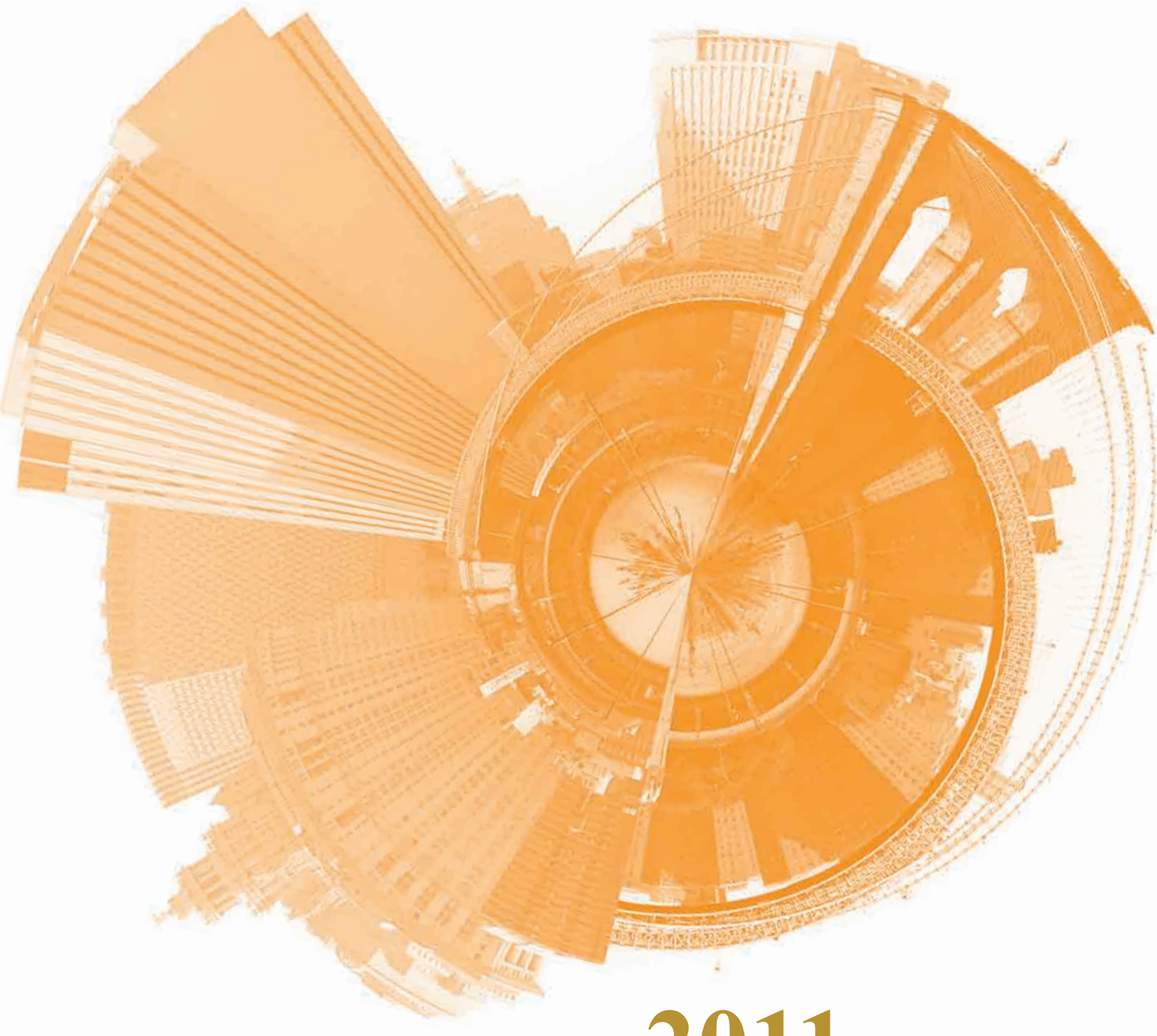
COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD
四海國際集團有限公司
(incorporated in the Cayman Islands with limited liability)
(stock code : 120)



2011
Annual Report

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Cheng Sui Sang

Non-executive Directors

Mr. Wang Baoning *(Vice Chairman)*
Mr. Bong Shu Ying, Francis
Mr. Ng Kwai Kai, Kenneth
Mr. Leung So Po, Kelvin
Mr. Wong Po Man, Kenneth

Independent Non-executive Directors

Mr. Li Ka Fai, David
Mr. Lee Choy Sang
Ms. Ka Kit

AUDIT COMMITTEE

Mr. Li Ka Fai, David *(Chairman)*
Mr. Lee Choy Sang
Ms. Ka Kit

REMUNERATION COMMITTEE

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Lee Choy Sang
Mr. Li Ka Fai, David

SECRETARY

Mr. Cheng Sui Sang

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801-802, 8th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited
ABN AMRO Bank N.V.
Deutsche Bank A.G.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia Limited

FINANCIAL REVIEW

Cosmopolitan International Holdings Limited (the "Company") together with its subsidiaries (the "Group") recorded a consolidated profit of approximately HK$215,074,000 for the year ended 31 March 2011, as compared with a loss of HK$330,387,000 recorded last year. The consolidated profit achieved for the year under review was attributed mainly to the decrease in the derivative financial liabilities of approximately HK$232,472,000 due to the change in fair value, as valued by an independent professional valuer, of the subscription options ("Subscription Options") granted by the Group in 2008 to the holders to subscribe for additional convertible bonds due 2013 ("CB2013"). Such decrease in the fair value of the derivative financial liabilities was mainly due to the fact that the closing market price of the ordinary shares of the Company as at 31 March 2011 was below that prevailing at 31 March 2010. The net increase in the financial assets at fair value through profit and loss amounted to approximately HK$22,690,000, which were marked to market closing prices as at 31 March 2011.

As mentioned in the positive profit alert announcement made by the Company on 3 June 2011, in compliance with the currently applicable accounting standards, the Subscription Options are being recognized as derivative financial liabilities, and the change in their fair values has given rise to the profit recorded for the year under review. However, such derivative financial liabilities and the related profit or loss are non-cash in nature and will not have any impact on the cashflow of the Group. The Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. In case that the Subscription Options are exercised, the Group will only be obliged to issue to the holders of the Subscription Options the additional CB2013 for cash subscription proceeds of up to HK$200 million.

In order to more fairly reflect the financial results and the underlying net assets value of the Group, management of the Group considers it appropriate to also present, for the purpose of reference, supplementary information on the Group's financial results for the year ended and the net assets position as at 31 March 2011, compiled on an adjusted basis that the profit arising from the change in fair value of the Subscription Options would be excluded and that such derivative financial liabilities would be de-recognized. On such adjusted basis, the Group would record net loss of HK$17,057,000 for the year ended 31 March 2011 and net assets value of HK$260,469,000 as at 31 March 2011, as illustrated below:

Adjusted financial results

	For the year ended 31 March 2011 HK$'000
Net profit attributable to owners of the Company	**215,415**
Adjustment to exclude the gain on change in fair value of the Subscription Options	**(232,472)**
Unaudited adjusted net loss attributable to owners of the Company	**(17,057)**

Adjusted net assets attributable to owners of the Company

	As at 31 March 2011 HK$'000
Net assets attributable to owners of the Company	**58,017**
Adjustment to de-recognize the derivative financial liabilities attributable to the Subscription Options	**202,452**
Unaudited adjusted net assets attributable to owners of the Company	**260,469**

BUSINESS REVIEW

General

The principal activities of the Group during the year under review continue to be property development and investment, securities investments, and other investments. The turnover of the Group for the year under review was HK$160,229,000, as compared to HK$128,169,000 in the previous year. The increase was mainly attributed to the expanded activities in securities trading during the year. Following the recovery from the financial tsunami which struck the global economies since 2008, there has been some improvement in the general investment climate but uncertainties and mixed expectations on the future development in the world economies remain. The Group has continued to adopt a pragmatic and cautious approach in pursuing investment proposals. As at 31 March 2011, the cash and bank deposits and deposits placed with securities brokers within the Group were approximately HK$108,655,000, which may enable the Group to take up good investment opportunities.

Property Investments and Development Projects

Chengdu Project

This development project in Xindu District, Chengdu City, Sichuan Province, the People's Republic of China (the "PRC") is operated through a joint venture that is 50% owned by each of the Group and Regal Hotels International Holdings Limited. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with a total gross floor area above ground of approximately 420,000 square feet. Superstructural works for the hotel development have commenced and the first phase of the hotel is presently scheduled to be soft-opened in the fourth quarter of 2012. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total saleable area of approximately 489,000 square feet. Site preparation and formation works for this part of the development have been completed and the basement works have commenced, with overall construction works scheduled to be completed in the fourth quarter of 2012. Presale of the residential units is anticipated to be launched in the first quarter of 2012. Development works for the other stages are planned to be carried out progressively.

Xinjiang Project

Through subsequent acquisition of existing issued shares, the Group increased its shareholding investment in the Xinjiang Project to 99.72% during the year under review. Under the latest government policy guidelines issued in April 2011 in relation to the re-forestation for swap of development land, the Group is negotiating and finalizing the terms with the relevant government authority for the possible swap of development land against the re-forestation area completed by the Xinjiang subsidiary and, in the meantime, keeping proper maintenance to the re-forestation landscape of the project.

Rainbow Lodge

The Group owns ten duplex apartment units plus fourteen carparks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories, Hong Kong. The Group is planning to re-modify certain units for enhancement of their value.

Securities Investments

The Group continues to maintain an active investment portfolio of listed securities. Apart from the net gain of approximately HK$4,656,000 attained on disposal of financial assets at fair value through profit or loss in the year under review, there was also a net increase in the fair value of these financial assets of approximately HK$22,690,000, marked to market closing prices as at 31 March 2011.

PROSPECTS

Though there are signs of mild recovery in the major economies, expectations on a healthy growth remain mixed. In the PRC, the monetary authority has tightened the money supply to avoid overheating of the economy, in particular on the property sector. The Hong Kong property sector is also facing tightening monetary measures recently imposed by the government and monetary authority, as the price of properties especially those at the higher end continued to rise during the year under review, possibly driven as hedging against inflation in the low interest rate environment, the excess of demand over supply as well as due to the strong investment sentiment. On the other hand, the stock markets in Hong Kong and the PRC have experienced some downward adjustments, as a result of tightening monetary measures and concerns over the uncertainty on the economic development worldwide, especially on the risk associated with the large national debts and budget deficits of certain weaker western economies. However, the growth in PRC economy in a number of sectors remains healthy. The Group is optimistic of the medium to long term prospects of the property sector in the PRC and is committed to those projects that are being undertaken by the Group. The Group is also cautiously optimistic that the current difficulties encountered in the Xinjiang Project would eventually be resolved satisfactorily, thereby reviving the potential viability and prospects of the project as originally envisaged. In the meantime, the Group is also actively reviewing various potential investments in property and natural resources projects in the PRC as well as in other regions, with a view to achieving for the Group future growth and profitability.

We are confident that the Group will be able to gradually implement its business expansion plans and to create long term value to the shareholders.

Chairman's Report

DIRECTORS AND STAFF

Taking this opportunity, I would like to thank my fellow Directors on the Board for their contribution and advice and all the management and staff members for their efforts and dedications over the past year.

Bong Shu Yin, Daniel
Chairman

Hong Kong
24 June 2011

EXECUTIVE DIRECTORS

1. Mr. Bong Shu Yin, Daniel

Mr. Bong Shu Yin, Daniel, aged 72, is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Bong had been involved in the management of several public listed companies in Hong Kong for over 10 years, including Century City International Holdings Limited ("Century City") and Paliburg Holdings Limited ("Paliburg"). Mr. Bong was the deputy chairman and an executive director of Regal Hotels International Holdings Limited ("Regal Hotels") until 1999 when he resigned to pursue his personal interests and investments.

2. Mr. Cheng Sui Sang

Mr. Cheng Sui Sang, aged 67, has extensive experience in banking and finance fields and has held senior management positions in overseas companies, as well as several Hong Kong listed companies. He holds a Bachelor's degree in Economics and a Master's degree in Business Administration, and is also an associate member of the Hong Kong Institute of Certified Public Accountants. Immediately before joining the Company, Mr. Cheng was involved in private consulting work to a number of clients in the PRC and Hong Kong. Mr. Cheng is also the secretary of the Company.

NON-EXECUTIVE DIRECTORS

1. Mr. Wang Baoning

Mr. Wang Baoning, aged 57, has extensive experience in the property development and electronics and software industries in the PRC. Mr. Wang is a director of a number of companies in the PRC, including 湖南淺水灣湘雅溫泉花園有限公司 (Hunan Qianshuiwan Xiangya Wenquan Huayuan Co., Ltd), 珠海鋒盛拍賣有限公司 (Zhuhai Fengsheng Paimai Co., Ltd) and 珠海怡華通投資有限公司 (Zhuhai Yihuatong Touzi Co. Ltd), which are engaged respectively in the businesses of property development, auction and investments.

2. Mr. Bong Shu Ying, Francis

Mr. Bong Shu Ying, Francis, OBE, JP, aged 69, is the brother of Mr. Bong Shu Yin, Daniel. Mr. Bong is currently a Director of AECOM Technology Corporation (a company incorporated in the United States of America listed on the main board of the New York Stock Exchange). Mr. Bong is also an independent non-executive director of China Merchants Holdings (International) Company Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Bong holds a Bachelor's degree of Science in Engineering from the University of Hong Kong and is currently the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom.

3. Mr. Ng Kwai Kai, Kenneth

Mr. Ng Kwai Kai, Kenneth, aged 56, is a Chartered Secretary. Mr. Ng is an executive director and the chief operating officer of Century City (together with its subsidiary and associate, the "Century City Group") and an executive director of Paliburg and Regal Hotels. Paliburg is a listed subsidiary of Century City and Regal Hotels is a listed associate of Century City and Paliburg. Century City, Paliburg, and Regal Hotels are companies listed on the main board of the Stock Exchange. Mr. Ng is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

4. Mr. Leung So Po, Kelvin

Mr. Leung So Po, Kelvin, aged 39, is a member of the Illinois CPA Society and the American Institute of Certified Public Accountants. Mr. Leung is an executive director of Century City. Mr. Leung holds a Bachelor's degree in Business Administration from The Chinese University of Hong Kong. Mr. Leung has over 15 years of experience in accounting and corporate finance field. Mr. Leung has been with the Century City Group for over 13 years and has been involved in the corporate finance function of the Century City Group.

5. Mr. Wong Po Man, Kenneth

Mr. Wong Po Man, Kenneth, aged 45, is a qualified architect, Mr. Wong graduated from the University of Hong Kong with a Bachelor of Arts degree in Architectural Studies and a Bachelor degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has over 18 years of experience in architectural design and project management in respect of property development projects. Mr. Wong is also an executive director of Paliburg and he is also a Technical Director of an engineering company which is registered under the Buildings Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Mr. Li Ka Fai, David

Mr. Li Ka Fai, David, aged 56, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Secretaries & Administrators, UK and an associate member of The Institute of Chartered Accountants in England and Wales. He is currently an independent non-executive director, chairman of audit committee, member of remuneration committee and member of nomination committee of Goldlion Holdings Limited (a company listed on the main board of the Stock Exchange), an independent non-executive director and chairman of audit committee of China-Hongkong Photo Products Holdings Limited (a company listed on the main board of the Stock Exchange), an independent non-executive director, member of audit committee and member of remuneration committee of China Merchants Holdings (International) Company Limited (a company listed on the main board of the Stock Exchange) and an independent non-executive director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited, a company listed on the main board of the Stock Exchange). Mr. Li is also an independent non-executive director and chairman of audit committee of Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited, a company listed on the main board of the Stock Exchange). He was also the former independent director and chairman of audit committee of China Vanke Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) (2005-2011).

2. Mr. Lee Choy Sang

Mr. Lee Choy Sang, aged 74, has been involved in the construction industry for over 40 years. Mr. Lee obtained his Bachelor of Architecture Degree in the University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He has been appointed as a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

3. Ms. Ka Kit

Ms. Ka Kit, aged 59, has extensive experience in the telecommunication industry. Ms. Ka is a director of Sharp Wind Development Limited, Southcom Internet Technology Limited and Southcom Limited, which are principally engaged in telecommunication services.

Report of the Directors

The Directors have pleasure in presenting their report together with the consolidated financial statements of the Group for the year ended 31 March 2011.

(I) PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property investment, property development, securities investment and other investments. The principal activities of the principal subsidiaries are set out in note 37 to the consolidated financial statements.

(II) FINANCIAL RESULTS

The results and the statement of affairs of the Group for the year ended 31 March 2011 are set out in the consolidated financial statements on pages 29 to 98.

(III) MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCING

Current assets and current liabilities of the Group as at 31 March 2011 were HK$400,384,000 and HK$403,713,000 respectively (31 March 2010: HK$398,238,000 and HK$662,315,000 respectively). Cash and bank deposits and deposits placed with securities brokers stood at HK$108,655,000 as at 31 March 2011 in comparison with HK$175,266,000 as at 31 March 2010. There was a substantial improvement in net assets attributable to the owners of the Company to HK$58,017,000 due to the accounting treatment of the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Group as mentioned earlier under the section of Financial Review.

The Group's gearing ratio as at 31 March 2011 based on the net borrowings (represented by convertible bond borrowings net of cash and bank deposits) as a percentage of the total assets was 40% (31 March 2010: 31%).

CONTINGENT LIABILITY

There is no contingent liability outstanding for the Group as at 31 March 2011.

CAPITAL STRUCTURE

The ordinary shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In April 2010 an aggregate principal amount of HK$2,050,000 of the convertible bonds due 2010 was converted into 10,250,000 new ordinary shares of HK$0.001 each at a conversion price of HK$0.20 per ordinary share.

On 30 August 2010, the subdivision of the ordinary shares of the Company became effective with each of the issued and unissued shares of HK$0.001 each in the share capital divided into five ordinary shares of HK$0.0002 each.

In February 2011, an aggregate principal amount of HK$28,000,000 of the convertible bonds due 2011 was converted into 466,666,666 new ordinary shares of HK$0.0002 each at the conversion price of HK$0.06 per ordinary share. The total number of outstanding issued and fully paid ordinary shares of the Company as at 31 March 2011 was 11,785,130,951 ordinary shares.

REMUNERATION POLICY

The Group had 27 full time employees (including executive directors) working in Hong Kong and the PRC. Management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed annually based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical insurance.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 99-100.

(IV) PROPERTY AND EQUIPMENT

The details of movements in the Group's property and equipment during the year are set out in note 18 to the consolidated financial statements.

(V) SHARE CAPITAL

The details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

(VI) RESERVES

The details of movements in the reserves of the Group during the year are set out in the consolidated financial statements on page 33.

(VII) PRE-EMPTIVE RIGHTS

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

(VIII) PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

(IX) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right.

(X) DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$257,421,000 (2010: HK$207,558,000).

(XI) SHARE OPTIONS

The details of the share option scheme ("Share Option Scheme") adopted by the Company on 20 August 2003 are set out in note 31 to the consolidated financial statements.

There were no outstanding options granted over its shares by the Company as at 31 March 2011.

(XII) JOINTLY CONTROLLED ENTITIES

Particulars of the Group's interests in its jointly controlled entities are set out in note 20 to the consolidated financial statements.

(XIII) MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the financial year under review was mainly derived from securities trading, and most of the trading transactions were conducted on the Stock Exchange through securities brokers, and thus the disclosure of the customers and suppliers information would not be meaningful.

(XIV) DIRECTORS

The Directors of the Company are:

Executive Directors

Mr. Bong Shu Yin, Daniel *(Chairman)*

Mr. Cheng Sui Sang

Non-executive Directors

Mr. Wang Baoning *(Vice-Chairman)*

Mr. Bong Shu Ying, Francis

Mr. Ng Kwai Kai, Kenneth

Mr. Leung So Po, Kelvin

Mr. Wong Po Man, Kenneth

Independent Non-executive Directors:

Mr. Li Ka Fai, David

Mr. Lee Choy Sang

Ms. Ka Kit

Pursuant to Article 116 of the Articles, Mr. Bong Shu Yin, Daniel, Mr. Cheng Sui Sang and Mr. Bong Shu Ying, Francis will retire from office by rotation at the next annual general meeting ("AGM"), and being eligible, they offer themselves for re-election.

All of the above retiring Directors of the Company, being eligible, have offered themselves for re-election at the AGM. Details of these retiring Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out in the circular of the Company sent to the shareholders together with the 2011 Annual Report, relating to, inter alia, re-election of the retiring Directors.

(XV) DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

Save for the Share Option Scheme under which no options have been granted, at no time during the year was the Company or any of its subsidiaries a party to any arrangement, whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate within the Group.

(XVI) DIRECTORS' INTERESTS IN SHARE CAPITAL

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 31 March 2011, none of the Directors nor their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

(XVII) SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31 March 2011, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	**Number of shares held**	**Percentage of the Company's share capital**
Giant Sino Group Limited *(Note 1)*	4,403,576,090	37.37%
Winart Investments Limited *(Note 2)*	900,000,000	7.64%
Lendas Investments Limited *(Note 2)*	650,000,000	5.52%
Great Select Holdings Limited *(Note 2)*	466,666,666	3.96%
Fountain Sky Limited *(Note 2)*	334,000,000	2.83%
Toplist Group Limited *(Note 3)*	1,076,844,745	9.14%
Great Prospect Development Limited *(Note 3)*	658,214,285	5.59%
Profit Giant Holdings Limited *(Note 3)*	418,630,460	3.55%
Cheung Chun Sek *(Note 3)*	559,500,000	4.75%

Save as disclosed herein, there was no other person who, as at 31 March 2011, had an interest or share position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

Notes:

1. Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Bong Shu Yin, Daniel (being the Chairman of the Company and an Executive Director) and as to 28% by Mr. Wang Baoning (being the Vice-Chairman of the Company and a Non-executive Director). Space Capital Investments Limited was deemed to be interested in the 4,403,576,090 shares held by Giant Sino Group Limited.

2. Each of Winart Investments Limited, Lendas Investments Limited and Great Select Holdings Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Winart Investments Limited, Lendas Investments Limited and Great Select Holdings Limited. Mr. Leung So Po, Kelvin, a Non-executive Director, is a director of Great Select Holdings Limited.

   Fountain Sky Limited is a wholly owned subsidiary of Regal Hotels (Holdings) Limited, which is in turn a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, and was owned as to 49.37% as at 31 March 2011 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Fountain Sky Limited.

   Paliburg is the listed subsidiary of, and was owned as to 60.01% as at 31 March 2011 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and was owned as to 56.44% as at 31 March 2011 by, Mr. Lo Yuk Sui.

   Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the shares held by Winart Investments Limited, Lendas Investments Limited, Great Select Holdings Limited and Fountain Sky Limited under Part XV of the SFO.

3. Great Prospect Development Limited and Profit Giant Holdings Limited are both wholly owned by Toplist Group Limited which held 1,076,844,745 shares as at 31 March 2011 and was wholly owned by Mr. Cheung Chun Sek. Mr. Cheung Chun Sek was deemed to be interested in the 1,636,344,745 shares under Part XV of the SFO.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 issued by Fancy Gold Limited, a wholly-owned subsidiary of the Company ("Convertible Bonds due 2013-A")

Name	**Underlying shares of the Company pursuant to Convertible Bonds due 2013-A issued**	**Adjusted conversion price per share (subject to adjustment)**	**Further extended conversion period** *(Note 2)*	**Approximate % of issued share capital of the Company**
Valuegood International Limited *(Note 1)*	3,536,250,000	HK$0.04	16 July 2007 to 31 January 2013	30.01%

Notes :

1. Valuegood International Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, and was owned as to 49.37% as at 31 March 2011 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.01% as at 31 March 2011 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 56.44% as at 31 March 2011 by, Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013-A held by Valuegood International Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Valuegood International Limited.

2. The Company, Fancy Gold Limited and Valuegood International Limited had entered into an extension agreement to further extend the maturity date of the Convertible Bonds due 2013-A to 14 February 2013, such further extension was approved by independent shareholders of the Company in the extraordinary general meeting of the Company held on 9 June 2011.

Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 that have been issued or may be issued by Apex Team Limited, a wholly-owned subsidiary of the Company ("Convertible Bonds due 2013")

Name	**Underlying shares of the Company pursuant to Convertible Bonds due 2013 issued**	**Adjusted conversion price per share (subject to adjustment)**	**Conversion period**	**Approximate % of issued share capital of the Company**
Time Crest Investments Limited *(Note 1)*	1,666,666,666	HK$0.06	29 February 2008 to 31 January 2013	14.14%
Well Mount Investments Limited *(Note 1)*	1,666,666,666 *(Note 3)*	HK$0.06	14 days after the date of issue (Note 3) to 31 January 2013	14.14%
Jumbo Pearl Investments Limited *(Note 2)*	1,666,666,666	HK$0.06	29 February 2008 to 31 January 2013	14.14%
Sun Joyous Investments Limited *(Note 2)*	1,666,666,666 *(Note 3)*	HK$0.06	14 days after the date of issue (Note 3) to 31 January 2013	14.14%

Notes :

1. Each of Time Crest Investments Limited and Well Mount Investments Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels is the listed associate of, and was owned as to 49.37% as at 31 March 2011 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.01% as at 31 March 2011 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and was owned as to 56.44% as at 31 March 2011 by, Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Time Crest Investments Limited and Well Mount Investments Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Time Crest Investments Limited and Well Mount Investments Limited.

2. Each of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.01% as at 31 March 2011 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 56.44% as at 31 March 2011 by, Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Jumbo Pearl Investments Limited and Sun Joyous Investments Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited.

3. As at 31 March 2011, Well Mount Investments Limited and Sun Joyous Investments Limited had not exercised their options to subscribe for the relevant Convertible Bonds due 2013.

(XVIII) CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 September 2010 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director		**Details of changes**
Executive Directors		
Mr. Bong Shu Yin, Daniel	•	Entitled to monthly salary, based on services rendered to the Group, in an amount of HK$173,500 commencing from January 2011.
Mr. Cheng Sui Sang	•	Entitled to monthly salary, based on services rendered to the Group, in an amount of HK$65,000 commencing from January 2011.

Notes:

(i) Each Executive Director is also entitled to performance based discretionary bonus, and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in amount of HK$108,000 per annum in acting as a Director of the Company.

(ii) Details of the remunerations of the Executive Directors for the year ended 31 March, 2011 are disclosed in note 14 to the consolidated financial statements.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

(XIX) SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

(XX) AUDITORS

SHINEWING (HK) CPA Limited retire, and being eligible, offer themselves for re-appointment.

(XXI) DIVIDENDS

The Board of Directors has resolved not to recommend the payment of a final dividend for the year ended 31 March 2011 (2010: Nil).

On behalf of the Board

Bong Shu Yin, Daniel
Chairman

Hong Kong, 24 June 2011

(I) CORPORATE GOVERNANCE PRACTICES

Following the issue of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 to the Listing Rules, the Company has carefully reviewed and considered the Code, and carried out a detailed analysis on the corporate governance practices of the Company against the requirement of the Code.

Throughout the financial year ended 31 March 2011, except for the requirement that (i) the role of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual and (ii) the Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions. The deviation in item (i) above is due to the practical necessity and effective management on account of the Group's corporate operating structure.

Although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire, and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

(II) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by Directors. Upon specific enquiry by the Company, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year under review.

(III) BOARD OF DIRECTORS

Composition and role

The Board of Directors of the Company currently comprises the following members:

Executive Directors:

Mr. Bong Shu Yin, Daniel *(Chairman)*

Mr. Cheng Sui Sang

Non-executive Directors:

Mr. Wang Baoning *(Vice Chairman)*

Mr. Bong Shu Ying, Francis

Mr. Ng Kwai Kai, Kenneth

Mr. Leung So Po, Kelvin

Mr. Wong Po Man, Kenneth

Independent Non-executive Directors:

Mr. Li Ka Fai, David

Mr. Lee Choy Sang

Ms. Ka Kit

The personal and biographical details of the Directors, including the relationships among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31 March 2011, the Company has fully complied with Rules 3.10(1) and (2) of the Listing Rules regarding the number of Independent Non-executive Directors and the requirement that at least one of these Independent Non-executive Directors must have appropriate professional qualifications.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate strategic, business and operational issues. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharging their duties.

During the year under review, the attendance rates of individual Board members of the Company were as follows:

Name of Directors	Attendance
Executive Directors:	
Mr. Bong Shu Yin, Daniel *(Chairman)*	6/6
Mr. Cheng Sui Sang	6/6
Non-executive Directors:	
Mr. Wang Baoning *(Vice Chairman)*	2/6
Mr. Bong Shu Ying, Francis	4/6
Mr. Ng Kwai Kai, Kenneth	5/6
Mr. Leung So Po, Kelvin	6/6
Mr. Wong Po Man, Kenneth	6/6
Independent Non-executive Directors:	
Mr. Li Ka Fai, David	5/6
Mr. Lee Choy Sang	4/6
Ms. Ka Kit	2/6

(IV) AUDIT COMMITTEE

The Audit Committee was established with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises the following members:

Independent Non-executive Directors:
Mr. Li Ka Fai, David *(Chairman)*
Mr. Lee Choy Sang *(Member)*
Ms. Ka Kit *(Member)*

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final consolidated financial statements.

As both the Board and the Audit Committee recommended to re-appoint the current external Auditors, SHINEWING (HK) CPA Limited, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external Auditors.

During the year under review, the Audit Committee met three times and the meetings were attended by the external Auditors of the Company. The attendance rates of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	**Attendance**
Mr. Li Ka Fai, David *(Chairman)*	3/3
Mr. Lee Choy Sang *(Member)*	2/3
Ms. Ka Kit *(Member)*	1/3

(V) REMUNERATION COMMITTEE

The Company has formed the Remuneration Committee with specific written terms of reference that deal with its authority and duties. The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for Directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy.

The Remuneration Committee currently comprises the following members:

Executive Director:

Mr. Bong Shu Yin, Daniel *(Chairman)*

Independent Non-executive Directors:

Mr. Li Ka Fai, David *(Member)*

Mr. Lee Choy Sang *(Member)*

During the year under review, the Remuneration Committee met once. The attendance rates of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	**Attendance**
Mr. Bong Shu Yin, Daniel *(Chairman)*	1/1
Mr. Li Ka Fai, David *(Member)*	1/1
Mr. Lee Choy Sang *(Member)*	1/1

(VI) NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee. The Board is responsible for the procedure of selecting and appointing Directors.

Those Directors appointed by the Board during the year shall hold office until the next annual general meeting and being eligible, they offer themselves for re-election.

(VII) INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the system of internal controls of the Group during the year under review, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Group's assets.

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Accordingly, management of the Company had been provided with clear instructions that any material issues relating to the internal control system, particularly in any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group are to be reported to the Board and the Audit Committee of the Company on a timely basis.

(VIII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the consolidated financial statements of the Group, which give a true and fair review of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the consolidated financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the consolidated financial statements are published in a timely manner.

The consolidated financial statements were audited by the external Auditors, SHINEWING (HK) CPA Limited and their reporting responsibilities are set out in the Independent Auditor's Report contained in this Annual Report.

The consolidated financial statements have been prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(IX) INVESTOR RELATIONS

The Company is committed to ensure shareholders' interest. To this end, the general meeting of the Company serves as a communication channel between Directors and shareholders. During the general meeting, Chairman of the Board and its committee members will be present to answer the queries that any individual shareholder may have, and separate resolutions are proposed on each substantial issue, including the re-election of retiring Directors.

The notice of AGM shall be sent to all shareholders at least 20 clear business days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular containing such detailed information will be sent to the shareholders in due course.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number:	2834-2833
Fax number:	2893-1312
By post:	Units 801-802, 8th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong
Attention:	Company Secretarial Department
By email:	info@cosmoholdings.com

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED
四海國際集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 98, which comprise the consolidated statement of financial position as at 31 March 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224

Hong Kong
24 June 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	8	**160,229**	128,169
Revenue	9	**5,255**	15,593
Net gain on disposal of financial assets at fair value through profit or loss		**4,656**	47,718
Gain on realisation of derivative financial assets		**—**	2,772
Other operating income	10	**732**	1,762
Administration expenses		**(20,080)**	(15,522)
Impairment loss on deposit paid for acquisition of a subsidiary	21b	**—**	(7,044)
Gain (loss) on changes in fair value of financial instruments, net	11	**255,162**	(338,912)
Gain on changes in fair value of investment properties	19	**5,000**	5,000
Loss on disposal of a subsidiary	32	**(88)**	—
Share of results of jointly controlled entities	20	**(1,794)**	(949)
Finance costs	12	**(33,384)**	(35,001)
Profit (loss) before tax	13	**215,459**	(324,583)
Income tax expense	15	**(385)**	(5,804)
Profit (loss) for the year		**215,074**	(330,387)
Other comprehensive income			
Exchange differences arising on translating foreign subsidiaries		**(148)**	2,531
Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of subsidiaries		**—**	(500)
Share of other comprehensive income (loss) of jointly controlled entities		**6,829**	(1,245)
Other comprehensive income for the year		**6,681**	786
Total comprehensive income (loss) for the year		**221,755**	(329,601)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**215,415**	(330,387)
Non-controlling interests		**(341)**	—
		215,074	(330,387)
Total comprehensive income (loss) attributable to:			
Owners of the Company		**222,092**	(329,601)
Non-controlling interests		**(337)**	—
		221,755	(329,601)

	Note	2011	2010 (Restated)
Earnings (loss) per share	16		
– Basic		**1.89 HKcents**	(2.93) HKcents
– Diluted		**(0.05) HKcents**	(2.93) HKcents

Consolidated Statement of Financial Position

At 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property and equipment	18	**277**	259
Investment properties	19	**80,000**	75,000
Interests in jointly controlled entities	20	**187,151**	176,147
		267,428	251,406
Current assets			
Deposit paid for a property development project	21a	**24,500**	—
Prepayments, deposits and other receivables	22	**978**	1,071
Financial assets at fair value through profit or loss	23	**263,653**	221,901
Tax recoverable	24	**2,598**	—
Pledged bank deposits	25	**—**	506
Deposits placed with securities brokers	25	**10,748**	32,350
Cash and bank balances	25	**97,907**	142,410
		400,384	398,238
Current liabilities			
Accrued liabilities and other payables		**4,702**	4,512
Amount due to a related company	26	**—**	1,479
Derivative financial liabilities	27	**202,452**	434,924
Provisions	28	**1,199**	1,148
Income tax payable		**25,369**	28,010
Convertible bonds	29	**169,991**	192,242
		403,713	662,315
Net current liabilities		**(3,329)**	(264,077)
Total assets less current liabilities		**264,099**	(12,671)
Non-current liability			
Convertible bonds	29	**206,419**	183,994
		57,680	(196,665)

Consolidated Statement of Financial Position

At 31 March 2011

	Note	**2011**	2010
		HK$'000	HK$'000
Capital and reserves			
Share capital	30	**2,357**	2,253
Reserves		**55,660**	(198,918)
Equity attributable to owners of the Company (capital deficiency)		**58,017**	(196,665)
Non-controlling interests		**(337)**	—
		57,680	(196,665)

The consolidated financial statements on pages 29 to 98 were approved and authorised for issue by the board of directors on 24 June 2011 and are signed on its behalf by:

Bong Shu Yin, Daniel	**Cheng Sui Sang**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2011

	Attributable to owners of the Company											
	Share Capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Contributed surplus (note) HK$'000	Convertible bonds reserve HK$'000	Other reserve HK$'000	(Accumulated loss) retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009	2,253	165,029	209	28,309	4,122	26,801	29,373	–	(123,794)	132,302	–	132,302
Loss for the year	–	–	–	–	–	–	–	–	(330,387)	(330,387)	–	(330,387)
Other comprehensive income for the year	–	–	–	–	786	–	–	–	–	786	–	786
Total comprehensive income (loss) for the year	–	–	–	–	786	–	–	–	(330,387)	(329,601)	–	(329,601)
Unclaimed dividend written back	–	–	–	–	–	–	–	–	134	134	–	134
Disposal of a subsidiary	–	–	–	(27,291)	–	–	–	–	27,791	500	–	500
At 31 March 2010 and 1 April 2010	2,253	165,029	209	1,018	4,908	26,801	29,373	–	(426,256)	(196,665)	–	(196,665)
Profit for the year	–	–	–	–	–	–	–	–	215,415	215,415	(341)	215,074
Other comprehensive income for the year	–	–	–	–	6,677	–	–	–	–	6,677	4	6,681
Total comprehensive income for the year	–	–	–	–	6,677	–	–	–	215,415	222,092	(337)	221,755
Conversion of convertible bonds (note 29)	104	37,740	–	–	–	–	(4,634)	–	–	33,210	–	33,210
Acquisition of additional interest in a subsidiary (note 40)	–	–	–	–	–	–	–	(620)	–	(620)	–	(620)
At 31 March 2011	2,357	202,769	209	1,018	11,585	26,801	24,739	(620)	(210,841)	58,017	(337)	57,680

Note:

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Operating activities			
Profit (loss) before tax		**215,459**	(324,583)
Adjustments for :			
Gain on realisation of derivative financial assets		**—**	(2,772)
Interest income		**(552)**	(1,240)
Share of results of jointly controlled entities		**1,794**	949
Depreciation on property and equipment		**84**	337
Written off of property and equipment		**29**	46
Provisions	28	**—**	1,148
Impairment loss on deposit paid for acquisition of a subsidiary	21b	**—**	7,044
(Gain) loss on changes in fair value of financial instruments, net		**(255,162)**	338,912
Gain on changes in fair value of investment properties		**(5,000)**	(5,000)
Loss on disposal of a subsidiary	32	**88**	—
Finance costs		**33,384**	35,001
Operating cashflows before movements in working capital		**(9,876)**	49,842
Decrease (increase) in prepayments, deposits and other receivables		**120**	(290)
Increase in financial assets at fair value through profit or loss		**(38,528)**	(80,423)
Decrease in derivative financial assets		**—**	4,657
Decrease (increase) in deposits placed with securities brokers		**21,602**	(32,350)
Increase (decrease) in accrued liabilities and other payables		**137**	(901)
Cash used in operations		**(26,545)**	(59,465)
Hong Kong Profits Tax paid		**(2,597)**	(59)
Net cash used in operating activities		**(29,142)**	(59,524)

Consolidated Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011	2010
		HK$'000	HK$'000
Investing activities			
Decrease in loan receivable		—	11,500
Proceeds on realisation of derivative financial assets		—	3,156
Interest received		552	1,240
Net cash inflow on disposal of a subsidiary	32	16,351	360
Increase in deposit paid for acquisition of a subsidiary		—	(7,044)
Advance to jointly controlled entities		(5,969)	(622)
Decrease (increase) in pledged bank deposits		506	(506)
Purchase of property and equipment		(126)	(322)
Deposit paid for a property development project		(24,500)	—
Acquisition of additional interest in a subsidiary		(620)	—
Net cash (used in) generated from investing activities		(13,806)	7,762
Financing activities			
(Repayment to) advances from a related company		(1,479)	1,479
Interest paid		—	(21)
Net cash (used in) generated from financing activities		(1,479)	1,458
Net decrease in cash and cash equivalents		(44,427)	(50,304)
Cash and cash equivalents at beginning of year		142,410	192,673
Effect of foreign exchange rate changes		(76)	41
Cash and cash equivalents at end of year, represented by cash and bank balances		97,907	142,410

1. GENERAL

The Company is an exempted limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries is HK$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are property investment, property development, securities investment and other investments. The principal activities of the principal subsidiaries are set out in note 37.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately HK$3,329,000 as at 31 March 2011. In the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company had taken into consideration of the following facts and circumstances:

a) as at 31 March 2011, included in the current liabilities of the Group was derivative financial liabilities of approximately HK$202,452,000 which represented an option to entitle the holders to subscribe for convertible bond to be issued with a maturity date over twelve months after 31 March 2011. Such derivative financial liabilities shall not have any cash outflow impact on the Group;

b) subsequent to 31 March 2011, the maturity date of convertible bonds with carrying amount of approximately HK$169,991,000 was further extended from 16 May 2011 to 14 February 2013 pursuant to an ordinary resolution approved by the independent shareholders of the Company on 9 June 2011. Details are set out in the Company's announcement dated on 9 June 2011 and note 41(b); and

c) subsequent to 31 March 2011, the Group finalised with the Inland Revenue Department ("IRD") certain income tax assessment of the Group for prior years and an amount of income tax provision of HK$22,265,000 as of 31 March 2011 is no longer payable. Details are set out in note 41(a).

Accordingly, the directors of the Company considered that the Group has sufficient cash resources for its operations for the next twelve months. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group not able to continue as a going concern.

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

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("INTs") (herein collectively referred to as "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HK(IFRIC)–INT 17	Distributions of Non-Cash assets to owners
HK–INT 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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

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

The application of HKAS 27 (Revised 2008) has resulted in changes in the Group's accounting policies regarding increases or decreases in ownership interests in subsidiaries of the Group. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. Under HKAS 27 (Revised 2008), all increases or decreases in such interests are dealt with in equity, with no impact on goodwill or profit or loss.

For the loss incurred by loss making subsidiary companies, the Group is required by the revised standard to account for the losses attributable to its non-controlling interests even if that results in a deficit balance for the non-controlling interests in the Group's accounts. At 31 March 2011, total comprehensive expenses attributable to the non-controlling interests in relation to share of deficiency of a subsidiary have increased by approximately HK$337,000 (2010: nil) have been recognised in consolidated statement of comprehensive income.

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

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

The Group has not early applied the following new or revised standards, amendments or INTs that have been issued but are not yet effective for the accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosure – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[6]
HKFRS 11	Joint Arrangements[6]
HKFRS 12	Disclosure of Interests in Other Entities[6]
HKFRS 13	Fair Value Measurement[6]
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (Revised)	Related Party Disclosure[3]
HKAS 27 (Revised)	Separate Financial Statements[6]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[6]
HK (IFRIC) – INT 14 (Amendment)	Prepayments of a Minimum Funding Requirement[3]
HK (IFRIC) – INT 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

2 Effective for annual periods beginning on or after 1 July 2010.

3 Effective for annual periods beginning on or after 1 January 2011.

4 Effective for annual periods beginning on or after 1 July 2011.

5 Effective for annual periods beginning on or after 1 January 2012.

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

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

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

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

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

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

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

Non-controlling interests in a subsidiary are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Allocation of total comprehensive income to non-controlling interests (Continued)

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 April 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

Interests in jointly controlled entities

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

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

When a group entity transacts with a jointly controlled entity of the Group, profits or losses resulting from the transactions with the jointly controlled entity is recognised in the Group's consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

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

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

Investment properties

Investment properties are properties held to earn rentals and / or for capital appreciation. On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the year in which they arise.

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

Revenue recognition

Revenue from trading of securities and securities dealing is recognised on the trade date basis that the relevant trading contracts are executed.

Interest income from a financial asset (including financial assets at fair value through profit or loss ("FVTPL")) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments (including financial assets at FVTPL) is recognised when the shareholders' rights to receive payment have been established.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of two categories, including financial assets at FVTPL and loan and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Loans and receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment loss on financial assets

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

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified as FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including accrued liabilities and other payables and amount due to a related company are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds contain liability and equity components

Convertible bonds issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated profit (losses). No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and are amortised over the period of the convertible bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds contain liability and equity components, and derivative component (option to subscribe for convertible bonds)

Convertible bonds issued by the Group that contain liability, conversion option and derivative component (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. At the date of issue, both the liability and derivative component are measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability and derivative component respectively, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and derivative components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly in equity. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and are amortised over the period of the convertible bonds using the effective interest method.

Equity instruments

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in profit or loss.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefit schemes are charged as an expense when employees have rendered services entitling them to the contributions.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (exchange fluctuation reserve).

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect is material).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment loss on tangible assets

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Critical judgments in applying the entity's accounting policies *(Continued)*

Going concern and liquidity consideration

The assessment of the going concern and liquidity assumption involves making a judgment by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast doubt about the going concern assumption are set out in note 2.

Key sources of estimation uncertainty

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

Estimated fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 March 2011 at their fair value of approximately HK$80,000,000 (2010: HK$75,000,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers by reference to market evidence of transaction prices for similar properties in the same locations and conditions. Favourable or unfavourable changes in market would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of profit or loss reported in the consolidated statement of comprehensive income.

Fair value of derivative financial liabilities

The fair values of the derivative financial liabilities involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation. As at 31 March 2011, the carrying amount and the fair value of derivative financial liabilities were approximately HK$202,452,000 (2010: HK$434,924,000).

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Estimated impairment loss on deposit paid for acquisition of a subsidiary

The Group recognised impairment loss on deposit paid for acquisition of a subsidiary of approximately HK$7,044,000 during the year ended 31 March 2010 (2011: Nil), which was based on the assessment of the recoverability of such deposit. The Group recognised impairment based on the extent and timing of estimated future cash flows using applicable discount rate.

Impairment loss is recognised where events or changes in circumstances indicate that such deposit is not collectible. The identification of doubtful debts requires the use of estimation. Where the actual is different from the original estimate, such difference will impact the carrying value of deposit paid for acquisition of a subsidiary and impairment loss in the period in which the actual outcome is known or such estimate has been changed.

As at 31 March 2010 and 2011, the carrying amount of deposit paid for acquisition of a subsidiary is nil, net of impairment loss of approximately HK$7,044,000.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. 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 period in which such determination is made.

Provision for claims

Provision for claims represents provision made for the probable obligations in the settlement of the legal claims against the Group. In making the estimates, the directors of the Company considered the details and progress of all legal claims. In determining whether a provision for claims is required, the directors of the Company will take into consideration for the probability of the payment of the obligations. Specific provision is only made for the amount that is probable. In this regard, the directors of the Company believed that the provision for claims has been properly made. During the year ended 31 March 2010, provision of approximately HK$1,148,000 (2011: Nil) was provided. Details are set out in note 28.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Recoverability of deposit paid for a property development project

As more fully explained in note 21(a), the Group had a deposit paid for a property development project of HK$24,500,000 as at 31 March 2011 (2010: nil). The directors of the Company assess the recoverability of such deposit by taken into consideration of (i) assessment of business prospects of relevant property development project, and (ii) assessment of financial ability of guarantor who had guaranteed to repay the deposit, if the relevant project is rescinded subsequently.

As at 31 March 2011, to the best knowledge of the directors, the directors of the Company considered no recoverability problem of the deposits paid of HK$24,500,000 based on the current facts and circumstances and status of the project.

Estimated impairment loss on interests in jointly controlled entities

As at 31 March 2011, the carrying amount of interests in jointly controlled entities is approximately HK$187,151,000 (2010: HK$176,147,000) without impairment loss.

The directors of the Company determined whether interests in jointly controlled entities are impaired by reference to an estimation of the recoverable amount of investment. The recoverable amount of the interests in jointly controlled entities requires the Group to estimate the future cash flows expected to arise from the jointly controlled entities and a suitable discount rate including the risk adjustment in order to calculate the present value. The assumption includes management's best estimate of the set of economic conditions in the future.

6. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes convertible bonds in note 29, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	2011	2010
	HK$'000	HK$'000
Financial assets		
FVTPL:		
Held for trading investments	**263,653**	221,901
Loan and receivables (including cash and bank balances)	**134,133**	176,194
	397,786	398,095
Financial liabilities		
Derivative financial liabilities	**202,452**	434,924
Amortised cost	**381,112**	382,227
	583,564	817,151

7b. Financial risk management objectives and policies

The Group's major financial instruments include refundable deposits and other receivables, financial assets at FVTPL, pledged bank deposits, deposits placed with securities brokers, cash and bank balances, accrued liabilities and other payables, amount due to a related company, derivative financial liabilities and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(a) Currency risk

The Group is exposed to foreign currency risk primarily through monetary assets that are denominated in a currency other than the functional currency of the Group to which they relate. The currency giving rise to this risk is United States Dollar ("USD").

The Group does not hedge its foreign currency risks, as the rate of exchange between HK$ and USD is controlled within a tight range. The management determined that there is insignificant effect to the results and equity of the Group. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(b) Price risk

The Group is exposed to price risk through its investments in listed equity securities and derivative financial liabilities embedded in the convertible bonds.

The management manages the exposure of price risk of listed equity securities by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange.

The derivative financial liabilities are the option to subscribe additional convertible bond by the holder for cash subscription paid to the Group and the Group does not have obligation to settle the liabilities in cash. Thus, the management does not hedge its equity price risk.

Sensitivity analysis

The sensitivity analyses below of listed equity securities have been determined based on the exposure to price risks at the reporting date. A 10% increase or decrease in equity prices is used when reporting price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity prices.

If the prices of the respective equity instruments had been 10% (2010: 10%) higher / lower with all other variables held constant, the post tax profit for the year increase / decrease by approximately HK$22,015,000 (2010: loss decrease / increase by approximately HK$18,529,000) as a result of the changes in fair value of equity securities.

As at 31 March 2011, if the share price of the Company had increased or decreased by 10% and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated post tax profit for the year would decrease by approximately HK$23,079,000 or increase by approximately HK$22,791,000 respectively, arising from changes in fair value of the derivative financial liabilities.

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to convertible bonds issued by the Group (see note 29). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, deposits placed with securities brokers and bank balances (see note 25) due to the fluctuation of the prevailing market interest rate.

The management determined that the fair value and cash flow interest rate risks have insignificant effect to the results of the Group.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 March 2011, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong ("HK").

The credit risk on liquid funds is limited because the counterparties are banks and securities brokers with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk.

Liquidity risk

The Group is exposed to liquidity risk as at the end of the reporting period as its financial assets due within one year was less than its financial liabilities due within one year and had net current liabilities as of approximately HK$3,329,000 as at 31 March 2011. As explained in note 2, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuates in cash flows. The Group has planned measures to maintain a healthy cash and working capital position of the Group to ensure the Group's liquidity.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing.

7. FINANCIAL INSTRUMENTS *(Continued)*

7b. Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

	Within 1 year HK$'000	**1-5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Carrying amounts HK$'000**
As at 31 March 2011				
Non-derivative financial liabilities				
Accrued liabilities and other payables	**4,702**	**—**	**4,702**	**4,702**
Convertible bonds	**172,343**	**256,020**	**428,363**	**376,410**
	177,045	**256,020**	**433,065**	**381,112**

	Within 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
As at 31 March 2010				
Non-derivative financial liabilities				
Accrued liabilities and other payables	4,512	—	4,512	4,512
Amount due to related company	1,479	—	1,479	1,479
Convertible bonds	197,323	256,020	453,343	376,236
	203,314	256,020	459,334	382,227

7. FINANCIAL INSTRUMENTS *(Continued)*

7c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing model based on discounted cash flow analysis; and
- The fair value of derivative instruments are calculated using Binomial Option Pricing Model as set out in note 27.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

Fair value measurements recognised in the consolidated statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7. FINANCIAL INSTRUMENTS *(Continued)*

7c Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

As at 31 March 2011

	Level 1	**Level 2**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
Financial assets			
Financial assets at FVTPL	**263,653**	**—**	**263,653**
Financial liabilities			
Derivative financial liabilities	**—**	**202,452**	**202,452**

As at 31 March 2010

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Financial assets			
Financial assets at FVTPL	221,901	—	221,901
Financial liabilities			
Derivative financial liabilities	—	434,924	434,924

Significant assumptions used in determining fair value of derivative financial liabilities are set out in note 27.

8. TURNOVER

The following is an analysis of the Group's turnover for the year:

	2011	2010
	HK$'000	HK$'000
Proceeds from disposal of financial assets at FVTPL	154,974	112,576
Dividend income from financial assets at FVTPL	5,245	15,576
Interest income from deposits placed with securities brokers	10	17
	160,229	128,169

9. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and investments.

The Group's reportable segments under HKFRS 8 are as follows:

(a) Securities trading – engaged in trading of listed and unlisted securities;

(b) Property investment and development – engaged in property investment and property development.

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 March 2011

	Securities trading HK$'000	Property investment and development HK$'000	Total HK$'000
Turnover	160,229	—	160,229
Revenue			
External	5,255	—	5,255
Segment profit (loss)	32,490	(499)	31,991
Other operating income			732
Unallocated corporate expenses			(14,470)
Loss on disposal of a subsidiary			(88)
Gain on changes in fair value of derivative financial instruments related to convertible bonds			232,472
Share of results of jointly controlled entities			(1,794)
Finance costs			(33,384)
Profit before tax			215,459

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 March 2010

	Securities trading HK$'000	Property investment and development HK$'000	Total HK$'000
Turnover	128,169	—	128,169
Revenue			
External	15,593	—	15,593
Segment profit	120,575	1,962	122,537
Other operating income			1,762
Unallocated corporate expenses			(12,378)
Impairment loss on other receivables			(7,044)
Loss on change in fair value of derivative financial instruments related to convertible bonds			(393,510)
Share of results of jointly controlled entities			(949)
Finance costs			(35,001)
Loss before tax			(324,583)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4. Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, income tax expense / credit, directors' emoluments, loss on disposal of a subsidiary, other operating income, impairment loss on other receivables, gain or loss on change in fair value of derivative financial instruments related to convertible bonds, share of results of jointly controlled entities and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment.

	2011	2010
	HK$'000	HK$'000
Segment assets		
Securities trading	274,401	254,251
Property investment and development	104,948	75,323
Total segment assets	379,349	329,574
Unallocated corporate assets	288,463	320,070
Consolidated assets	667,812	649,644
Segment liabilities		
Securities trading	465	895
Property investment and development	5,436	4,765
Total segment liabilities	5,901	5,660
Unallocated corporate liabilities	604,231	840,649
Consolidated liabilities	610,132	846,309

For the purpose of monitoring segment performances and allocating resources between segments:

— all assets are allocated to reportable segments other than interests in jointly controlled entities, tax recoverable, pledged bank deposit, cash and bank balances and assets for central administration.

— all liabilities are allocated to reporting segments other than amount due to a related company, derivative financial liabilities, income tax payable, convertible bonds and liabilities for central administration.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2011

	Securities trading HK$'000	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets				
Addition to non-current assets (note)	—	125	1	126
Depreciation	—	43	41	84
Written off of property and equipment	—	—	29	29
Net gain on disposal of financial assets at FVTPL	(4,656)	—	—	(4,656)
Gain on change in fair value of financial instruments, net	(22,690)	—	(232,472)	(255,162)
Gain on change in fair value of investment properties	—	(5,000)	—	(5,000)
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets				
Interest income	—	—	552	552
Interests in jointly controlled entities	—	187,151	—	187,151
Share of loss of jointly controlled entities	—	1,794	—	1,794
Finance costs	—	—	33,384	33,384

Note:

Addition to non-current assets excluded interests in jointly controlled entities.

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2010

	Securities investment HK$'000	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets				
Addition to non-current assets (note)	—	240	82	322
Depreciation	—	261	76	337
Written off of property and equipment	—	—	46	46
Net gain on disposal of financial assets at FVTPL	(47,718)	—	—	(47,718)
Gain on realisation of derivative financial assets	(2,772)	—	—	(2,772)
Loss on change in fair values of financial instruments, net	(54,598)	—	393,510	338,912
Gain on change in fair values of investment properties	—	(5,000)	—	(5,000)
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets				
Interest income	—	—	1,240	1,240
Interests in jointly controlled entities	—	176,147	—	176,147
Share of loss of jointly controlled entities	—	949	—	949
Finance costs	—	—	35,001	35,001

Note:

Addition to non-current assets excluded interests in jointly controlled entities.

9. SEGMENT INFORMATION *(Continued)*

Revenue

The following is an analysis of the Group's revenue:

	2011	2010
	HK$'000	HK$'000
Dividend income from financial assets at FVTPL	5,245	15,576
Interest income from deposits placed with securities brokers	10	17
	5,255	15,593

Geographical information

The Group's operations are located mainly in HK.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
HK	5,255	15,593	80,093	75,133
The PRC	—	—	187,335	176,273
	5,255	15,593	267,428	251,406

Information about major customers

During the years ended 31 March 2011 and 2010, no single customer has contributed over 10% of the total turnover and revenue of the Group.

10. OTHER OPERATING INCOME

	2011	2010
	HK$'000	HK$'000
Interest income from:		
Pledged bank deposits	—	6
Bank balances	552	500
Loan receivable	—	734
Total interest income	552	1,240
Sundry income	180	522
	732	1,762

11. GAIN (LOSS) ON CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, NET

	2011	2010
	HK$'000	HK$'000
Gain on change in fair value of financial assets at FVTPL	22,690	54,598
Gain (loss) on change in fair value of derivative financial liabilities	232,472	(393,510)
	255,162	(338,912)

12. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on other borrowings repayable within five years	—	21
Imputed interest expense on convertible bonds (note 29)	33,384	34,980
	33,384	35,001

13. PROFIT (LOSS) BEFORE TAX

Profit (loss) before tax has been arrived at after charging:

	2011 HK$'000	2010 HK$'000
Staff costs (excluding directors' emoluments in note 14(a))		
Wages and salaries	1,299	1,207
Retirement benefits scheme contributions	103	106
	1,402	1,313
Auditors' remuneration	498	513
Written off of property and equipment	29	46
Depreciation on property and equipment	84	337
Provision for claims	—	1,148

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of ten (2010: ten) directors were as follows:

For the year ended 31 March 2011

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Bong Shu Yin, Daniel	108	2,414	12	2,534
Cheng Sui Sang	108	884	12	1,004
Non-executive directors				
Wang Baoning	108	—	—	108
Bong Shu Ying, Francis	108	—	—	108
Ng Kwai Kai, Kenneth	108	—	—	108
Leung So Po, Kelvin	108	—	—	108
Wong Po Man, Kenneth	108	—	—	108
Independent non-executive directors				
Li Ka Fai, David	126	—	—	126
Lee Choy Sang	108	—	—	108
Ka Kit	108	—	—	108
Total	1,098	3,298	24	4,420

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 March 2010

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Bong Shu Yin, Daniel	104	2,320	12	2,436
Cheng Sui Sang	104	849	12	965
Non-executive directors				
Wang Baoning	104	—	—	104
Bong Shu Ying, Francis	104	—	—	104
Ng Kwai Kai, Kenneth	104	—	—	104
Leung So Po, Kelvin	104	—	—	104
Wong Po Man, Kenneth	9	—	—	9
Independent non-executive directors				
Li Ka Fai, David	117	—	—	117
Lee Choy Sang	104	—	—	104
Ka Kit	104	—	—	104
Total	958	3,169	24	4,151

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2010: two) were directors of the Company whose emoluments are set out in note 14(a) above. Details of the emoluments of the remaining three (2010: three) individuals were as follows:

	2011	2010
	HK$'000	HK$'000
Basic salaries, allowance and benefits in kind	**782**	814
Retirement benefits scheme contributions	**32**	34
	814	848

The emoluments of each of the employees are less than HK$1,000,000 for two years ended 31 March 2011 and 2010.

During the two years ended 31 March 2011 and 2010, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the employees has waived any emoluments during the two years ended 31 March 2011 and 2010.

15. INCOME TAX EXPENSE

	2011	2010
	HK$'000	HK$'000
Current tax expense:		
Hong Kong Profits Tax		
Charge for the year	**1,236**	5,745
(Over) under provision in prior years	**(851)**	59
	385	5,804

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the two years ended 31 March 2011 and 31 March 2010.

Income tax expense arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No tax provision for other jurisdictions has been made as the Group did not derive any assessable profits for the two years ended 31 March 2011 and 31 March 2010.

15. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the years can be reconciled to the profit (loss) before tax per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Profit (loss) before tax	**215,459**	(324,583)
Tax at the Hong Kong profits tax rate of 16.5% (2010: 16.5%)	**35,551**	(53,556)
Tax effect of expenses not deductible for tax purpose	**8,533**	74,296
Tax effect of income not taxable for tax purpose	**(40,229)**	(3,653)
Utilisation of tax losses not recognised in prior years	**(3,396)**	(11,611)
Tax effect of tax losses not recognised	**777**	269
(Over) under provision in prior years	**(851)**	59
Income tax expense for the year	**385**	5,804

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$58,517,000 (2010: HK$74,390,000) available to set off against future taxable profits. No deferred tax asset has been recognised for such tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

16. EARNINGS (LOSS) PER SHARE

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

	2011 HK$'000	2010 HK$'000
Profit (loss)		
Profit (loss) for the purpose of basic earnings (loss) per share		
Profit (loss) for the year attributable to owners of the Company	**215,415**	(330,387)
Effect of dilutive potential ordinary shares:		
Gain on change in fair value of derivative financial liabilities	**(232,472)**	—
Imputed interest expense on a convertible bond	**7,394**	—
Loss for the purpose of diluted loss per share	**(9,663)**	(330,387)

16. EARNINGS (LOSS) PER SHARE *(Continued)*

	2011	2010
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**11,369,791**	11,267,215
Effect of dilutive potential ordinary shares:		
Options to subscribe for convertible bonds	**3,333,333**	—
Convertible bond	**3,546,500**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**18,249,624**	11,267,215

The weighted average number of ordinary share for the purpose of basic and diluted loss per ordinary share as presented in the current year's consolidated financial statements for the year ended 31 March 2010 had been adjusted for the subdivision of each ordinary share into five subdivided ordinary shares effective on 30 August 2010.

Diluted loss per share is same as basic loss per share for the year ended 31 March 2010. The computation of diluted loss per share does not assume the conversion / exercise of the Company's outstanding convertible bonds and options to subscribe for additional convertible bonds since their exercises would result in a decrease in loss per share for the year ended 31 March 2010.

The computation of diluted loss per share for the year ended 31 March 2011 does not assume the conversion of the Company's outstanding convertible bonds set out in Note 29(b) and Note 29(c) since their exercise would result in a decrease in loss per share for the year ended 31 March 2011.

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2011, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

18. PROPERTY AND EQUIPMENT

	Leasehold improvement	Furniture, equipment, and computer software	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2009	130	269	114	513
Additions	51	271	—	322
Written off	(130)	(7)	—	(137)
Exchange adjustment	—	1	1	2
At 31 March 2010 and 1 April 2010	51	534	115	700
Additions	—	1	125	126
Written off	—	(87)	—	(87)
Exchange adjustment	—	15	4	19
At 31 March 2011	51	463	244	758
ACCUMULATED DEPRECIATION				
At 1 April 2009	61	93	39	193
Charge for the year	33	275	29	337
Eliminated on written off	(87)	(4)	—	(91)
Exchange adjustment	—	1	1	2
At 31 March 2010 and 1 April 2010	7	365	69	441
Charge for the year	10	44	30	84
Eliminated on written off	—	(58)	—	(58)
Exchange adjustment	—	10	4	14
At 31 March 2011	17	361	103	481
CARRYING VALUES				
At 31 March 2011	34	102	141	277
At 31 March 2010	44	169	46	259

The above items of property and equipment are depreciated on a straight-line basis at 20% - 30% per annum.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2009	70,000
Increase in fair value recognised in the consolidated statement of comprehensive income	5,000
At 31 March 2010 and 1 April 2010	75,000
Increase in fair value recognised in the consolidated statement of comprehensive income	5,000
At 31 March 2011	80,000

The investment properties are located in Hong Kong and held under medium lease terms.

The fair values of the Group's investment properties at 31 March 2011 and 2010 have been arrived at on the basis of a valuation carried out on that date by Landscope Surveyors Limited, an independent qualified professional valuer not connected with the Group. Landscope Surveyors Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2011 **HK$'000**	2010 HK$'000
Cost of investments	**1**	1
Loans to jointly controlled entities	**182,600**	176,631
Share of post-acquisition reserves (losses)	**4,550**	(485)
	187,151	176,147

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Details of the Group's jointly controlled entities as at 31 March 2011 and 31 March 2010 are as follows:

Name of entity	Form of business structure	Place of incorporation, country of registration and operations	Nominal value of issued ordinary share capital / paid up registered capital	Principal activities
Faith Crown Holdings Limited ("Faith Crown")	Incorporated	BVI	US$100	Investment holding
Joyous Unity Investments Limited	Incorporated	BVI	US$1	Investment holding
Excel Crown Investments Limited	Incorporated	BVI	US$1	Investment holding
Farah Investments Limited	Incorporated	HK	HK$2	Investment holding
Ready Success Investments Limited	Incorporated	HK	HK$1	Investment holding
置富投資開發（成都）有限公司	Incorporated	PRC	HK$336,000,960	Property development
成都富博房地產開發有限公司	Incorporated	PRC	RMB10,000,000	Property development

The Group holds 50% equity interests in these jointly controlled entities. Under the relevant joint venture agreement, all the operating and financial decisions have to be jointly approved by the Group and the joint venture partner. Accordingly, these entities are classified as jointly controlled entities of the Group.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2011 HK$'000	2010 HK$'000
Current assets	**78,780**	80,241
Non-current assets	**304,967**	272,693
Current liabilities	**9,251**	246
Non-current liabilities	**365,395**	353,656
Group's share of net assets (liabilities) of jointly controlled entities	**4,551**	(484)

	2011 HK$'000	2010 HK$'000
Income	**879**	1,134
Expenses	**4,467**	3,031
The Group's share of losses of jointly controlled entities	**1,794**	949

At the end of the reporting period, the Group's share of capital commitments of Faith Crown in respect of a property development project was as follows:

	2011 HK$'000	2010 HK$'000
Contracted, but not provided for	**81,999**	81,999

21. DEPOSITS PAID

(a) Deposit paid for a property development project

As of 31 March 2011, the Group had a refundable deposit of HK$24,500,000 in respect of a property development project in HK.

During the year, on 11 November 2010, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to acquire 30% equity interests of Apex Point Holdings Limited (the "Target Company") for a consideration of approximately HK$31,000,000. The Target Company and its subsidiaries (collectively referred to as the "Target Group") mainly engaged in a property development project in Hong Kong. All obligations of the Vendor under the Agreement are guaranteed by the beneficial owner of the Vendor.

Pursuant to the Agreement, the Group paid HK$24,500,000 as a deposit for the acquisition of the Target Company's 30% equity interests. The remaining balance of approximately HK$6,500,000 shall be paid by the Group upon satisfactory completion of the conditions as set out in the Agreement by the Target Group to complete the government approval of change of the usage of land on or before 10 November 2012.

In addition, pursuant to the Agreement, the Vendor is required to procure the other shareholders of the Target Company to offer to sell their aggregate 70% equity interests herein to the Group, at the Group's option at an aggregate consideration of not more than approximately HK$72,333,000.

The Group has a unilateral right to rescind the Agreement. Upon rescission of the Agreement, the deposit paid of HK$24,500,000 shall be fully refundable by the Vendor to the Group without interest.

21. DEPOSITS PAID *(Continued)*

(b) Deposit paid for acquisition of a subsidiary

On 23 October 2009, the Group entered into a framework agreement (the "Framework Agreement") with two independent third parties, to acquire 70% equity interests in a company (the "Proposed Target Company") established in the PRC (the "Proposed Acquisition").

Upon signing of the Framework Agreement, the Group paid a refundable cash deposit of RMB6,200,000 (equivalent to approximately HK$7,044,000) (the "Deposit") to the two independent third parties and held certain PRC land use rights owned by the Proposed Target Company as collateral. Pursuant to the terms as set out in the Framework Agreement, if the Group and the two independent third parties fail to enter into a definitive agreement in relation to the Proposed Acquisition on or before 22 November 2009, the Framework Agreement will lapse and the contractual parties will have no further obligation to each other, save and except that the Group shall return the land use rights to the two independent third parties and the two independent third parties shall refund to the Group the Deposit with interest.

Subsequently, the Group and the two independent third parties had not entered into any definitive agreement and the Framework Agreement lapsed. However, the two independent third parties have not refunded the Deposit. The Group had brought a legal action against the two independent third parties on 10 June 2010 to recover the Deposit. During the year ended 31 March 2010, an impairment loss of approximately HK$7,044,000 (2011: Nil) was recognised in the consolidated statement of comprehensive income.

According to the verdict given by 廣東省惠州市中級人民法院(*Guangdong Province Hui Zhou People's Intermediate Court) on 4 January 2011, it was held in favour of the return of the Deposit without accrued interest to the Group from the two independent third parties. However, subsequent to the verdict, both the Group, who claimed for the accrued interest of late return of the Deposit, and the two independent parties have filed appeal to 廣東省高級人民法院 (*Guangdong Province People's High Court) on 24 March 2011 and 10 March 2011 respectively. As of the date on which these financial statements are being approved by the directors of the Company, the legal case is still not yet finalised. As at 31 March 2010 and 2011, the carrying amount of deposit paid, net of impairment of approximately HK$7,044,000, was nil.

* The English transliteration of the Chinese name of the court is for identification purpose only and should not be regarded as the official English name of the court.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2011 HK$'000	2010 HK$'000
Prepayments, deposits and other receivables	**1,027**	1,120
Less: Impairment loss recognised	**(49)**	(49)
	978	1,071

Movement in the allowance for doubtful debts

	2011 HK$'000	2010 HK$'000
At 1 April and 31 March	**49**	49

Included in the allowance for doubtful debts were individually impaired other receivables with an aggregate balance of approximately HK$49,000 (2010: HK$49,000) which have been long overdue. The Group does not hold any collateral over these balances.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	HK$'000	HK$'000
Held for trading investments		
Listed investments:		
Equity securities listed in HK	**263,653**	221,901

24. TAX RECOVERABLE

During the year, a subsidiary of the Group was subject to additional assessment by the IRD in respect of income tax payable for certain prior years. The Group had lodged objections against the additional assessments and the IRD held over the payment of income tax hereof. An equal amount of tax reserve certificates were purchased by the Group and such amount was recorded as tax recoverable as at 31 March 2011.

Based on the current facts and circumstances, the directors of the Company consider that the Group had valid ground to reasonably defend its tax position. Accordingly, no provision for the additional income tax was recorded for the year ended 31 March 2011.

25. PLEDGED BANK DEPOSITS / DEPOSITS PLACED WITH SECURITIES BROKERS / CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 0.36% (2010: 0.01% to 0.36%) per annum. As at 31 March 2011, bank balances of approximately HK$3,000 (2010: HK$125,000) was denominated in USD, which was the currency other than the functional currency of the relevant entities.

Pledged bank deposits represent deposits pledged to the bank to secure a short-term corporate card facility and are classified as current assets. The pledged bank deposits carry interest at 2.5% per annum (2010:2.5%) and will be released upon the cancellation of such facility.

The deposits placed with securities brokers carry interest ranging from 0.01% to 0.13% (2010: 0.01% to 0.13%) per annum and are repayable on demand. As at 31 March 2011, the deposit placed with securities brokers of approximately HK$90,000 (2010: HK$99,000) was denominated in USD, which was the currency other than the functional currency of the relevant entities.

26. AMOUNT DUE TO A RELATED COMPANY

The amount was unsecured, interest-free and fully repaid during the year. The parent of the substantial shareholder of the Company has beneficial interests in the related company.

27. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging purpose. Derivative financial liabilities as at 31 March 2011 and 2010 comprise:

	2011	2010
	HK$'000	HK$'000
Options to subscribe for convertible bonds	**202,452**	434,924

Options to subscribe for additional convertible bonds were granted by the Group in conjunction with the issue of the convertible bonds due 2013 in the principal amount of HK$200,000,000 by the Group on 15 February 2008. The details of such convertible bonds and options are set out in note 29(b).

For the years ended 31 March 2011 and 2010, the fair value of the options to subscribe for convertible bonds was valued by Grant Sherman Appraisal Limited and BMI Appraisals Limited respectively, both of which are independent qualified professional valuers not connected with the Group. The valuation was made by using the Binomial Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 9.27% (2010: 12.78%).

The inputs into the model for the years ended 31 March 2011 and 31 March 2010 are set out as follows:

	2011	2010
Spot price	**HK$424,258,000**	HK$623,620,000
Exercise price	**HK$200,000,000**	HK$200,000,000
Risk free rate	**0.640%**	0.450%
Expected life	**0.94 years**	1.44 years
Expected volatility	**110.89%**	93.48%
Expected dividend yield	**Nil**	Nil

28. PROVISIONS

	HK$'000
At 1 April 2009	—
Provision for the year	1,148
At 31 March 2010 and 1 April 2010	1,148
Exchange adjustment	51
At 31 March 2011	1,199

Xinjiang Libao Ecological Development Company Limited ("Xinjiang Libao"), a non-wholly owned subsidiary of the Company, was a defendant brought by a reforestation supplier during the year ended 31 March 2010, through the litigation, claiming unsettled reforestation fees of approximately RMB934,000 (equivalent to approximately HK$1,148,000).

As at 31 March 2011 and as of the date on which these consolidated financial statements are being approved by the directors of the Company, the above litigation has not yet been finalised. After taking into consideration of the legal advices, the directors of the Company considered no additional provision is required for the year ended 31 March 2011, and provision of financial claims of approximately RMB934,000 (equivalent to approximately HK$1,148,000 as at 31 March 2010 and HK$1,199,000 as at 31 March 2011) was recorded.

29. CONVERTIBLE BONDS

As of 31 March 2011, the Group had two (2010: three) outstanding convertible bonds ("CBs").

The details of the CBs and the movements during the year are set out as follows:

(a) CB 2010

On 17 May 2007, the Company's wholly-owned subsidiary, Fancy Gold Limited, issued convertible bonds in the principal amount of HK$205,000,000 ("CB 2010") with maturity date on 16 May 2010.

The CB 2010 bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 7.5%.

Conversion rights are exercisable at any time from 16 July 2007 to 2 May 2010.

The holders of the CB 2010 are entitled to convert the CB 2010 into ordinary shares of the Company at an initial conversion price of HK$0.205 per share (subject to adjustment). The conversion price was subsequently adjusted to HK$0.20 per share (subject to adjustment).

If any of the CB 2010 has not been converted, it will be redeemed on the original maturity date of 6 May 2010 at 115.97% of the outstanding principal amount of the CB 2010.

On 30 October 2007, a principal amount of HK$61,500,000 of CB 2010 was converted into 300,000,000 new ordinary shares at the initial conversion price of HK$0.205 per share.

On 26 April 2010, the Group has entered into a deed of variation ("Deed of Variation") with a holder of CB 2010 to extend the maturity date of CB 2010 of principal amount of HK$141,450,000 from 16 May 2010 to 16 May 2011, which was approved by independent shareholders of the Company on 7 June 2010. The conversion price remained at HK$0.20 per share (subject to adjustment) and if any of the CB 2010 has not been converted subsequently, it shall be redeemed on the extended maturity date on 16 May 2011 at 121.84% of outstanding principal amount of the CB 2010. The CB 2010 bears no coupon interest and is unsecured. Details were set out in the Company's announcement on 26 April 2010.

On 27 April 2010, a principal amount of HK$2,050,000 of CB2010 was converted into 10,250,000 new ordinary shares at a conversion price of HK$0.20 per share.

Pursuant to a share subdivision effective on 30 August 2010 (the "Share Subdivision"), the conversion price of CB 2010 was further adjusted from HK$0.20 per share to HK$0.04 per share.

On 27 April 2011, the Group has further entered into another deed of variation to further extend the maturity date of CB 2010 in the principal amount of HK$141,450,000 from 16 May 2011 to 14 February 2013. All the remaining CB2010 will be redeemed by the Group at 132.84% of the outstanding principal amount of the CB2010 on 14 February 2013. Such extension of CB2010 was approved by independent shareholders of the Company on 9 June 2011.

29. CONVERTIBLE BONDS *(Continued)*

(b) CB 2013

On 15 February 2008, the Company's wholly-owned subsidiary, Apex Team Limited, issued convertible bonds in the principal amount of HK$200,000,000 ("CB 2013") with maturity date on 14 February 2013.

The CB 2013 bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 12.19%.

Conversion rights are exercisable at any time from 29 February 2008 to 31 January 2013.

The holders of CB 2013 are entitled to convert CB 2013 into ordinary shares of the Company at an initial conversion price of HK$0.60 per share (subject to adjustment). The conversion price was adjusted to HK$0.30 per share (subject to adjustment) due to the new convertible bonds issued on 25 February 2009.

If any of CB 2013 has not been converted, it will be redeemed on the maturity date at 128.01% of the outstanding principal amount of CB 2013.

Options are granted by the Group to subscribe for CB 2013 in an additional principal amount of up to HK$200,000,000 ("Optional Bonds").

The CB 2013 contains three components: liability component, equity component and embedded derivative financial liabilities of the Optional Bonds.

The options granted to subscribe for the Optional Bonds is presented in the consolidated statement of financial position as "Derivative financial liabilities" and is measured at fair value with changes in fair value recognised in profit or loss.

Pursuant to the Share Subdivision effective on 30 August 2010, the conversion price of CB2013 was further adjusted from HK$0.30 per share to HK$0.06 per share.

29. CONVERTIBLE BONDS *(Continued)*

(c) CB 2011

On 25 February 2009, the Company's wholly-owned subsidiary, Ample Legend Limited, issued convertible bonds in the principal amount of HK$28,000,000 ("CB 2011") with maturity date on 24 February 2011.

The CB 2011 bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 14.68%.

Conversion rights are exercisable at any time from 4 March 2009 to 18 February 2011.

The holders of CB 2011 are entitled to convert CB 2011 into ordinary shares of the Company at an initial conversion price of HK$0.30 per share (subject to adjustment).

If any of CB 2011 has not been converted, it will be redeemed on the maturity date at 110.38% of the outstanding principal amount of CB 2011.

The CB 2011 contains two components: liability component and equity component.

Pursuant to the Share Subdivision effective on 30 August 2010, the conversion price of CB 2011 was further adjusted from HK$0.30 per share to HK$0.06 per share.

On 17 February 2011, the full principal amount of CB 2011 was converted into 466,666,666 new ordinary shares at the adjusted conversion price of HK$0.06 per share.

29. CONVERTIBLE BONDS *(Continued)*

(d) The liability component of the above-mentioned convertible bonds represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rates for an equivalent non-convertible loan.

The equity component is presented in equity heading "Convertible bonds reserve".

The movements of the liability components of the above-mentioned convertible bonds for the year are set out below:

	CB 2010	**CB 2013**	**CB 2011**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(note 29a)	(note 29b)	(note 29c)	
Carrying amount of the liability component as at 1 April 2009	153,405	164,009	23,842	341,256
Imputed interest expense (note 12)	11,495	19,985	3,500	34,980
Carrying amount of the liability component as at 31 March 2010 and 1 April 2010	164,900	183,994	27,342	376,236
Imputed interest expense (note 12)	7,394	22,425	3,565	33,384
Conversion of convertible bonds	(2,303)	—	(30,907)	(33,210)
Carrying amount of the liability component as at 31 March 2011	169,991	206,419	—	376,410

Representing by:

	2011	2010
	HK$'000	HK$'000
Amounts due within one year shown under current liabilities	**169,991**	192,242
Amounts due after one year shown under non-current liability	**206,419**	183,994
	376,410	376,236

The movements of the equity components of all convertible bonds for the years ended 31 March 2010 and 31 March 2011 are set out in the consolidated statement of changes in equity.

30. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised :		
At 1 April 2009, 31 March 2010 and 1 April 2010, HK$0.001 each	250,000,000	250,000
Subdivision of share of HK$0.001 each into five shares of HK$0.0002 each (note (b))	1,000,000,000	—
At 31 March 2011, HK$0.0002 each	1,250,000,000	250,000
Issued and fully paid :		
At 1 April 2009, 31 March 2010 and 1 April 2010, HK$0.001 each	2,253,443	2,253
Issue of shares upon:		
Conversion of CB2010 (note (a))	10,250	10
Subdivision of share of HK$0.001 each into five shares of HK$0.0002 each (note (b))	9,054,771	—
Conversion of CB2011 (note (c))	466,667	94
At 31 March 2011, HK$0.0002 each	11,785,131	2,357

Notes:

(a) On 26 April 2010, a principal amount of HK$2,050,000 of CB2010 was converted into 10,250,000 new ordinary shares of HK$0.001 each of the Company (note 29(a)).

(b) Pursuant to an ordinary resolution approved by the shareholders of the Company on 27 August 2010, the then existing ordinary shares of HK$0.001 each were subdivided into five subdivided shares of HK$0.0002 each, effective on 30 August 2010.

(c) On 17 February 2011, a principal amount of HK$28,000,000 of CB2011 was fully converted into 466,666,666 new ordinary shares of HK$0.0002 each of the Company (note 29(c)).

31. SHARE OPTION SCHEME

On 20 August 2003, at the annual general meeting, the Company adopted a share option scheme (the "Scheme") under which the board of directors of the Company may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption of the Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group must not in aggregate exceed 10% of the number of shares in issue as at the date of approval of the Scheme (the "10% Limit"). The Company may obtain approval from the shareholders of the Company to refresh the 10% Limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group under the limit as refreshed must not exceed 10% of the number of shares in issue at the date of approval of the refresher mandate.

The maximum number 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 of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the proposed date of grant for such options must not exceed 1% of the then number of issued shares of the Company, without prior approval from the Company's shareholders.

Option granted under the Scheme must be accepted within 6 months from the date of grant and in any event no later than the last date of the period of ten years from the date of adoption of the Scheme. Upon acceptance, the grantee shall pay HK$10.00 to the Company as consideration for the grant.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall be at least the higher of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

No share option has been granted since the date when the Scheme becomes effective.

32. DISPOSAL OF A SUBSIDIARY

Disposal of Joint Talent Investments Limited ("Joint Talent")

During the year, the Group had disposed of its entire equity interest in Joint Talent to an independent third party, for a cash consideration of approximately HK$16,351,000.

	HK$'000
Consideration received	
Consideration received in cash and cash equivalents	16,351
Analysis of asset and liabilities over which control was lost	
Current asset	
Financial assets at fair value through profit or loss	19,466
Current liability	
Income tax payable	(3,027)
Net assets disposed of	16,439
Loss on disposal of a subsidiary	
Consideration received	16,351
Net assets disposed of	(16,439)
Loss on disposal	(88)
Net cash inflow arising on the disposal of Joint Talent:	
Cash consideration	16,351

Joint Talent did not contribute significant impact on the revenue and cash flows to the Group for the year ended 31 March 2011. Joint Talent contributed a loss of approximately HK$5,139,000 to the results of the Group for the year ended 31 March 2011.

32. DISPOSAL OF A SUBSIDIARY *(Continued)*

Disposal of Cosmopolitan Properties and Securities Limited ("CPSL")

On 19 March 2010, the Group disposed of its entire equity interest in CPSL to two independent third parties. No gain or loss was recognised for the disposal of CPSL.

	HK$'000
Consideration received	
Consideration received in cash and cash equivalents	360
Net assets disposed of	
Club membership	360
Net cash inflow arising on disposal of CPSL	
Cash consideration	360

During the year ended 31 March 2010, CPSL did not contribute significant impact on the results and cash flows to the Group.

33. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2010, the derivative financial assets with carrying amount of approximately HK$2,052,000 has been fully settled by the issuers delivering financial assets at fair value through profit or loss of approximately HK$4,657,000. As a result, a gain on realisation of derivative financial assets of approximately HK$2,605,000 was recognised in the consolidated statement of comprehensive income.

The Group did not have major non-cash transaction for the year ended 31 March 2011.

34. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiaries operating in the PRC are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of these subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions, which are calculated based on 23% of the monthly salaries of the current employees, are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the Central Scheme.

The total contribution to the retirement benefits scheme charged to the consolidated statement of comprehensive income for the year was approximately HK$168,000 (2010: HK$130,000).

35. OPERATING LEASE COMMITMENT

During the year, the Group had paid approximately HK$935,000 (2010: HK$978,000) as operating lease charges in respect of office premises.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease in respect of rented office premises which fall due as follows:

	2011	2010
	HK$'000	HK$'000
Within one year	**867**	686
Two to five years	**1,228**	—
	2,095	686

The leases were negotiated for a term of up to two years and with fixed rentals.

36. COMMITMENTS

Commitments contracted but not provided for in respect of:

	2011	2010
	HK$'000	HK$'000
Investments in jointly controlled entities (note)	**67,400**	73,369
Investment in a property development project in HK	**6,500**	—
	73,900	73,369

Note: The Group has contracted with a wholly-owned subsidiary of Regal Hotels International Holdings Limited to invest in Faith Crown and its subsidiaries (hereinafter collectively referred to as the "Faith Crown Group") with total agreed commitment of investment costs of HK$250,000,000 for a property development project in the PRC.

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 March 2011 and 2010 are as follows:

Name of company	**Place of incorporation / operation**	**Nominal value of issued ordinary share capital / paid up registered capital**	**Effective percentage of ownership interest**		**Principal activities**
			2011	2010	
			%	%	
Directly held:					
Cosmopolitan International (China) Limited	BVI	US$1	**100**	100	Investment holding
Cosmopolitan International Finance Limited	HK	HK$1	**100**	100	Securities investments
Cosmopolitan International Management Services Limited	HK	HK$1	**100**	100	Provision of management services
Hope Bright Holdings Limited	BVI	US$1	**100**	100	Investment holding
Kola Glory Limited	BVI	US$1	**100**	100	Investment holding

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation / operation	Nominal value of issued ordinary share capital / paid up registered capital	Effective percentage of ownership interest		Principal activities
			2011	2010	
			%	%	
Indirectly held:					
Advanced Industry Limited	BVI	US$351,000	**99.72**	94	Investment holding
Ample Legend Limited	HK	HK$1	**100**	100	Provision of inter-company treasury services
Apex Team Limited	HK	HK$1	**100**	100	Provision of inter-company treasury services
Evercharm Investments Limited	BVI	US$1	**100**	100	Securities investment
Fancy Gold Limited	HK	HK$1	**100**	100	Provision of inter-company treasury services
Joint Talent (note)	BVI	US$1	**—**	100	Securities investment
Lead Fortune Development Limited	HK	HK$1	**100**	100	Property investment
Sinofair Investment Limited	HK	HK$1	**100**	100	Provision of inter-company treasury services
Xinjiang Libao	PRC	US$2,825,000	**99.72**	94	Property development

Note: Joint Talent was disposed of during the year ended 31 March 2011 (see note 32).

37. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

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

Save as disclosed in note 29, none of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

38. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material related party transactions during the year:

	2011	2010
	HK$'000	HK$'000
Related companies		
Consultancy fee expenses (note (a))	**—**	994
Building management fee (note (b))	**429**	429

Notes:

(a) For the year ended 31 March 2010, the consultancy fee was paid to a subsidiary of a substantial shareholder for advisory and supervisory services provided in connection with the PRC operations of the Group. The fee was mutually agreed between the Group and the related company. The parent of the substantial shareholder of the Company had beneficial interests in the related company. For the year ended 31 March 2011, no such consultancy fee was paid and incurred.

(b) The building management fee was paid to another related company in connection with the Group's investment properties. The parent of the substantial shareholder of the Company has beneficial interests in the related company.

Compensation of key management personnel

The key management members of the Group were the directors of the Company. The remunerations of directors were disclosed in note 14(a).

The remunerations of the key management members are determined by the remuneration committee having regarded to the performance of individuals and market prices.

39. PLEDGE OF ASSETS

As at 31 March 2010, the Group pledged its bank deposits of approximately HK$506,000 (2011: Nil) for its corporate card facility, which was cancelled before 31 March 2011, Details are set out in note 25.

40. ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A SUBSIDIARY

On 10 November 2010, the Group further acquired 5.53% equity interest in Advanced Industry Limited ("AIL") at a cash consideration of HK$620,000. After the acquisition, the Group holds 99.72% equity interest of AIL. AIL is principally engaged in investment holding and holds a wholly owned subsidiary, Xinjiang Libao, which engaged in property development in the PRC.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Subsequent to 31 March 2011, in relation to the income tax provision as at 31 March 2011 for the years of assessment 2006/07 to 2008/09 of approximately HK$22,265,000, the Group finalised with IRD that the relevant tax previously provided is no longer payable.

(b) On 27 April 2011, the Group has entered into another deed of variation with the holder of CB 2010 to further extend the maturity date of CB 2010 with principal amount of HK$141,450,000 from 16 May 2011 to 14 February 2013. Such extension of maturity date of CB2010 was approved by the independent shareholders of the Company on 9 June 2011. The details of extension of CB 2010 are set out in the Company's announcement dated 27 April 2011 and the Company's circular dated 20 May 2011 respectively.

Summary Financial Information

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

RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**160,229**	128,169	8,903	133,100	17,294
Administrative expenses	**(20,080)**	(15,522)	(17,853)	(10,608)	(14,906)
Profit/(loss) before taxation	**215,459**	(324,583)	(272,418)	113,504	6,196
Income tax expense	**(385)**	(5,804)	—	(22,265)	—
Profit/(loss) before non-controlling interests (including discontinued operations)	**215,074**	(330,387)	(265,790)	76,805	6,196
Non-controlling interests	**341**	—	5,688	243	912
Net profit/(loss) attributable to owners of the Company (including discontinued operations)	**215,415**	(330,387)	(260,102)	77,048	7,108
Discontinued operation					
Profit/(loss) for the year from discontinued operation	**—**	—	6,628	(14,434)	—
Earnings/(loss) per share		(Restated)	(Restated)	(Restated)	(Restated)
(in HK cents)	**1.89**	(2.93)	(2.68)	0.89	0.19

Summary Financial Information

For the year ended 31 March 2011

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**267,428**	251,406	245,909	160,003	98,998
Current assets	**400,384**	398,238	296,875	618,836	164,565
Current liabilities	**(403,713)**	(662,315)	(69,226)	(130,607)	(18,374)
Net current (liabilities)/assets	**(3,329)**	(264,077)	227,649	488,229	146,191
Total assets less current liabilities	**264,099**	(12,671)	473,558	648,232	245,189
Non-current liabilities	**(206,419)**	(183,994)	(341,256)	(288,953)	(52,035)
Net assets/(liabilities)	**57,680**	(196,665)	132,302	359,279	193,154
Non-controlling interests	**337**	—	—	(819)	(1,062)