.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

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

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

Group

		2011		
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	**In two to six years HK$'000**
Trade and other payables	**3,055**	**3,055**	**3,055**	**—**
Convertible bond	**67,721**	**79,900**	**1,700**	**78,200**
	70,776	**82,955**	**4,755**	**78,200**

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

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Company

	2011			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to six years HK$'000
Other payables	**2,046**	**2,046**	**2,046**	**—**
Convertible bond	**67,721**	**79,900**	**1,700**	**78,200**
	69,767	**81,946**	**3,746**	**78,200**

	2010			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within one year or on demand HK$'000	In two to six years HK$'000
Other payables	1,749	1,749	1,749	—
Convertible bond	66,074	71,799	3,348	68,451
	67,823	73,548	5,097	68,451

(c) Interest rate risk

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

(d) Currency risk

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

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets as at 31 March 2011 The Group's listed investments are listed on the Hong Kong Stock Exchange, and are valued at quoted market prices at the end of reporting period.

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

	At 31 March 2011	**High/low 2011**	At 31 March 2010	High/low 2010
Hong Kong - Hang Seng Index	**23,527**	**24,988/ 18,971**	21,239	21,446/ 21,230

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

	Carrying amount of equity investments HK$'000	**Increase/ (decrease) in equity** HK$'000
2011		
Available-for-sale financial assets listed in Hong Kong:	**6,010**	**300/(300)**
2010		
Available-for-sale financial assets listed in Hong Kong:	5,504	275/(275)

(f) Fair value

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

The following table presents the carrying amounts of financial instruments measured at fair value at the end of reporting period across the three levels of their value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value (continued)

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

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

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

	Note	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Group and Company					
Available-for-sale financial assets	15	6,010	—	—	6,010

36. EVENTS AFTER THE END OF REPORTING PERIOD

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL INSTRUMENTS — BY CATEGORY

	2011 HK$'000	2010 HK$'000
Group		
Financial assets — Loans and receivables		
Trade and other receivables	**680**	1,987
Cash and cash equivalents	**68,691**	82,272
	69,371	84,259
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	**6,194**	5,688
Financial assets — Held-to-maturity investments		
Held-to-maturity investments	**780**	780
Financial liabilities — Other financial liabilities		
Trade and other payables	**3,055**	3,279
Convertible bond	**67,721**	66,074
	70,776	69,353
Company		
Financial assets — Loans and receivables		
Other receivables	**558**	553
Cash and cash equivalents	**25,337**	40,091
	25,895	40,644
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	**6,010**	5,504
Financial liabilities — Other financial liabilities		
Other payables	**2,046**	1,749
Convertible bond	**67,721**	66,074
	69,767	67,823

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 17 June 2011.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Results					
Turnover	28,624	7,216	8,275	244	**1,383**
Loss before taxation	(3,567)	(4,637)	(16,612)	(13,059)	**(19,859)**
Taxation	(1,279)	(418)	(1,264)	(8)	**(15)**
Loss after taxation	(4,846)	(5,055)	(17,876)	(13,067)	**(19,874)**
Non-controlling interests	1,191	—	—	—	**—**
Loss attributable to owners of the Company	(3,655)	(5,055)	(17,876)	(13,067)	**(19,874)**

	At 31 March				
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Assets and liabilities					
Total assets	94,887	92,715	138,839	114,441	**99,459**
Total liabilities	(29,421)	(23,666)	(84,355)	(69,353)	**(70,776)**
Non-controlling interests	—	—	—	—	**—**
Total equity	65,466	69,049	54,484	45,088	**28,683**