# 2010-11 Annual Report

# SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED

Stock code:252

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Chua Nai Tuen
*(Chairman and Managing Director)*
Mr. Chua Nai King
*(Deputy Chairman)*
Mr. Nelson Junior Chua
Mr. Gilson Chua

### Non-Executive Directors

Mr. Chan Man Hon, Eric
Mr. Jimmy Siy Tiong
Mr. Luis Siy
Mr. Rene Siy Chua
Mr. Samuel Siy Yap
Mr. Tsai Han Yung
Ms. Vivian Chua
Mr. Se Ying Kin
*(retired on 27 August 2010)*

### Independent Non-Executive Directors

Mr. Chan Siu Ting
Mr. James L. Kwok
Mr. Wong Shek Keung

## AUDIT COMMITTEE

Mr. Chan Siu Ting *(Chairman)*
Mr. Chan Man Hon, Eric
Mr. James L. Kwok
Mr. Tsai Han Yung
Mr. Wong Shek Keung

## REMUNERATION COMMITTEE

Mr. Wong Shek Keung *(Chairman)*
Mr. Chan Man Hon, Eric
Mr. James L. Kwok

## PRINCIPAL BANKERS

China Construction Bank (Asia)
Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial
Bank of China (Asia) Limited
Standard Chartered Bank
(Hong Kong) Limited
Wing Hang Bank, Limited

## SOLICITORS

Vincent T. K. Cheung, Yap & Co.

## AUDITORS

HLB Hodgson Impey Cheng

## COMPANY SECRETARY

Mr. Ho Chi Keung
*(appointed on 31 May 2011)*
Mr. Chan Chit Ming, Joeie
*(resigned on 31 May 2011)*

## REGISTERED OFFICE

Units 407-410, 4th Floor, Tower 2,
Silvercord, No. 30 Canton Road,
Tsimshatsui, Kowloon, Hong Kong.

## SHARE REGISTRAR

General Secretarial Services Limited,
20th Floor, Capitol Centre,
5-19 Jardine's Bazaar,
Causeway Bay, Hong Kong.

## STOCK CODE

252

## INTERNET ADDRESS HOMEPAGE

http://www.seapnf.com.hk

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## EXECUTIVE DIRECTORS

**Mr. Chua Nai Tuen,** aged 59, was appointed as an Executive Director and Managing Director in 1973 and was further appointed Chairman of the Company in 2000. Mr. Chua is responsible for the formulation and execution of the Group's overall strategic planning, business development and seeking business opportunities for the Group. He is also a Director of other companies in the Group. He has over 35 years' experience in finance, property investment and development, hotel, manufacturing and distribution of plastics packaging materials business.

**Mr. Chua Nai King,** aged 61, was appointed as an Executive Director in 1972 and was further appointed Deputy Chairman of the Company in 2000. He is also a Director of other companies in the Group. He has over 35 years' experience in finance, property investment, property development and hotel business.

**Mr. Nelson Junior Chua,** aged 32, was appointed as a Non-executive Director of the Company on 15 April 2008 and was redesignated as an Executive Director on 16 July 2010. Mr. Chua has about 10 years' experience in financial information analysis and research. He graduated from the Queen Mary & Westfield College in United Kingdom and obtained a Bachelor's degree in Molecular Biology.

**Mr. Gilson Chua,** aged 31, was appointed as an Executive Director of the Company on 15 April 2008. He joined the Group in 2002. He is the Director and Deputy General Manager of Nan Sing Plastics Limited and he is also a Director of other companies in the Group. He graduated from the University of Warwick in United Kingdom and obtained a Bachelor's degree in Computer and Business Studies.

## NON-EXECUTIVE DIRECTORS

**Mr. Chan Man Hon, Eric,** aged 54, was appointed as a Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and Remuneration Committee in 2001 and 2005 respectively. Mr. Chan is a practising solicitor in Hong Kong. He obtained a Bachelor of Laws degree from the University of Hong Kong and was admitted as a solicitor in Hong Kong in 1981. He was further admitted as a solicitor in England and Australia in 1984 and 1985 respectively. He is the consultant of Vincent T. K. Cheung, Yap & Co. Currently, Mr. Chan is an independent non-executive director of Emperor International Holdings Limited and Global Bio-Chem Technology Group Company Limited, the shares of both companies are listed on the Stock Exchange of Hong Kong.

**Mr. Jimmy Siy Tiong,** aged 75, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy was the former President of Sanyo Philippines Inc., a company incorporated in the Philippines.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## NON-EXECUTIVE DIRECTORS (Cont'd)

**Mr. Luis Siy,** aged 58, was appointed as a Non-executive Director of the Company in 1978. Mr. Siy is a Director of Standard Appliances Corporation, a company incorporated in the Philippines.

**Mr. Rene Siy Chua,** aged 53, was appointed as a Non-executive Director of the Company in 2000. Mr. Chua is the General Manager of Mindanao Textile Corporation, a company incorporated in the Philippines.

**Mr. Samuel Siy Yap,** aged 52, was appointed as a Non-executive Director of the Company on 30 September 2008. Mr. Siy Yap is a businessman with over 25 years of experience in manufacturing and product distribution. He graduated from Ateneo De Manila University in the Philippines and obtained a Bachelor's degree of Science in Management Engineering.

**Mr. Tsai Han Yung,** aged 45, was appointed as a Non-executive Director of the Company in 2000 and was further appointed as a member of the Audit Committee in 2001. Mr. Tsai holds management positions in certain companies in Taiwan.

**Ms. Vivian Chua,** aged 31, was appointed as a Non-executive Director of the Company on 15 April 2008. Ms. Chua joined the Group in 2005. She is a Marketing and Planning Analyst of Nan Sing Plastics Limited and Deputy Manager responsible for the Group's property management. She graduated from The University of British Columbia in Canada and obtained a Bachelor's degree in Commerce.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Siu Ting,** aged 59, was appointed as an Independent Non-executive Director of the Company and Chairman of the Audit Committee in 2006. Mr. Chan has been practising as a Certified Public Accountant in Hong Kong for over 10 years. He is a fellow member of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and a member of The Institute of Chartered Accountants in England and Wales. He is currently a Director of Wong Chan Lau C.P.A. Company Limited, Certified Public Accountants (Practising).

**Mr. James L. Kwok,** aged 59, was appointed as an Independent Non-executive Director of the Company in 1994 and was further appointed as a member of the Audit Committee and Chairman of the Remuneration Committee in 2001 and 2005 respectively. On 25 November 2010, Mr. Kwok resigned as the Chairman of the Remuneration Committee but remains as a member of the Remuneration Committee and the Audit Committee respectively. Mr. Kwok obtained a MBA degree from the Wharton School, University of Pennsylvania. He started his career in banking and had held the position of manager of the Asian portfolios of a major American bank in Hong Kong. For the past two decades, he held a management position in a group of private companies in Hong Kong and North America which were involved in general trading, property investment and garment business.

# DIRECTORS AND SENIOR MANAGEMENT PROFILE

## INDEPENDENT NON-EXECUTIVE DIRECTORS (Cont'd)

**Mr. Wong Shek Keung,** aged 68, was appointed as an Independent Non-executive Director of the Company and a member of the Audit Committee and Remuneration Committee in 2005. On 25 November 2010, Mr. Wong was appointed as Chairman of the Remuneration Committee. Mr. Wong has over 30 years' extensive experience in banking, finance and administration. He had held a senior position of a reputable French bank's Hong Kong Branch and had been an advisor to the Chairman of a down manufacturing company in Mainland China.

## SENIOR MANAGEMENT

**Mr. Choy Tin Woo, Johnnie,** aged 56, is the Executive Director and Responsible Officer of Stockwell Securities Limited. He is also a Director of other companies in the Group. Mr. Choy joined the Group in 1976 and is responsible for the Group's securities and commodities dealings.

**Mr. Fu Ka Tsang,** aged 53, is the General Manager of the Company and he is also a Director of other companies in the Group. Mr. Fu joined the Group in 1995 and is responsible for the Group's property investment and development business.

**Mr. Luk Wai Ming,** aged 49, is the Group Financial Controller of the Company. Mr. Luk is a fellow member of The Association of Chartered Certified Accountants and associate member of the Hong Kong Institute of Certified Public Accountants, Mr. Luk has more than 25 years working experience in the finance and accounting field. Mr. Luk joined the Group in November 2009 and is responsible for all accounting and finance operations of the Group.

**Mr. Ho Chi Keung,** aged 40, joined the Group as Company Secretary and Internal Audit Manager in May 2011. Mr. Ho is an associate member of the Association of Chartered Certified Accountants. Mr. Ho has over 16 years of solid financial and internal auditing experiences with several well-established electronic component multinationals and local governmental organisations.

Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Luis Siy, Rene Siy Chua and Tsai Han Yung are brothers. Both Mr. Nelson Junior Chua and Mr. Gilson Chua are the sons of Mr. Chua Nai Tuen and Ms. Vivian Chua is the daughter of Mr. Chua Nai King. Mr. Samuel Siy Yap is the nephew of Messrs. Chua Nai Tuen, Chua Nai King, Jimmy Siy Tiong, Luis Siy, Rene Siy Chua and Tsai Han Yung and he is the cousin of Mr. Nelson Junior Chua, Mr. Gilson Chua and Ms. Vivian Chua. Save as disclosed, the directors and senior management do not have any relationships as set out in Rule 12 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to submit to the Shareholders the Annual Report of the Group for the year ended 31 March 2011.

## RESULTS

During the year, the Group's profits attributable to owners of the Company was HK$77.4 million (2009/2010: HK$96.5 million). Earnings per share was 35.6 cents (2009/2010: 44.4 cents). Turnover was HK$349.7 million (2009/2010: HK$308.0 million). The Group's operating profit before finance costs, share of profits of associates and income tax expense amounted to HK$89.6 million (2009/2010: HK$104.4 million). If the gain arising on change in the fair value of investment properties net of deferred tax of HK$71.7 million were to be excluded (2009/2010: HK$84.6 million), the underlying profit for the year would have been HK$17.9 million (2009/2010: HK$19.8 million).

During the year, the Group's profit before tax was HK$85.5 million (2009/2010: HK$103.3 million). Given below is an analysis of the profit/(loss) from operations of the Group's principal activities:

| | **2011**<br>**HK$'000** | 2010<br>HK$'000<br>(Restated) |
|---|---|---|
| Property investments and development/hotel | **18,560** | 11,765 |
| Manufacturing and distribution of plastic packaging materials | **(11,155)** | (7,293) |
| Stock broking and finance | **10,529** | 15,387 |
| Gain arising on change in the fair value of investment properties | **71,706** | 84,579 |
| Profit from operations | **89,640** | 104,438 |
| Finance costs | **(6,103)** | (4,664) |
| Share of profits of associates | **1,987** | 3,511 |
| Profit before tax | **85,524** | 103,285 |

## DIVIDENDS

No interim dividend was paid during the year (2009/2010: Nil). The Directors now recommend for the adoption at the Annual General Meeting to be held on Friday, 12 August 2011 the payment on 25 August 2011 of a final dividend of HK3 cents per share (2009/2010: HK3 cents per share) in respect of the financial year ended 31 March 2011 to Shareholders on record as at 19 August 2011, absorbing a total amount of HK$6.5 million (2009/2010: HK$6.5 million).

# CHAIRMAN'S STATEMENT

## DISCUSSION AND ANALYSIS OF THE GROUP'S PERFORMANCE

### Business Review

*Property Investments and Development*

In 2010, Mainland China's economy grew by 10.3% and the momentum continued in the first quarter of 2011. Thanks to the global economic recovery, Hong Kong's GDP gained 6.8% in 2010. Unemployment rate also came off from the peak of the global financial crisis. Given the rebounding economy and the low interest rate environment, the property market is booming. During the year, the Group recorded an increase in the fair value changes of the Group's investment properties amounted to HK$71.7 million (2009/2010: HK$84.6 million).

The Group's investment properties, namely, the shops on the Ground Floor of Hotel Benito, the office unit in Silvercord at Tsimshatsui, the residential property at Essex Crescent, Kowloon Tong, the whole block of Nan Sing Industrial Building and the office/warehouse units in Kwai Tak Industrial Centre at Kwai Chung, together with the office units in Chao Shan Building and the residential property in Ming Yue Hua Yuan at Shenzhen, were all leased out and generated steady rental income for the Group during the year. The Group's rental income amounted to HK$17.7 million (2009/2010: HK$17.2 million), representing an increase of 2.7% over last year.

*Hotel*

Arrivals to Hong Kong for 2010 kept increasing, this positive gain was largely driven by the growth of visitors from Mainland China, which contributed almost 62% of total arrivals and a year-on-year cumulative growth of 33% amongst all market regions. Both average room rate and the revenue of Hotel Benito increased whilst its occupancy rates also continued to stay on a satisfactory level. Total revenue of the hotel amounted to HK$19.0 million (2009/2010: HK$15.5 million), representing an increase of 22.7% from last year.

*Manufacturing and Distribution of Plastic Packaging Materials*

During the year, this business recorded a turnover of 291.7 million (2009/2010: HK$249.2 million) representing an increase of 17.1% over last year. The increase in turnover was mainly due to the increase in sales volume and better pricing. Gross profit and gross profit margin were HK$31.6 million (2009/2010: HK$28.8 million) and 10.8% (2009/2010: 11.6%) respectively. Operating loss before financing cost, share of loss of associates and income tax expense was HK$11.2 million (2009/2010: HK$7.3 million).

# CHAIRMAN'S STATEMENT

2010/2011 remained to be a challenging year for this business sector. Export business was stagnant and business operating environment remained difficult with a marked shortfall of migrant workers in Guangdong province coupled with fast-inflating raw material and labour costs. To cope with the elevating operating cost, we have reviewed the organisation structure and scrutinised the operating expenses of each department. Furthermore, we have planned for an overhaul of the production workshop to enhance our productivity on our core range of products with more efficient and advance technologies.

Last year was a significant milestone for our business in Mainland China. Our mainland domestic market has recorded another year of strong growth and it is now our second largest market by sales volume. Since the introduction of our Nan Sing brand disposable household goods in 2009, we have further expanded our presence successfully in the Southern and Eastern China by establishing ourselves in supermarket chain such as Vanguard and Lotus during the year. This gave us a strong platform of over 600 retail outlets in Mainland China to launch intense marketing campaigns for the Nan Sing brand to drive towards achieving critical mass.

*Stock Broking and Finance*

Hang Seng Index rebounded to 23,527 as at 31 March 2011, increased by 2,288 points as compared to the last financial year. During the year, European Sovereign Debt Crisis and the earthquake in Japan shocked the worldwide financial market. Hong Kong stock market was quite volatile.

Following the recovery of worldwide economy, the high Consumer Price Index in Mainland China forced the Chinese Government to increase the deposit-reserve ratio and interest rate several times to cope with the high inflation and to suppress the overheating of its property market. Such measures resulted in the underperformance of the Mainland China and Hong Kong stock markets in the past year.

For the year ended 31 March 2011, as compared with the last financial year, the turnover volume of the company decreased by 17%. Correspondingly, the operating profit before finance costs also decreased by 32% to HK$10.5 million (2009/2010: HK$15.4 million). Net brokerage commission was HK$12.6 million (2009/2010: HK$17.5 million), decreased by 28%. Interest earned from clients recorded a significant increase of 76.0% to HK$8.8 million (2009/2010: HK$5.0 million) as margin clients were more willing to hold on to their stocks during the year. The said operating profit included the decrease in the fair value change on trading securities amounting to HK$286,000.

# CHAIRMAN'S STATEMENT

**Liquidity and Financial Resources**

The Group takes a consistent capital management strategy, providing adequate liquidity to meet the requirement of the Group's developments and operations and monitors its capital on the basis of net debt to equity ratio.

As at 31 March 2011, cash and bank balances were HK$21.0 million (31 March 2010: 24.3 million) with trade and other receivables at HK$185.9 million (31 March 2010: 141.8 million). Trade and other payables were HK$131.0 million (31 March 2010: HK$127.6 million). The increase in trade receivables was mainly due to the increased daily turnover of the stock broking and finance business at the year end.

At the year end date, the Group's bank borrowings increased from HK$249.2 million of the last year end date to HK$271.8 million of this year, in which the short term borrowings amounted to HK$187.4 million (31 March 2010: HK$137.1 million) and long term borrowings amounted to HK$84.4 million (31 March 2010: HK$112.1 million). The Group's current year net debt to equity ratio was 34.7% (31 March 2010: 34.8%), calculated on the basis of the Group's net borrowings (after cash and bank balances together with time deposits) over total equity attributable to owners of the Company. There was no significant change in the Group's net debt to equity ratio during the year. Due to the adoption of new accounting standards and the gain arising on change in the fair value of investment properties, the total equity attributable to owners of the Company was also increased during the year.

To minimise exposure on foreign exchange fluctuations, the Group's borrowings are primarily denominated in Hong Kong dollars and United States dollars. Foreign currency risk exposure on other foreign currencies is normally covered by forward exchange contracts. The Group has no significant exposure to foreign exchange rate fluctuations.

**Capital Structure**

As at 31 March 2011, the Group's total equity attributable to owners of the Company amounted to HK$708.7 million (31 March 2010: HK$631.1 million). The Group's consolidated net assets per share as at the reporting date was HK$3.26 (31 March 2010: HK$2.90).

**Pledge of Assets**

Details of pledge of assets are set out in note 42 to the consolidated financial statements on page 122.

**Contingent Liabilities**

Details of contingent liabilities are set out in note 43 to the consolidated financial statements on pages 122 and 123.

# CHAIRMAN'S STATEMENT

**Employees**

The Group had about 829 employees as at 31 March 2011. Employees were remunerated according to nature of the job and market trend.

**Retirement Scheme**

The Group had joined a Mandatory Provident Fund Scheme to conform with the requirements as stipulated in the Mandatory Provident Schemes Ordinance. Details of the scheme are set out in note 39 to the financial statements on page 120.

## OUTLOOK

Looking ahead, economic recovery in Europe and America remains fragile. The problem of sovereign debts in some Eurozone countries is yet to be resolved while unemployment remains high in America. On top of all this is the recent surge in oil prices brought on by political upheavals in the North Africa and the Middle East. Despite facing such great challenges, the Group still remains cautiously optimistic and sees opportunities in the recent market. The Group intends to deploy more resources to expand its core businesses.

*Property Investments and Development*

Hong Kong will continue to benefit from the ongoing growth of the Chinese and Asian economies. In light of this, if interest rates stay low, the local property market will continue to be supported. Rental incomes of the Group's investment properties are expected to remain stable since rental leases are secured by long-term tenancy agreements.

*Hotel*

Economies of Mainland China will continue to grow progressively, and its opening up of travel visa requirements will further gear up the demand in local leisure, retails and hotel accommodation for coming year. Situate at Tsimshatsui's tourist and shopping areas, Hotel Benito is expecting its total revenue to step up to a farther extent this year, resulting from an increase in both occupancy and average room rate.

*Manufacturing and Distribution of Plastic Packaging Materials*

Whilst the western countries are still trying to recover from the effects of the financial tsunami, it is expected that the global economy will still be facing considerable uncertainties in the coming year. Furthermore, the appreciation of the Yuan and the fast inflating labour costs would inevitably affect the outlook of our export businesses and management hence take a conservative view in export markets' growth.

# CHAIRMAN'S STATEMENT

However, the Group has reason to believe that the next five to ten years will be the golden years for growth in Mainland China as the Chinese Government places far greater emphasis on internal markets and domestic demand than ever before. The Group is determined to continue to seize this opportunity to forge ahead and conduct intense marketing campaigns for the Nan Sing brand, expand our presence and broaden our disposable household goods portfolio in the secondary and tertiary cities and towns in Southern China and Eastern China. At the same time, plans are already underway to expand our capacity and strengthen our production capability in order to exploit the fullest extent the benefit of economy of scale and brand management. It is expected that these plans will be completed by the end of 2011.

*Stock Broking and Finance*

Mainland China's export and economic growth are expected to improve as a result of the turning around of the global economic environment.

Economists and investors are inferring the likely consequences on the economy when the Federal Reserve ends the second round of Quantitative Easing (QE2) in June this year. As QE2 assisted in the stabilising of asset value and brought about economic growth, people worries that money supply will be affected when the program ends, resulting in weaker markets and investment sentiment.

We are pleased to announce the grand opening of a new branch in Tsimshatsui in 2011 to cater for individual client's needs.

## APPRECIATION

Finally, I would like to thank the Board and all the staff for their diligence and dedication in the past year.

**Chua Nai Tuen**
*Chairman*

Hong Kong, 28 June 2011

# CORPORATE GOVERNANCE REPORT

## (A) CORPORATE GOVERNANCE PRACTICES

During the financial year ended 31 March 2011, all those principles as set out in the Code on Corporate Governance Practices in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") of The Stock Exchange of Hong Kong Limited (the "Code") were applied by the Company, and the relevant Code provisions were met by the Company, with the exception of two deviations as set out under sections (D) and (E) below. The application of the relevant principles and the reasons for the abovementioned deviations from the Code provisions are stated in the following sections.

## (B) DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry of all Directors of the Company, they have confirmed that they have complied with the Mode Code during the year.

## (C) BOARD OF DIRECTORS

### (i) Composition of the Board, number of Board meetings and Directors' attendance

The Board comprises fourteen Directors as at the date of this report. Biographical details of Directors, relationship among Directors are disclosed in "Directors and Senior Management Profile" of the Annual Report. The Company's Board has a balance of skills and experience and a balanced composition of executive and non-executive directors. Four full board meetings were held during the year. Senior management executives may, from time to time, be invited to attend the board meetings for making presentation and/or answering any queries that may be raised by the Board. The composition of the Board and attendance of the Directors are set out below:

| Directors | Attendance at Meetings |
|---|---|
| *Chairman and Managing Director* | |
| Mr. Chua Nai Tuen | 4/4 |
| *Deputy Chairman* | |
| Mr. Chua Nai King | 4/4 |
| *Executive Directors* | |
| Mr. Nelson Junior Chua | 4/4 |
| Mr. Gilson Chua | 4/4 |

# CORPORATE GOVERNANCE REPORT

| **Directors** | **Attendance at Meetings** |
|---|---|
| *Non-executive Directors* | |
| Mr. Chan Man Hon, Eric | 4/4 |
| Mr. Jimmy Siy Tiong | 1/4 |
| Mr. Luis Siy | 3/4 |
| Mr. Rene Siy Chua | 4/4 |
| Mr. Samuel Siy Yap | 4/4 |
| Mr. Tsai Han Yung | 4/4 |
| Ms. Vivian Chua | 4/4 |
| *Independent Non-executive Directors* | |
| Mr. Chan Siu Ting | 4/4 |
| Mr. James L. Kwok | 4/4 |
| Mr. Wong Shek Keung | 3/4 |

Each Director of the Company has been appointed on the strength of his/her calibre, experience and his/her potential to contribute to the proper guidance of the Group and its businesses. Apart from formal meetings, matters requiring board approval were arranged by means of circulation of written resolutions.

**(ii) Operation of the Board**

The Company is headed by an effective Board which takes decisions objectively in the interests of the Company. The Company's management has closely monitored changes to regulations that affect its corporate affairs and businesses and changes to accounting standards, and adopted an appropriate reporting format in its interim report, annual report and other documents to present a balanced, clear and comprehensible assessment of the Group's performance, position and prospects. Where these changes are pertinent to the Company or Directors' disclosure obligations, the Directors are briefed during Board Meetings to keep them abreast of their responsibilities and of the conduct, business activities and development of the Group. Newly appointed Directors receive information on their legal and other responsibilities as a Director and the role of the Board. The Company has also provided appropriate information in a timely manner to the Directors to enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company. Decisions on important matters, including those affecting the Group's strategic policies, major investments and funding decisions are specifically reserved to the Board whereas decisions on the Group's general operations are delegated to the management.

# CORPORATE GOVERNANCE REPORT

Moreover, the Company has maintained a procedure for its directors to seek independent professional advice, in appropriate circumstances, at the Company's expense in discharging their duties to the Company.

**(iii) Directors' and Officers' Liability**

Appropriate insurance cover on directors' and officers' liabilities has been in force to protect the Directors and Officers of the Group from their risk exposure arising from the businesses of the Group.

## (D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Chua Nai Tuen serves as the Chairman and also the Chief Executive Officer of the Company. This is a deviation from the Code Provision with respect to the roles of Chairman and Chief Executive Officer to be performed by different individuals.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities with independent operations between the Board members and the management of the day-to-day business of the Company.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group.

## (E) NON-EXECUTIVE DIRECTORS

Pursuant to the Code Provision, non-executive directors should be appointed for a specific term. Currently, non-executive directors are not appointed for a specific term but they are subject to retirement by rotation under the articles of association of the Company. The deviation is deemed appropriate as the retirement by rotation has given the Company's Shareholders the right to approve or disapprove the continuation of the service of non-executive directors.

# CORPORATE GOVERNANCE REPORT

## (F) REMUNERATION OF DIRECTORS

The Company has set up a Remuneration Committee consisting of two independent non-executive directors and one non-executive director. On 25 November 2010, Mr. James L. Kwok resigned as the Chairman of the Remuneration Committee but remains as a member of the Remuneration Committee and Mr. Wong Shek Keung was appointed as the Chairman of the Remuneration Committee.

One Remuneration Committee meeting was held during the year. Attendance of the members is set out below:

| **Members** | **Attendance at Meeting** |
|---|---|
| Mr. Wong Shek Keung *(Chairman)* | 1/1 |
| Mr. Chan Man Hon, Eric | 1/1 |
| Mr. James L. Kwok | 1/1 |

The terms of reference of the Remuneration Committee are aligned with the provisions set out in the Code. Given below are the main duties of the Remuneration Committee:

(i) to make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;

(ii) to have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

(iii) to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

(iv) to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office or appointment;

(v) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and

(vi) to ensure that no director or any of his associates is involved in deciding his own remuneration.

# CORPORATE GOVERNANCE REPORT

The work performed by the Remuneration Committee during the year is summarised below:

(i) review of the Company's policy and structure of all remuneration of Directors and senior management;

(ii) consideration of the emoluments for all Directors and senior management; and

(iii) review of the level of Directors' fees.

The basis of determining the emoluments payable to its Directors and senior management by the Company ties with their duties and responsibilities within the Group. The Directors' fees are from time to time approved by the Shareholders of the Company and they are regularly reviewed and compared with other listed companies in Hong Kong.

## (G) NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and the function of such committee are performed by the Board.

The Board is responsible for the formulation of nomination policies, making recommendations to Shareholders on Directors standing for re-election, providing sufficient biographical details of Directors to enable Shareholders to make an informed decision on the re-election, and where necessary, nominating Directors to fill casual vacancies. The Chairman, Deputy Chairman and the Executive Directors from time to time review the composition of the Board with particular regard to ensuring that there is appropriate number of Directors on the Board independent of management. They also identify and nominate qualified individuals for appointment as new Directors of the Company. New Directors of the Company will be appointed by Board. Any and all new Directors are subject to retirement from the Board at the Annual General Meeting of the Company immediately following his or her appointment and may stand for re-election at the Annual General Meeting.

## (H) AUDITORS' REMUNERATION

The fees in relation to the audit services provided by external auditors of the Company for the financial year ended 31 March 2011 amounted to HK$650,000.

# CORPORATE GOVERNANCE REPORT

## (I) AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors and two non-executive directors.

All Members have sufficient experience in reviewing audited consolidated financial statements as aided by the external auditor of the Group whenever required. In addition, Mr. Chan Siu Ting has the appropriate professional qualifications and experience in financial matters.

Three Audit Committee meetings were held during the year. Attendance of the Members is set out below:

| **Members** | **Attendance at Meetings** |
|---|---|
| Mr. Chan Siu Ting *(Chairman)* | 3/3 |
| Mr. Chan Man Hon, Eric | 3/3 |
| Mr. James L. Kwok | 3/3 |
| Mr. Tsai Han Yung | 3/3 |
| Mr. Wong Shek Keung | 2/3 |

The terms of reference of the Audit Committee are aligned with the recommendations set out in "A Guide for Effective Audit Committees" issued by the Hong Kong Institute of Certified Public Accountants. Given below are the main duties of the Audit Committee:

(i) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors;

(ii) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditors the nature and scope of the audit and reporting obligations before the audit commences;

# CORPORATE GOVERNANCE REPORT

(iii) to review the Company's annual report and accounts, half-year report and quarterly reports before submission to the Board, the Audit Committee should focus particularly on:

(a) any changes in accounting policies and practices;
(b) major judgmental areas;
(c) significant adjustments resulting from audit;
(d) the going concern assumptions and any qualifications;
(e) compliance with accounting standards; and
(f) compliance with the Listing Rules and other legal requirements in relation to financial reporting;

(iv) to discuss problems and reservations arising from the audits, and any matters the external auditors may wish to discuss; and

(v) to review the audit programme, and ensure co-ordination with external auditors, of the internal audit function.

The work performed by the Audit Committee during the year is summarised below:

(i) review of the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(ii) review of half-year and annual consolidated financial statements before submission to the Board, with particular consideration of the points mentioned in paragraph (iii) above regarding the duties of the Audit Committee;

(iii) discussion with the external auditors, the nature and scope of the audit; and

(iv) review of the Group's internal control systems.

# CORPORATE GOVERNANCE REPORT

## (J) DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are responsible for overseeing the preparation of accounts for the financial year ended 31 March 2011, which give a true and fair view of the affairs and results of the Company and of the Group and in compliance with requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

In preparing the accounts for the financial year ended 31 March 2011:

(i) appropriate accounting policies are selected, applied consistently and in accordance with the Hong Kong Financial Reporting Standards;

(ii) prudent and reasonable judgments and estimates are made; and

(iii) the reasons for any significant departure from applicable accounting standards are stated, if applicable.

## (K) REVIEW OF INTERNAL CONTROL

The Directors are ultimately responsible for the internal control system of the Group and, through the Audit Committee, have reviewed the effectiveness of the system.

A review of the effectiveness of the Group's internal control system and procedures covering all controls, including financial, operational and compliance and risk management, was conducted by the Audit Committee and subsequently reported to the Board during the year. Based on the result of the review, in respect of the year ended 31 March 2011, the Directors considered that the internal control system and procedures of the Group were effective and adequate.

**Chua Nai Tuen**
*Chairman and Managing Director*

Hong Kong, 28 June 2011

# REPORT OF THE DIRECTORS

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

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and property investment and those of its subsidiaries are shown in note 46 the consolidated financial statements on pages 125 and 126.

Further information on the segmental details is provided in note 7 to the consolidated financial statements on pages 82 to 85.

## SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2011 are set out in note 46 to the consolidated financial statements on pages 125 and 126.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2011 and the state of affairs of the Company and the Group as at that date are set out in the consolidated financial statements on pages 29 to 127.

## DIVIDENDS

No interim dividend was paid during the year. The Directors have recommended for adoption at the Annual General Meeting to be held on Friday, 12 August 2011 the payment of a final dividend of HK3 cents per share in respect of the financial year ended 31 March 2011 on 25 August 2011 to Shareholders on record as at 19 August 2011. This recommendation has been disclosed in the consolidated financial statements.

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 130.

# REPORT OF THE DIRECTORS

## RESERVES

Movements in reserves during the year are set out in note 36 to the consolidated financial statements on page 117.

## PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment during the year are set out in note 18 to the consolidated financial statements on pages 96 to 98.

## BANK LOANS AND OVERDRAFTS

Particulars of all bank loans and overdrafts of the Group at 31 March 2011 repayable on demand or within a period not exceeding one year and those which fall due for repayment after a period of one year are set out in note 33 to the consolidated financial statements on pages 112 and 113.

## MAJOR CUSTOMERS AND SUPPLIERS

The percentages of the Group's purchases and sales for the year attributable to the major suppliers and customers respectively were as follows:

| | |
|---|---|
| Percentage of purchases attributable to the Group's largest supplier | 40% |
| Percentage of purchases attributable to the Group's five largest suppliers | 74% |
| Percentage of sales attributable to the Group's largest customer | 18% |
| Percentage of sales attributable to the Group's five largest customers | 30% |

None of the Directors or their associates, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's issued share capital hold, any interests in the share capital of the suppliers and customers noted above.

# REPORT OF THE DIRECTORS

## DIRECTORS

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

**Executive Directors:**

Mr. Chua Nai Tuen *(Chairman and Managing Director)*
Mr. Chua Nai King *(Deputy Chairman)*
Mr. Nelson Junior Chua
Mr. Gilson Chua

**Non-executive Directors:**

Mr. Chan Man Hon, Eric
Mr. Jimmy Siy Tiong
Mr. Luis Siy
Mr. Rene Siy Chua
Mr. Samuel Siy Yap
Mr. Tsai Han Yung
Ms. Vivian Chua
Mr. Se Ying Kin
*(retired on 27 August 2010)*

**Independent Non-executive Directors:**

Mr. Chan Siu Ting
Mr. James L. Kwok
Mr. Wong Shek Keung

In accordance with Article 107(A) of the Company's Articles of Association, Messrs. Chua Nai Tuen, Nelson Junior Chua, Chan Man Hon Eric, Jimmy Siy Tiong and Chan Siu Ting shall retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The Company confirms that it has received written confirmation from each of the independent non-executive directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and the Company still considers the independent non-executive directors to be independent.

None of the Directors has a service contract with the Company or its subsidiaries, which is not determinable by the employer within one year without payment of compensation.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARE CAPITAL

As at 31 March 2011, the Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, the subsidiaries and associates of the Company:

| | | Number of shares held | | | | |
|---|---|---|---|---|---|---|
| | | Personal Interests | Family Interests | Corporate Interests | Other Interests | % of the Issued Share Capital |
| (a) | **The Company** | | | | | |
| | (Ordinary shares of HK$1.00 per share) | | | | | |
| | Chua Nai Tuen | 2,389,722 | – | 84,488,445 *(Note 1)* | – | 39.96 |
| | Chua Nai King | 7,635,751 | – | 2,814,365 *(Note 1)* | 16,910,355 *(Note 2)* | 12.58 |
| | Nelson Junior Chua | 1,173,800 | – | – | – | 0.54 |
| | Gilson Chua | 1,239,031 | – | – | – | 0.57 |
| | Jimmy Siy Tiong | 7,029,875 | – | – | – | 3.23 |
| | Luis Siy | 9,566,429 | – | – | – | 4.40 |
| | Rene Siy Chua | 9,566,429 | 2,200 | – | – | 4.40 |
| | Samuel Siy Yap | 1,410,678 | – | – | – | 0.65 |
| | Tsai Han Yung | 4,976,029 | – | – | – | 2.29 |
| (b) | **Nan Sing Plastics Limited** | | | | | |
| | (Ordinary shares of HK$100.00 per share) | | | | | |
| | Chua Nai Tuen | – | 6,965 | – | – | 4.64 |
| (c) | **Titan Dragon Properties Corporation** | | | | | |
| | (Capital stock of Peso 1,000.00 per share) | | | | | |
| | Chua Nai Tuen | 7,200 | 13,600 | 4,000 *(Note 1)* | – | 31.00 |
| | Jimmy Siy Tiong | 1,600 | – | – | – | 2.00 |
| | Rene Siy Chua | 6,400 | – | – | – | 8.00 |

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN SHARE CAPITAL (Cont'd)

*Note 1:* The shares regarding 'Corporate interests' in which Messrs. Chua Nai Tuen and Chua Nai King were taken to be interested as stated above were the interests of corporations in general meetings of which they were either entitled to exercise (or were taken under Part XV of the Securities and Futures Ordinance (the "SFO") to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

*Note 2:* The shares regarding 'Other Interests' against the name of Mr. Chua Nai King represented an interest comprised in trust properties in which Mr. Chua was taken, under provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers:

(a) there were no interests, both long and short positions, held as at 31 March 2011 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), and

(b) there existed during the financial year no rights to subscribe for shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than persons who are Directors of the Company, which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company and the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at 31 March 2011 as recorded in the register kept by the Company under section 336 of the SFO:

| | No. of Ordinary Shares held | % of the Issued Share Capital |
|---|---|---|
| J & N International Limited ("J & N") | 53,136,808 | 24.44 |
| Sonliet Investment Company Limited ("Sonliet") | 27,685,306 | 14.01 |
| HSBC International Trustee Limited ("HSBC") | 15,373,050 | 7.77 |

For the avoidance of doubts and double counting, it should be noted that J & N's and Sonliet's interests are entirely duplicated with Mr. Chua Nai Tuen's interests and HSBC's interests are entirely duplicated with Mr. Chua Nai King's interests as recorded in the preceding note.

All the interests stated above represented long positions and as at 31 March 2011, there were no short positions recorded in the said register.

# REPORT OF THE DIRECTORS

## DIRECTORS' INTERESTS IN CONTRACTS

During the year, consultancy fees of HK$1,740,000 were paid by the Group to Sonliet Investment Company Limited ("Sonliet"), and Tonwell Investment Company (Hong Kong) Limited ("Tonwell") of which Mr. Chua Nai Tuen was the director of Sonliet and Mr. Chua Nai King was the director of Tonwell respectively. The consultancy fees are part of the aforesaid directors' remuneration and have been disclosed in note 13 to the consolidated financial statements on pages 90 to 92.

A tenancy agreement was made on normal commercial terms during the year in connection with the leasing of a premises owned by a company controlled by Mr. Chua Nai Tuen to the Company's subsidiary at an annual rent of HK$765,600 for the operation of plastic bags business. Furthermore, there were unsecured financial assistances made by two companies in which Mr. Chua Nai Tuen had controlling interest to these two companies on normal commercial terms. Details of which are set out in note 32 the consolidated financial statements on page 112.

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS' RIGHTS TO ACQUIRE 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.

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## 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 the prescribed public float under the Listing Rules throughout the year ended 31 March 2011.

# REPORT OF THE DIRECTORS

## AUDITORS

Messrs. K. L. Young & Company acted as auditors of the Company for the year ended 31 March 2010. Subsequent to Messrs. K. L. Young & Company resignation on 18 March 2011, Messrs. HLB Hodgson Impey Cheng were appointed as auditors of the Company for the year ended 31 March 2011. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint Messrs. HLB Hodgson Impey Cheng as the auditors of the Company.

On behalf of the Board
**Chua Nai Tuen**
*Managing Director*

Hong Kong, 28 June 2011

# INDEPENDENT AUDITORS' REPORT

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street, Central
Hong Kong

**TO THE SHAREHOLDERS OF**
**SOUTHEAST ASIA PROPERTIES & FINANCE LIMITED**
*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Southeast Asia Properties & Finance Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 127, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the 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 Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

# INDEPENDENT AUDITORS' REPORT

## AUDITORS' RESPONSIBILITY (Cont'd)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 of the Company, as well as evaluating the overall presentation of the consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011 and of the Group's 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 Hong Kong Companies Ordinance.

## OTHER MATTER

The consolidated financial statements of the Company and of the Group for the year ended 31 March 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 16 July 2010.

**HLB Hodgson Impey Cheng**
Chartered Accountants
Certified Public Accountants

Hong Kong, 28 June 2011

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2011

| | *Notes* | **2011 HK$** | 2010 HK$ (Restated) |
|---|---|---|---|
| Turnover | 8 | **349,696,043** | 308,036,722 |
| Cost of sales | | **(284,166,304)** | (239,122,826) |
| Gross profit | | **65,529,739** | 68,913,896 |
| Other revenue and other income | 9 | **16,918,869** | 15,627,880 |
| Gain arising on change in fair value of investment properties | | **71,706,026** | 84,579,535 |
| Impairment losses on amount due from an associate | | **(4,334,682)** | (3,000,000) |
| Impairment losses on available-for-sale financial assets | | **–** | (1,405,620) |
| Distribution expenses | | **(12,458,617)** | (13,316,191) |
| Administrative expenses | | **(47,075,385)** | (46,198,531) |
| Other operating expenses | | **(645,761)** | (762,651) |
| Profit from operations | 10 | **89,640,189** | 104,438,318 |
| Finance costs | 11 | **(6,103,754)** | (4,663,915) |
| Share of profits of associates | | **1,987,200** | 3,511,267 |
| Profit before tax | | **85,523,635** | 103,285,670 |
| Income tax expense | 12 | **(7,296,348)** | (6,485,907) |
| Profit for the year | | **78,227,287** | 96,799,763 |
| Profit attributable to: | | | |
| Owners of the Company | | **77,370,847** | 96,547,619 |
| Non-controlling interests | | **856,440** | 252,144 |
| | | **78,227,287** | 96,799,763 |
| Earnings per share | | | |
| Basic and diluted | 16 | **35.6 cents** | 44.4 cents |

Details of dividends proposed after the reporting date are set out in note 15.

The accompanying notes on pages 38 to 127 form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

| | **2011**<br>**HK$** | 2010<br>HK$<br>(Restated) |
|---|---|---|
| Profit for the year | **78,227,287** | 96,799,763 |
| Other comprehensive income: | | |
| Available-for-sale financial assets: | | |
| Gain arising on change in fair value | **918,355** | 12,218,559 |
| Exchange differences arising on translation of foreign operations | **5,772,650** | 2,986,407 |
| Share of exchange reserve of associates | **86,593** | 7,515 |
| Total comprehensive income for the year | **85,004,885** | 112,012,244 |
| Attributable to: | | |
| Owners of the Company | **84,076,073** | 111,764,518 |
| Non-controlling interests | **928,812** | 247,726 |
| | **85,004,885** | 112,012,244 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

| | Notes | 2011<br>31 March<br>HK$ | 2010<br>31 March<br>HK$<br>(Restated) | 2009<br>1 April<br>HK$<br>(Restated) |
|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | |
| Investment properties | 17 | **467,449,520** | 395,743,494 | 311,163,959 |
| Property, plant and equipment | 18 | **202,791,662** | 202,163,987 | 210,382,729 |
| Leasehold land and land use right | 19 | **13,400,616** | 13,277,283 | 13,583,636 |
| Interests in associates | 21 | **67,470,734** | 69,079,411 | 64,359,669 |
| Available-for-sale financial assets | 22 | **30,189,169** | 31,441,840 | 19,131,267 |
| Intangible assets | 23 | **3,702,706** | 3,702,706 | 3,702,706 |
| Deferred tax assets | 34 | **303,967** | 1,087 | 170,699 |
| Other assets | 24 | **2,700,000** | 2,700,000 | 1,200,000 |
| | | **788,008,374** | 718,109,808 | 623,694,665 |
| **CURRENT ASSETS** | | | | |
| Inventories | 25 | **75,041,386** | 58,733,930 | 41,233,957 |
| Trade and other receivables | 26 | **185,907,978** | 141,815,779 | 92,469,137 |
| Financial assets at fair value through profit or loss | 27 | **11,569,230** | 9,469,423 | 4,908,687 |
| Deposits and prepayments | | **4,198,228** | 15,104,973 | 4,759,318 |
| Tax prepaid | | **3,155,022** | 1,864,070 | 1,090,017 |
| Time deposits | 28 | **5,100,000** | 5,100,000 | 7,100,000 |
| Trust accounts of shares dealing clients | 29 | **56,315,997** | 61,809,267 | 20,288,690 |
| Cash and bank balances | 30 | **21,042,484** | 24,265,251 | 60,123,714 |
| | | **362,330,325** | 318,162,693 | 231,973,520 |
| **CURRENT LIABILITIES** | | | | |
| Trade and other payables | 31 | **130,975,939** | 127,578,594 | 92,788,255 |
| Amounts due to related companies | 32 | **21,775,406** | 12,747,786 | 12,748,515 |
| Amount due to an associate | | **1,406,012** | 1,367,487 | 955,109 |
| Bank loans and overdrafts | 33 | **187,432,235** | 137,065,121 | 128,827,039 |
| Financial liabilities at fair value through profit or loss | | **–** | – | 263,007 |
| Taxation | | **1,750,135** | 3,009,330 | 1,002,245 |
| | | **343,339,727** | 281,768,318 | 236,584,170 |
| **NET CURRENT ASSETS (LIABILITIES)** | | **18,990,598** | 36,394,375 | (4,610,650) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **806,998,972** | 754,504,183 | 619,084,015 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

| | *Notes* | **2011 31 March HK$** | 2010 31 March HK$ (Restated) | 2009 1 April HK$ (Restated) |
|---|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | | |
| Bank loans | 33 | **84,389,829** | 112,093,878 | 76,547,167 |
| Deferred tax liabilities | 34 | **5,402,625** | 3,268,147 | 3,340,981 |
| | | **89,792,454** | 115,362,025 | 79,888,148 |
| **NET ASSETS** | | **717,206,518** | 639,142,158 | 539,195,867 |
| **CAPITAL AND RESERVES** | | | | |
| Share capital | 35 | **217,418,850** | 217,418,850 | 197,653,500 |
| Reserves | | **491,222,369** | 413,668,861 | 327,904,537 |
| **TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | **708,641,219** | 631,087,711 | 525,558,037 |
| Non-controlling interests | | **8,565,299** | 8,054,447 | 13,637,830 |
| **TOTAL EQUITY** | | **717,206,518** | 639,142,158 | 539,195,867 |

Approved and authorised for issue by the Board of Directors on 28 June 2011 and signed on its behalf by:

| | |
|---|---|
| **CHUA NAI TUEN** | **CHUA NAI KING** |
| *DIRECTOR* | *DIRECTOR* |

The accompanying notes on pages 38 to 127 form an integral part of the consolidated financial statements.

# STATEMENT OF FINANCIAL POSITION

At 31 March 2011

| | Notes | 2011 HK$ | 2010 HK$ |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment properties | 17 | **1,780,800** | 1,706,096 |
| Property, plant and equipment | 18 | **896,670** | 950,977 |
| Interests in subsidiaries | 20 | **133,439,398** | 246,414,638 |
| Interests in associates | 21 | **26,827,110** | 24,076,954 |
| Available-for-sale financial assets | 22 | **810,000** | 3,664,649 |
| | | **163,753,978** | 276,813,314 |
| **CURRENT ASSETS** | | | |
| Other receivables | | **4,114,008** | 143,357 |
| Deposits and prepayments | | **526,692** | 852,204 |
| Amount due from a subsidiary | 20 | **137,580,594** | – |
| Cash and bank balances | 30 | **904,366** | 673,203 |
| | | **143,125,660** | 1,668,764 |
| **CURRENT LIABILITIES** | | | |
| Other payables | | **1,990,425** | 5,573,965 |
| Amounts due to related companies | 32 | **21,775,406** | 12,747,786 |
| Amount due to an associate | 21 | **1,406,012** | 1,367,487 |
| Amounts due to subsidiaries | 20 | **39,107,408** | 29,769,410 |
| Bank loans and overdrafts | 33 | **6,000,000** | 3,991,536 |
| | | **70,279,251** | 53,450,184 |
| **NET CURRENT ASSETS (LIABILITIES)** | | **72,846,409** | (51,781,420) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **236,600,387** | 225,031,894 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | 34 | **–** | – |
| **NET ASSETS** | | **236,600,387** | 225,031,894 |

# STATEMENT OF FINANCIAL POSITION

At 31 March 2011

| | *Notes* | **2011** **HK$** | 2010 HK$ |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | 35 | **217,418,850** | 217,418,850 |
| Reserves | 36 | **19,181,537** | 7,613,044 |
| **TOTAL EQUITY** | | **236,600,387** | 225,031,894 |

Approved and authorised for issue by the Board of Directors on 28 June 2011 and signed on its behalf by:

**CHUA NAI TUEN**
*DIRECTOR*

**CHUA NAI KING**
*DIRECTOR*

The accompanying notes on pages 38 to 127 form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2011

| | Attributable to owners of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Share capital HK$ | Property revaluation reserve HK$ | Exchange reserve HK$ | Available-for-sale securities revaluation reserve HK$ | Retained profits HK$ | Subtotal HK$ | Non-controlling interests HK$ | Total HK$ |
| At 1 April 2009 (originally stated) | 197,653,500 | 2,555,496 | 35,892,760 | (18,056,597) | 279,579,598 | 497,624,757 | 13,563,871 | 511,188,628 |
| Prior year adjustments (note 2) | – | 623,030 | – | – | 1,438,735 | 2,061,765 | 30,342 | 2,092,107 |
| Effect of change in accounting policies (note 3) | – | – | – | – | 25,871,515 | 25,871,515 | 43,617 | 25,915,132 |
| At 1 April 2009 (restated) | 197,653,500 | 3,178,526 | 35,892,760 | (18,056,597) | 306,889,848 | 525,558,037 | 13,637,830 | 539,195,867 |
| Profit for the year (restated) | – | – | – | – | 96,547,619 | 96,547,619 | 252,144 | 96,799,763 |
| Other comprehensive income for the year | – | – | 2,998,340 | 12,218,559 | – | 15,216,899 | (4,418) | 15,212,481 |
| Total comprehensive income for the year | – | – | 2,998,340 | 12,218,559 | 96,547,619 | 111,764,518 | 247,726 | 112,012,244 |
| Bonus issue | 19,765,350 | – | – | – | (19,765,350) | – | – | – |
| Consideration for acquisition of further interest in a subsidiary | – | – | – | – | – | – | (4,859,248) | (4,859,248) |
| Transfer arising from acquisition of further interest in a subsidiary | – | – | – | – | (305,239) | (305,239) | 305,239 | – |
| Dividend paid to non–controlling interests | – | – | – | – | – | – | (1,277,100) | (1,277,100) |
| 2009 final dividend paid | – | – | – | – | (5,929,605) | (5,929,605) | – | (5,929,605) |
| At 31 March 2010 (restated) | 217,418,850 | 3,178,526 | 38,891,100 | (5,838,038) | 377,437,273 | 631,087,711 | 8,054,447 | 639,142,158 |
| At 1 April 2010 (originally stated) | 217,418,850 | 2,555,496 | 38,891,100 | (5,838,038) | 336,180,119 | 589,207,527 | 7,861,857 | 597,069,384 |
| Prior year adjustments (note 2) | – | 623,030 | – | – | 1,723,470 | 2,346,500 | 30,342 | 2,376,842 |
| Effect of change in accounting policies (note 3) | – | – | – | – | 39,533,684 | 39,533,684 | 162,248 | 39,695,932 |
| At 1 April 2010 (restated) | 217,418,850 | 3,178,526 | 38,891,100 | (5,838,038) | 377,437,273 | 631,087,711 | 8,054,447 | 639,142,158 |
| Profit for the year | – | – | – | – | 77,370,847 | 77,370,847 | 856,440 | 78,227,287 |
| Other comprehensive income for the year | – | – | 5,786,871 | 918,355 | – | 6,705,226 | 72,372 | 6,777,598 |
| Total comprehensive income for the year | – | – | 5,786,871 | 918,355 | 77,370,847 | 84,076,073 | 928,812 | 85,004,885 |
| Dividend paid to non–controlling interests | – | – | – | – | – | – | (417,960) | (417,960) |
| 2010 final dividend paid | – | – | – | – | (6,522,565) | (6,522,565) | – | (6,522,565) |
| At 31 March 2011 | 217,418,850 | 3,178,526 | 44,677,971 | (4,919,683) | 448,285,555 | 708,641,219 | 8,565,299 | 717,206,518 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

| | *Note* | **2011**<br>**HK$** | 2010<br>HK$<br>(Restated) |
|---|---|---|---|
| **CASH USED IN OPERATIONS** | 38 | **(7,290,154)** | (59,913,418) |
| Profit tax paid | | **(8,014,897)** | (5,156,097) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(15,305,051)** | (65,069,515) |
| **INVESTING ACTIVITIES** | | | |
| Interest received | | **8,889,596** | 5,297,282 |
| Purchase of property, plant and equipment | | **(11,413,868)** | (5,681,524) |
| Additions in investment properties | | **–** | (103,000) |
| Proceeds from disposal of property, plant and equipment | | **–** | 344,055 |
| Dividends received from financial assets at fair value through profit or loss | | **1,012,669** | 1,027,338 |
| Repayment of amounts due to associates | | **(4,421,305)** | (1,780,970) |
| Payment for acquisition of further interest in a subsidiary | | **–** | (4,875,097) |
| Purchase of available-for-sale financial assets | | **–** | (3,097,634) |
| Purchase of other assets | | **–** | (1,500,000) |
| Net proceeds from disposal of available-for-sale financial assets | | **4,066,238** | 1,600,000 |
| Purchase of financial assets at fair value through profit or loss | | **–** | (3,299,520) |
| Proceeds from disposal of financial assets at fair value through profit or loss | | **–** | 3,252,451 |
| **NET CASH USED IN INVESTING ACTIVITIES** | | **(1,866,670)** | (8,816,619) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

| | *Note* | **2011 HK$** | 2010 HK$ (Restated) |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Dividend paid | | **(6,522,565)** | (5,311,223) |
| Interest paid | | **(4,996,834)** | (4,098,425) |
| New bank loans raised | | **373,309,078** | 1,197,244,648 |
| Repayment of bank loans | | **(340,666,831)** | (1,163,536,438) |
| Dividend paid to non-controlling interests | | **(417,600)** | (1,277,100) |
| Other finance costs paid | | **(1,106,920)** | (565,490) |
| Advance from associates | | **3,721,025** | 412,378 |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | | **23,319,353** | 22,868,350 |
| **Net increase (decrease) in cash and cash equivalents** | | **6,147,632** | (51,017,784) |
| **Cash and cash equivalents at the beginning of the year** | | **14,149,886** | 60,084,932 |
| **Effect of foreign exchange rate changes** | | **608,783** | 5,082,738 |
| **Cash and cash equivalents at the end of the year** | | **20,906,301** | 14,149,886 |
| **Analysis of balances of cash and cash equivalents** | | | |
| Cash and bank balances | | **21,042,484** | 24,265,251 |
| Bank overdrafts | | **(136,183)** | (10,115,365) |
| | | **20,906,301** | 14,149,886 |

The accompanying note on pages 38 to 127 form an integral part of the consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Hong Kong and listed on the Main Board of the Hong Kong Stock Exchange Limited (the "Stock Exchange"). The registered office of the Company is located at Units 407-410, 4th Floor, Tower 2 Silvercord, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment holding, property investment and development, hotel ownership and management, manufacturing and trading of plastic packaging materials, stock broking and finance during the year.

The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the same as the functional currency of the Company.

## 2. PRIOR YEAR ADJUSTMENTS

In preparing the current period's consolidated financial statements, the following comparative financial information has been restated:

For the year ended 31 March 2006, the Group changed in use of owner-occupied properties and transferred it to investment properties. However, the leasehold land of those properties were not transferred to investment properties and continued to be classified as "Leasehold land and land use right" which amortisation was provided. In addition, a car park which was owner-occupied property and did not have change in use was transferred to investment properties. As a result of the above-mentioned errors, prior year adjustments have been made retrospectively by restating the comparative financial information.

At 31 March 2010, the total effect of the prior year adjustments were stated as below:

- Investment properties were understated by HK$2,625,000
- Property, plant and equipment was understated by HK$69,856
- Leashold land and land use right was overstated by HK$318,014
- Property revaluation reserve was understated by HK$623,030
- Retained profits were understated by HK$1,723,470
- Non-controlling interests were understated by HK$30,342

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 2. PRIOR YEAR ADJUSTMENTS (Cont'd)

Effects of the prior year adjustments on the consolidated income statement:

| | Year ended 31 March 2010 | | |
|---|---|---|---|
| | **Originally stated** HK$ | **Adjustments** HK$ | **After prior year adjustments stated** HK$ (Note 3) |
| Gain arising on change in fair value of investment properties | 84,299,535 | 280,000 | 84,579,535 |
| Administrative expenses* | (46,203,266) | 4,735 | (46,198,531) |
| Income tax expense | (20,266,707) | – | (20,266,707) |
| Profit for the year | 82,734,228 | 284,735 | 83,018,963 |
| Profit for the year attributable to: | | | |
| Owners of the Company | 82,600,715 | 284,735 | 82,885,450 |
| Non-controlling interests | 133,513 | – | 133,513 |
| | 82,734,228 | 284,735 | 83,018,963 |
| Earnings per share | | | |
| Basic and diluted | 37.9 cents | | 38.1 cents |

* The carrying amount of administrative expenses originally stated for the year ended 31 March 2010 has been reclassified to conform with the current year's presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 2. PRIOR YEAR ADJUSTMENTS (Cont'd)

Effects of the prior year adjustments on the consolidated statement of financial position:

| | At 31 March 2010 | | | At 1 April 2009 | | |
|---|---|---|---|---|---|---|
| | Originally stated HK$ | Adjustments HK$ | After prior year adjustments stated HK$ (Note 3) | Originally stated HK$ | Adjustments HK$ | After prior year adjustments stated HK$ (Note 3) |
| Investment properties | 393,118,494 | 2,625,000 | 395,743,494 | 308,818,959 | 2,345,000 | 311,163,959 |
| Property, plant and equipment | 172,792,209 | 69,856 | 172,862,065 | 180,316,346 | 73,714 | 180,390,060 |
| Leasehold land and land use right | 42,897,219 | (318,014) | 42,579,205 | 43,902,912 | (326,607) | 43,576,305 |
| Deferred tax liabilities | (42,964,079) | – | (42,964,079) | (29,256,113) | – | (29,256,113) |
| Property revaluation reserve | (2,555,496) | (623,030) | (3,178,526) | (2,555,496) | (623,030) | (3,178,526) |
| Retained profits | (336,180,119) | (1,723,470) | (337,903,589) | (279,579,598) | (1,438,735) | (281,018,333) |
| Non-controlling interests | (7,861,857) | (30,342) | (7,892,199) | (13,563,871) | (30,342) | (13,594,213) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

In the current year, the Group has applied, for the first time, the following new and revised standards and interpretations (collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's financial year beginning on 1 April 2010. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

| | |
|---|---|
| HKFRSs (Amendments) | Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008 |
| HKFRSs (Amendments) | Improvements to HKFRSs 2009 |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 32 (Amendments) | Classification of Rights Issues |
| HKAS 39 (Amendments) | Eligible Hedged Items |
| HKFRS 1 (Amendments) | Additional Exemptions for First-time Adopters |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 2 (Amendments) | Group Cash-settled Share-based Payment Transactions |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC) – Int 17 | Distributions of Non-cash Assets to Owners |
| HK – Int 4 (Amendment) | Amendment to HK-Int 4 Lease – Determination of the Length of Lease Term in respect of Hong Kong Land Leases |
| 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 adoption of the new and revised HKFRSs has no material effect on the consolidated financial statements of the Group for the current or prior accounting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

### Amendments to HKAS17 Leases

The Annual Improvements to HKFRSs issued in 2009 contain amendments to HKAS 17 "Leases", which has resulted in a change in accounting policy for the classification of leasehold land of the Group. Previously, the Group's interests in certain leasehold land were accounted for as leasehold land and land use right which were amortised and recognised in the consolidated income statement over the unexpired lease terms using the straight-line method. As substantially all risks and rewards of those leasehold land and land use right are considered having been transferred to the Group based on HKAS 17 (Amendment), the Group's interests in those leasehold land and land use right are now accounted for as assets held under finance leases and are stated at cost less accumulated depreciation. The amendment has been applied retrospectively to unexpired leases since 1 April 2009 on the basis of information existing at the inception of the leases. The amendment does not apply to the leasehold land and land use right disposed of by the Group in prior years.

In addition, the Group has early adopted HKAS 12 (Amendments) which is effective for annual periods beginning on or after 1 January 2012.

### Amendments to HKAS 12 Income Taxes

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" have been applied in advance of their effective date (accounting periods beginning on or after 1 January 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Prior to the amendment, deferred taxation on investment properties at fair value is measured to reflect the tax consequences of recovering the carrying amounts of investment properties through use. Therefore, based on the amendment, the Group's investment properties in Hong Kong do not have to provide deferred tax on fair value changes arising from revaluation of investment properties or arising from a business combination, unless the presumption is rebutted. This change in policy has been applied retrospectively by restating the opening balances at 1 April 2009, with consequential adjustments to comparatives for the year ended 31 March 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

Effects of the changes in the accounting policies on the consolidated income statement:

| | Year ended 31 March 2010 | | |
|---|---|---|---|
| | **After prior year adjustments stated** | **HKAS 12** | **Restated** |
| | HK$ (Note 2) | HK$ | HK$ |
| Gain arising on change in fair value of investment properties | 84,579,535 | – | 84,579,535 |
| Administrative expenses | (46,198,531) | – | (46,198,531) |
| Income tax expense | (20,266,707) | 13,780,800 | (6,485,907) |
| Profit for the year | 83,018,963 | 13,780,800 | 96,799,763 |
| Profit for the year attributable to: | | | |
| Owners of the Company | 82,885,450 | 13,662,169 | 96,547,619 |
| Non-controlling interests | 133,513 | 118,631 | 252,144 |
| | 83,018,963 | 13,780,800 | 96,799,763 |
| Earnings per share | | | |
| Basic and diluted | 38.1 cents | | 44.4 cents |

Effects of the changes in the accounting policies on the consolidated statement of financial position:

| | At 31 March 2010 | | | | At 1 April 2009 | | | |
|---|---|---|---|---|---|---|---|---|
| | **After prior year adjustments stated** | **HKAS 12** | **HKAS 17** | **Restated** | **After prior year adjustments stated** | **HKAS 12** | **HKAS 17** | **Restated** |
| | HK$ (Note 2) | HK$ | HK$ | HK$ | HK$ (Note 2) | HK$ | HK4 | HK$ |
| Investment properties | 395,743,494 | – | – | 395,743,494 | 311,163,959 | – | – | 311,163,959 |
| Property, plant and equipment | 172,862,065 | – | 29,301,922 | 202,163,987 | 180,390,060 | – | 29,992,669 | 210,382,729 |
| Leasehold land and land use right | 42,579,205 | – | (29,301,922) | 13,277,283 | 43,576,305 | – | (29,992,669) | 13,583,636 |
| Deferred tax liabilities | (42,964,079) | 39,695,932 | – | (3,268,147) | (29,256,113) | 25,915,132 | – | (3,340,981) |
| Property revaluation reserve | (3,178,526) | – | – | (3,178,526) | (3,178,526) | – | – | (3,178,526) |
| Retained profits | (337,903,589) | (39,533,684) | – | (377,437,273) | (281,018,333) | (25,871,515) | – | (306,889,848) |
| Non-controlling interests | (7,892,199) | (162,248) | – | (8,054,447) | (13,594,213) | (43,617) | – | (13,637,830) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

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

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

| | |
|---|---|
| HKFRSs (Amendments) | Improvements to HKFRSs 2010[1] |
| HKAS 24 (Revised) | Related Party Disclosures[2] |
| HKFRS 1 (Amendments) | Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3] |
| HKFRS 1 (Amendments) | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4] |
| HKFRS 7 (Amendments) | Disclosures – Transfer of Financial Assets[4] |
| HKFRS 9 | Financial Instruments[5] |
| HK(IFRIC) – Int 14 (Amendments) | Prepayments of a Minimum Funding Requirement[2] |
| HK(IFRIC) – Int 19 | Extinguishing Financial Liabilities with Equity Instruments[3] |

[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 January 2011

[3] Effective for annual periods beginning on or after 1 July 2010

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

[5] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company have commenced their assessments of the impact of the above new and revised HKFRSs, but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations ("Ints") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance and applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Certain comparative figures have been reclassified to conform with the current year's presentation.

### 4.2 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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 income statement from the effective date of acquisition and 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 into line with those used by other members of the Group.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.2 Consolidation (Cont'd)

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

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.

***Changes in the Group's ownership interests in existing subsidiaries***

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.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition-date. Measurement period does not exceed one year from the acquisition-date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.3 Business combinations (Cont'd)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

### 4.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.4 Goodwill (Cont'd)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

### 4.5 Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates 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 associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.5 Investments in associates (Cont'd)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (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 property is derecognised.

### 4.7 Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and impairment losses, if any.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Building transferred from investment properties is stated at deemed cost, which is equal to its fair value at the date of change in use.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.7 Property, plant and equipment (Cont'd)

Construction in progress comprises properties under construction, and other property, plant and equipment under installation, and is stated at cost which includes development and construction expenditure incurred and other direct costs attributable to the development less any impairment losses. No depreciation is provided on construction in progress until such time as the relevant assets are completed and put into use. When the assets concerned are brought into use, the costs are transferred to other components of property, plant and equipment and depreciation in accordance with the policy stated below.

The gain or loss arising from the disposal or retirement of a property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the property, plant and equipment and is recognised in the consolidated income statement.

Depreciation is recognised so as to write off the cost of property, plant and equipment (other than properties under construction) less their residual values over their useful lives. 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. The details of depreciation using over the following rates per annum and depreciation method are as follows:

| | |
|---|---|
| Buildings | Over the shorter of its useful life or unexpired period of the lease of land |
| Plant and machinery | 10% – 20% on reducing balance method |
| Furniture, fixtures and equipment | 15% – 25% on reducing balance method |
| Motor vehicles | 15% – 25% on reducing balance method |

### 4.8 Leasehold land and land use rights

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, except for those that are classified and accounted for as investment properties under the fair value model. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. Where the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.8 Leasehold land and land use rights (Cont'd)

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land and land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

### 4.9 Intangible assets

***Intangible assets acquired separately***

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

***Intangible assets acquired in a business combination***

Intangible assets that are acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

***Derecognition of intangible assets***

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.10 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. The useful life of intangible asset with an indefined life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to definite is accounted for on a prospective basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.11 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average cost method. The cost of finished goods comprises direct materials, direct labour and related proportion of production overheads. Net realisable value is based on estimated selling prices less further costs expected to completion and costs to be incurred in selling and distribution.

### 4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### 4.13 Financial instruments

Financial assets and financial liabilities are recognised 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 fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified into three categories, including "financial assets at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "loans 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial assets (Cont'd)***

*Effective interest method*

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

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

*Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future;
- on initial recognition it is part of a portfolio of identified 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.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other revenue and other income" and "other operating expenses" line item in the consolidated income statement. Fair value is determined in the manner described in note 5.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial assets (Cont'd)***

*Available-for-sale financial assets ("AFS financial assets")*

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of available-for-sale securities revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available-for-sale securities revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

*Loans and receivables*

Loans and receivables (including amounts due from associates, amounts due from subsidiaries, other assets, trade and other receivables, deposits paid, time deposit, trust accounts of shares dealing client and cash and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*Impairment of 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 considered to be impaired when 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 investment have been affected.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial assets (Cont'd)***

*Impairment of financial assets (Cont'd)*

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter 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 asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial assets (Cont'd)***

*Impairment of financial assets (Cont'd)*

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of available-for-sale securities revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial liabilities and equity instruments (Cont'd)***

*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

*Financial liabilities at FVTPL*

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified 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.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the "other revenue and other income" and "other operating expenses" line item in the consolidated income statement.

*Other financial liabilities*

Other financial liabilities (including trade and other payables, amounts due to related companies, amount due to an associate, amounts due to subsidiaries, bank loans and overdrafts) are subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Financial liabilities and equity instruments (Cont'd)***

*Effective interest method*

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

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.13 Financial instruments (Cont'd)

***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.14 Revenue recognition

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

(i) Rental income under operating leases is recognised, on a straight-line basis over the lease terms.

(ii) Hotel income is recognised when hotel services are provided.

(iii) Income from sale of goods is recognised when goods are delivered and title has passed to customers.

(iv) Brokerage income is recognised when the relevant contract note is made and properly executed.

(v) Dividend income from financial assets is recognised when the shareholders' right to receive payment has been established. Dividend income from subsidiaries is recognised in the period to which the dividend relates.

(vi) Interest income is recognised as it accrues using the effective interest method.

### 4.15 Income tax

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 income statement because of items of income or expense that are taxable or deductible in other years and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.15 Income tax (Cont'd)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset 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.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.16 Leasing

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

***The Group as lessor***

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

***The Group as lessee***

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.17 Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting 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) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.17 Foreign currency translation (Cont'd)

Fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the exchange reserve.

### 4.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

### 4.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is 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. When 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 of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the note 43 to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, the liability will then be recognised as a provision.

### 4.21 Employee benefits

***Short term employee benefits and contributions to defined contribution retirement plans***

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

***Termination benefits***

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### 4.22 Related parties

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

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

(ii) the party is an associate;

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

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

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

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

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

### 4.23 Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the directors of the Company that make strategic decisions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss classified as held-for-trading | **11,569,230** | 9,469,423 | **–** | – |
| Loans and receivables (including time deposits, bank balances and cash) | **301,576,749** | 282,891,214 | **240,893,193** | 209,924,427 |
| Available-for-sale investments | **30,189,169** | 31,441,840 | **810,000** | 3,664,649 |
| | **343,335,148** | 323,802,477 | **241,703,193** | 213,589,076 |
| **Financial liabilities** | | | | |
| Amortised cost | **425,979,421** | 390,852,866 | **70,279,521** | 53,450,184 |

The risks associated with these financial instruments and policies on how to mitigate these risks are set out below. Management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies

***Market risk***

*(i) Currency risk*

The Group is exposed to currency risk mainly arising from sales and purchases, trade receivables and trade payables denominated in currencies other than the Group's functional currency.

The currencies giving rise to this risk are mainly United State Dollars ("USD") and Renminbi ("RMB").

Since HKD is pegged to USD, there is no significant exposure expected on USD transactions and balances.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

| | **Group** | | | |
|---|---|---|---|---|
| | **2011** | | 2010 | |
| | **USD** | **RMB** | USD | RMB |
| **Assets** | | | | |
| Trade and other receivables | **2,837,842** | **13,036,645** | 3,366,276 | 14,318,783 |
| Cash and bank balances | **204,195** | **7,224,403** | 738,393 | 4,426,398 |
| **Liabilities** | | | | |
| Trade and other payables | **(803,728)** | **(18,482,841)** | (261,179) | (19,476,513) |
| Overall net exposure | **2,238,309** | **1,778,207** | 3,843,490 | (731,332) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

***Market risk (Cont'd)***

*(i) Currency risk (Cont'd)*

Sensitivity analysis

The sensitivity analysis below has been determined assuming a 10% increase/decrease in RMB against HKD had occurred at the reporting date with all other variables held constant and had been applied to the exposure to currency risk for the relevant financial instruments in existence at that date. The change in foreign exchange rate represents management's assessment of a reasonably possible change in foreign exchange rate at that date over the period until the next annual reporting date.

| | **2011**<br>**HK$** | 2010<br>HK$ |
|---|---|---|
| (Decrease) increase in equity | **(854,581)/**<br>**854,581** | (82,955)/<br>82,955 |

Results of the analysis as presented above represent the effect on the Group's equity with RMB translated into HKD at closing rate at the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

***Market risk (Cont'd)***

*(ii) Interest rate risk*

The Group and the Company has exposure on cash flow interest rate risk, which is mainly arising from its variable-rate borrowings. The Group and the Company currently does not have an interest rate hedging policy. However, management of the Company manages its interest cost by obtaining adequate banking facilities, diversifying the funding sources and repaying the corresponding borrowings when it has surplus funds.

The Group's and the Company's cash flow interest rate risk are mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and Best Lending Rate ("BLR").

The carrying amounts of the Group's and the Company's variable-rate borrowings at the reporting date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Bank loans and overdrafts | **187,432,235** | 137,065,121 | **6,000,000** | 3,991,536 |
| Long term borrowings | **84,389,829** | 112,093,878 | **–** | – |
| Variable-rate borrowings | **271,822,064** | 249,158,999 | **6,000,000** | 3,991,536 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

***Market risk (Cont'd)***

*(ii) Interest rate risk (Cont'd)*

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's and the Company's post-tax profit for the year as a result of change in interest rate on variable-rate borrowings. The analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. The change in interest rate represents management's assessment of a reasonably possible change in interest rates at the date over the period until the next annual reporting date.

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Decrease in post-tax profit if interest rate is 25 basis points higher | **(488,362)** | (460,740) | **(12,525)** | (8,332) |
| Increase in post-tax profit if interest rate is 25 basis points lower | **488,362** | 460,740 | **12,525** | 8,332 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

*Market risk (Cont'd)*

*(iii) Equity price risk*

The Group is exposed to equity price risk arising from equity investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss. Management of the Company manages the exposure by maintaining a portfolio of securities with different risk class and monitors the performance regularly.

Sensitivity analysis

The sensitivity analysis below presents the effects on the Group's post-tax profit for the year end and on equity as a result of a change in equity price, assuming the change had occurred at the reporting date and had been applied to the exposure to the equity price for the relevant financial instruments in existence at that date. The changes in equity price represent management's assessment of a reasonably possible change in equity price at that date over the period until the next annual reporting date.

| | Group | | | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **Effect on post-tax profit for the year** | Effect on post-tax profit for the year | **Effect on equity** | Effect on equity |
| | **HK$** | HK$ | **HK$** | HK$ |
| 10% increase (decrease) in market price of listed equity securities | **966,031/ (966,031)** | 790,697/ (790,697) | **2,890,807/ (2,890,807)** | 2,730,609/ (2,730,609) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

***Credit risk***

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

Certain subsidiaries of the Group suffer concentration of credit risk on trade receivables, clearing house and cash clients and secured margin clients arising from the ten largest customers or clients for respective receivables.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination and review of credit limit and payment term on each individual customer and client. Based on different credit risk exposure of different businesses under the Group, cash deposit, collateral and payment by letter of credit are required from relevant customers and clients to ensure the recoverability of trade debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

***Liquidity risk***

The Group and the Company are exposed to liquidity risk on financial liabilities. The management of the Group and the Company adopts a prudent policy to maintain a sufficient level of cash and cash equivalent and financial assets to meet continuous operational need. Various banking facilities and credit lines have also been arranged with different banks in order to fund any liquidity requirements in the short term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Financial risk management objectives and policies (Cont'd)

***Liquidity risk (Cont'd)***

The remaining contractual maturities at the reporting date of the Group's non-derivative financial liabilities are as follows:

**Group**

| | Within 1 year or on demand HK$ | More than 1 year but less than 2 years HK$ | More than 2 years but less than 5 years HK$ | Over 5 years HK$ | Total contractual undiscounted cash flow HK$ | Carrying amount at year end HK$ |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Trade and other payables | **130,975,939** | **–** | **–** | **–** | **130,975,939** | **130,975,939** |
| Amounts due to related companies | **21,775,406** | **–** | **–** | **–** | **21,775,406** | **21,775,406** |
| Amount due to an associate | **1,406,012** | **–** | **–** | **–** | **1,406,012** | **1,406,012** |
| Bank loans and overdrafts | **190,810,581** | **23,612,276** | **24,925,915** | **37,147,423** | **276,496,195** | **271,822,064** |
| | **344,967,938** | **23,612,276** | **24,925,915** | **37,147,423** | **430,653,552** | **425,979,421** |
| 2010 | | | | | | |
| Trade and other payables | 127,578,594 | – | – | – | 127,578,594 | 127,578,594 |
| Amounts due to related companies | 12,747,786 | – | – | – | 12,747,786 | 12,747,786 |
| Amounts due to an associate | 1,367,487 | – | – | – | 1,367,487 | 1,367,487 |
| Bank loans and overdrafts | 139,659,463 | 29,282,725 | 44,799,861 | 45,326,721 | 259,068,770 | 249,158,999 |
| | 281,353,330 | 29,282,725 | 44,799,861 | 45,326,721 | 400,762,637 | 390,852,866 |

**Company**

| | Within 1 year or on demand HK$ | More than 1 year but less than 2 years HK$ | More than 2 years but less than 5 years HK$ | Over 5 years HK$ | Total contractual undiscounted cash flow HK$ | Carrying amount at year end HK$ |
|---|---|---|---|---|---|---|
| **2011** | | | | | | |
| Other payables | **1,990,425** | **–** | **–** | **–** | **1,990,425** | **1,990,425** |
| Amount due to a related company | **21,775,406** | **–** | **–** | **–** | **21,775,406** | **21,775,406** |
| Amount due to an associate | **1,406,012** | **–** | **–** | **–** | **1,406,012** | **1,406,012** |
| Amounts due to subsidiaries | **39,107,408** | **–** | **–** | **–** | **39,107,408** | **39,107,408** |
| Bank loans and overdrafts | **6,101,400** | **–** | **–** | **–** | **6,101,400** | **6,000,000** |
| | **70,380,651** | **–** | **–** | **–** | **70,380,651** | **70,279,251** |
| 2010 | | | | | | |
| Other payables | 5,573,965 | – | – | – | 5,573,965 | 5,573,965 |
| Amount due to a related company | 12,747,786 | – | – | – | 12,747,786 | 12,747,786 |
| Amount due to an associate | 1,367,487 | – | – | – | 1,367,487 | 1,367,487 |
| Amounts due to subsidiaries | 29,769,410 | – | – | – | 29,769,410 | 29,769,410 |
| Bank loans and overdrafts | 3,992,321 | – | – | – | 3,992,321 | 3,991,536 |
| | 53,450,969 | – | – | – | 53,450,969 | 53,450,184 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (c) Fair value of financial instruments

***Fair value estimation***

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

a) Listed equity securities

Fair value is measured using quoted price (unadjusted) in active market for identical financial instruments.

b) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

c) The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate to their fair value.

### (d) Fair value measurements recognised in the consolidated statement of financial position

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

- 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 asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- 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).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (d) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

The following table shows an analysis of financial instruments recorded at fair value by the fair value hierarchy:

**Group**

| | Level 1 HK$ | Level 2 HK$ | Level 3 HK$ | Total HK$ |
|---|---|---|---|---|
| **2011** | | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| – Listed equity securities | **28,908,069** | **–** | **–** | **28,908,069** |
| Financial assets at fair value through profit or loss | | | | |
| – Investments held-for-trading | **11,569,230** | **–** | **–** | **11,569,230** |
| **Total** | **40,477,299** | **–** | **–** | **40,477,299** |
| 2010 | | | | |
| **Financial assets** | | | | |
| Available-for-sale financial assets | | | | |
| – Listed equity securities | 31,441,840 | – | – | 31,441,840 |
| Financial assets at fair value through profit or loss | | | | |
| – Investments held-for-trading | 9,469,423 | – | – | 9,469,423 |
| Total | 40,911,263 | – | – | 40,911,263 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 5. FINANCIAL INSTRUMENTS (Cont'd)

### (d) Fair value measurements recognised in the consolidated statement of financial position (Cont'd)

There were no transfers amongst Level 1, Level 2 and Level 3 in the fair value hierarchy.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the process of applying the Group's accounting policies which are described in note 4, management of the Company has made the following judgments that have significant effect on the amounts recognised in the consolidated financial statements. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below.

**Impairment loss on trade and other receivables**

The policy for impairment loss on trade and other receivables of the Group is based on the evaluation of collectibility and aged analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Cont'd)

### Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. 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 year in which such determination is made.

### Useful lives of property, plant and equipment

Management of the Company determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management of the Company will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

### Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience and selling goods of similar nature. It could change significantly as a result of change in market condition. Management of the Company will reassess the estimations at the reporting date.

### Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value of the investment properties, the valuers have based on method of valuation which involves certain assumptions and estimates that reflect, including capitalisation of net rental income after allowance for outgoings and amount has been taken into account of reversion to market value and/or market rent upon expiration of the existent tenancies, vacant possession, and comparable market transactions assuming that the Group sales the properties on the market in their existing state by making reference to comparable sales evidences as available in the relevant market. In relying on the valuation report, the management of the Company has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Should there be any changes in assumptions due to change of market conditions, the fair value of the investment properties will change in future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 7. SEGMENT INFORMATION

HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance.

The chief operating decision maker has been identified as the directors of the Company. The directors of the Company review the Group's internal reporting in order to assess performance and allocate resources. The directors of the Company have determined the operating segments based on these reports.

The directors of the Company consider the business from both a geographic and product perspective. From a geographic and product perspective, the directors of the Company assess as the performance of property investments and development/hotel, manufacturing and distribution of plastic packaging materials and stock broking and finance.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment performance is evaluated based on operating segment results, which is a measure of segment results. The segment results is measured consistently with the Group's profit except that gain arising on change in fair value of investment properties, finance costs, share of profits (losses) of associates and income tax expenses are excluded from such measurement. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Transactions between segments are carried out at arm's length. The revenue from external parties reported to the directors of the Company is measured in a manner consistent with that in the consolidated income statement.

In a manner consistent with the way in which information is reported internally to chief operating decision maker for the purposes of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

| | |
|---|---|
| Property investments and development/hotel | Provision of hotel services and leasing of rental properties in Hong Kong and the People's Republic of China (the "PRC") |
| Manufacturing and distribution of plastic packaging materials | Production and distribution of plastic bags and packaging materials |
| Stock broking and finance | Securities investment provision of financial investment services and in trading securities |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 7. SEGMENT INFORMATION (Cont'd)

### I) Operating Segment

| | Property investments and development/hotel | | Manufacturing and distribution of plastic packaging materials | | Stock broking and finance | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2011 HK$** | 2010 HK$ (Restated) | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ (Restated) |
| Turnover | | | | | | | | |
| External sales | **36,651,875** | 32,661,461 | **291,716,718** | 249,193,195 | **21,327,450** | 26,182,066 | **349,696,043** | 308,036,722 |
| Segment result | **18,560,596** | 11,765,273 | **(11,155,037)** | (7,293,210) | **10,528,604** | 15,386,720 | **17,934,163** | 19,858,783 |
| Gain arising on change in fair value of investment properties | **71,706,026** | 84,579,535 | **-** | – | **-** | – | **71,706,026** | 84,579,535 |
| Profit (loss) from operations | **90,266,622** | 96,344,808 | **(11,155,037)** | (7,293,210) | **10,528,604** | 15,386,720 | **89,640,189** | 104,438,318 |
| Unallocated finance costs | **-** | – | **-** | – | **-** | – | **(6,103,754)** | (4,663,915) |
| Share of profits (losses) of associates | **1,788,468** | 3,719,977 | **(191,040)** | (208,710) | **389,772** | – | **1,987,200** | 3,511,267 |
| Profit before tax | | | | | | | **85,523,635** | 103,285,670 |
| Unallocated income tax expense | | | | | | | **(7,296,348)** | (6,485,907) |
| Profit for the year | | | | | | | **78,227,287** | 96,799,763 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 7. SEGMENT INFORMATION (Cont'd)

### II) Segment assets and liabilities

| | Property investments and development/hotel | | Manufacturing and distribution of plastic packaging materials | | Stock broking and finance | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2011 HK$** | 2010 HK$ (Restated) | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ (Restated) |
| **Assets** | | | | | | | | |
| Segment assets | **419,103,254** | 372,053,839 | **406,016,104** | 371,968,107 | **227,559,438** | 191,729,304 | **1,052,678,796** | 935,751,250 |
| Interest in associates | **63,375,672** | 60,843,913 | **3,705,290** | 8,235,498 | **389,772** | – | **67,470,734** | 69,079,411 |
| Reportable segment assets | **482,478,926** | 432,897,752 | **409,721,394** | 380,203,605 | **227,949,210** | 191,729,304 | **1,120,149,530** | 1,004,830,661 |
| Unallocated corporate assets | | | | | | | **30,189,169** | 31,441,840 |
| Consolidated total assets | | | | | | | **1,150,338,699** | 1,036,272,501 |
| **Liabilities** | | | | | | | | |
| Reportable segment liabilities | **7,755,578** | 11,765,751 | **54,458,637** | 41,933,192 | **99,095,902** | 94,272,401 | **161,310,117** | 147,971,344 |
| Unallocated corporate liabilities | | | | | | | **271,822,064** | 249,158,999 |
| Consolidated total liabilities | | | | | | | **433,132,181** | 397,130,343 |

### III) Other segment information

| | Property investments and development/hotel | | Manufacturing and distribution of plastic packaging materials | | Stock broking and finance | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2011 HK$** | 2010 HK$ (Restated) | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ (Restated) |
| Depreciation of property, plant and equipment | **4,845,270** | 4,882,150 | **8,916,038** | 9,044,952 | **461,886** | 376,887 | **14,223,194** | 14,303,989 |
| Amortisation of leasehold land and land use right | **28,350** | 23,085 | **322,889** | 329,964 | **–** | – | **351,239** | 353,049 |
| Gain arising on change in fair value of investment properties | **71,706,026** | 84,579,535 | **–** | – | **–** | – | **71,706,026** | 84,579,535 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 7. SEGMENT INFORMATION (Cont'd)

### IV) Geographical segment

| | Turnover | |
|---|---|---|
| | **2011** | 2010 |
| | **HK$** | HK$ |
| Hong Kong | **90,644,315** | 84,523,582 |
| North America | **48,821,731** | 40,483,059 |
| Oceania | **30,145,518** | 36,976,651 |
| Europe | **31,380,268** | 28,537,489 |
| PRC | **49,849,148** | 30,424,945 |
| Other Asian countries | **98,627,558** | 86,554,074 |
| Others | **227,505** | 536,922 |
| | **349,696,043** | 308,036,722 |

| | Carrying amount of segment assets | | Additions to non-current assets | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | | (Restated) | | |
| Hong Kong | **865,343,894** | 798,236,384 | **2,381,502** | 1,185,444 |
| North America | **6,803,208** | 7,013,795 | **–** | – |
| Oceania | **7,436,216** | 6,443,458 | **–** | – |
| Europe | **4,149,816** | 2,876,804 | **–** | – |
| PRC | **257,021,028** | 217,750,560 | **9,032,366** | 4,496,080 |
| Other Asian countries | **9,584,537** | 3,951,500 | **–** | – |
| | **1,150,338,699** | 1,036,272,501 | **11,413,868** | 5,681,524 |

### V) Information about major customers

Included in turnover arising from manufacturing and distribution of plastic packaging materials of HK$291,716,718 (2010: HK$249,193,195) are turnover of HK$61,888,789 (2010: HK$53,524,640) which arose from sales to the Group's major customer (the manufacturing and distribution of plastic packaging materials segment). No other single customers contributed 10% or more to the Group's turnover for both 2011 and 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 8. TURNOVER

Turnover comprises the aggregate of gross invoiced values of goods sold less discounts and returns, gross rental income, brokerage commission, hotel income and dividend income.

| | **2011** | 2010 |
|---|---|---|
| | **HK$** | HK$ |
| Sale of goods | **291,716,717** | 249,193,195 |
| Gross rental income | **17,653,762** | 17,181,813 |
| Brokerage commission | **19,821,585** | 25,154,728 |
| Hotel income | **18,998,114** | 15,479,648 |
| Dividend income | | |
| – Listed equity securities | **1,505,865** | 1,027,338 |
| | **349,696,043** | 308,036,722 |

## 9. OTHER REVENUE AND OTHER INCOME

| | **2011** | 2010 |
|---|---|---|
| | **HK$** | HK$ |
| Interest income | **8,889,596** | 5,297,282 |
| Other income (Note) | **4,592,654** | 4,884,210 |
| Reversal of impairment loss on trade and other receivables | **125,222** | 241,051 |
| Gain on disposal of unlisted available-for-sale financial assets | **1,211,589** | – |
| Gain arising on change in fair value of financial assets at fair value through profit or loss | **2,099,808** | 5,034,869 |
| Gain on forward exchange contracts | **–** | 170,468 |
| | **16,918,869** | 15,627,880 |

*Note:* Other income mainly consist of other securities fee and other ancillary hotel revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 10. PROFIT FROM OPERATIONS

| | 2011 HK$ | 2010 HK$ (Restated) |
|---|---|---|
| Profit from operations is arrived at after charging (crediting): | | |
| Auditors' remuneration | **763,889** | 704,964 |
| Cost of inventories sold | **223,269,895** | 178,338,561 |
| Impairment losses on trade and other receivables | **686,273** | 623,577 |
| Impairment losses on amount due from an associate | **4,334,682** | 3,000,000 |
| Provision of obsolescent inventories | **47,815** | – |
| Impairment losses on available-for-sale financial assets | **–** | 1,405,620 |
| Staff costs (including directors' remuneration): | | |
| Salaries, wages and allowances | **43,542,223** | 38,386,581 |
| Staff benefits | **2,364,358** | 2,977,070 |
| Defined contribution plans | **711,295** | 691,590 |
| Provision for PRC economic compensation | **–** | 2,000,000 |
| | **46,617,876** | 44,055,241 |
| Operating lease rental in respect of office premises | **1,765,468** | 1,819,241 |
| Depreciation of property, plant and equipment | **14,223,194** | 14,303,989 |
| Loss on disposal of property, plant and equipment | **765** | 269,853 |
| Loss on disposal of financial assets at fair value through profit or loss | **8,755** | 22,695 |
| Amortisation of leasehold land and land use right | **351,239** | 353,049 |
| Exchange loss, net | **645,385** | 114,822 |
| Gross rental income from investment properties | **(17,653,762)** | (17,181,813) |
| Less: Direct outgoing expenses from investment properties that generated rental income during the year | **45,300** | 15,425 |
| | **(17,608,462)** | (17,166,388) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 11. FINANCE COSTS

| | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|
| Interest on: | | |
| Bank loans and overdrafts wholly repayable: | | |
| within five years | **3,923,280** | 2,912,077 |
| over five years | **1,073,554** | 710,858 |
| Other borrowings | **593,786** | 475,490 |
| Bank charges | **513,134** | 565,490 |
| | **6,103,754** | 4,663,915 |

## 12. INCOME TAX EXPENSE

| | 2011<br>HK$ | 2010<br>HK$<br>(Restated) |
|---|---|---|
| The charge comprises: | | |
| Current tax: | | |
| Hong Kong Profits Tax | **5,464,750** | 6,064,392 |
| Under provision: | | |
| Hong Kong Profits Tax | **–** | 324,737 |
| | **5,464,750** | 6,389,129 |
| Deferred tax: | | |
| Current year charged (Note 34) | **1,831,598** | 96,778 |
| Tax charge for the year | **7,296,348** | 6,485,907 |

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profit for the year. PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (2010: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 12. INCOME TAX EXPENSE (Cont'd)

The income tax charged for the year can be reconciled to the profit before tax per the consolidated income statement as follows:

| | 2011<br>HK$ | 2010<br>HK$<br>(Restated) |
|---|---|---|
| Profit before tax | **85,523,635** | 103,285,670 |
| Notional tax on profit before tax, calculated at Hong Kong Profits Tax rate of 16.5% (2010: 16.5%) | **14,111,400** | 17,042,136 |
| Tax effect of: | | |
| Different tax rates of subsidiaries operating in other jurisdictions | **553,686** | (1,486,925) |
| Expenses not deductible for tax purpose | **2,520,812** | 10,697,379 |
| Income not taxable for tax purpose | **(12,816,503)** | (20,775,074) |
| Under provision in respect of prior years | **–** | 324,737 |
| Current year's tax loss not recognised | **2,007,328** | 978,887 |
| Previous tax losses utilised in current year | **(71,950)** | (327,503) |
| Reversal of tax losses previously recognised | **991,575** | 428,584 |
| Recognition of previously unrecognised tax losses | **–** | (396,314) |
| Tax charge for the year | **7,296,348** | 6,485,907 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 13. DIRECTORS' AND EMPLOYEES' REMUNERATION

The remuneration paid or payable to each of the fifteen (2010: fifteen) directors for the year ended 31 March 2011 and 2010 is set out below:

| Name of directors | Salary and other benefits<br>HK$<br>Note | Director fee<br>HK$ | MPF contribution<br>HK$ | Total<br>HK$ |
|---|---|---|---|---|
| **2011** | | | | |
| *Executive Directors* | | | | |
| Chua Nai Tuen | **2,546,000** | **40,000** | **13,000** | **2,599,000** |
| Chua Nai King | **984,000** | **30,000** | **–** | **1,014,000** |
| Nelson Junior Chua | **432,347** | **30,000** | **12,000** | **474,347** |
| Gilson Chua | **602,275** | **30,000** | **12,000** | **644,275** |
| *Non-executive Directors* | | | | |
| Chan Man Hon, Eric | **–** | **30,000** | **–** | **30,000** |
| Jimmy Siy Tiong | **–** | **30,000** | **–** | **30,000** |
| Luis Siy | **–** | **30,000** | **–** | **30,000** |
| Rene Siy Chua | **–** | **30,000** | **–** | **30,000** |
| Tsai Han Yung | **–** | **30,000** | **–** | **30,000** |
| Samuel Siy Yap | **–** | **30,000** | **–** | **30,000** |
| Vivian Chua | **336,164** | **30,000** | **16,160** | **382,324** |
| Se Ying Kin *(retired on 27 August 2010)* | **–** | **30,000** | **–** | **30,000** |
| *Independent Non-executive Directors* | | | | |
| Chan Siu Ting | **–** | **30,000** | **–** | **30,000** |
| James L. Kwok | **–** | **30,000** | **–** | **30,000** |
| Wong Shek Keung | **–** | **30,000** | **–** | **30,000** |
| | **4,900,786** | **460,000** | **53,160** | **5,413,946** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 13. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

| Name of directors | Salary and other benefits HK$ Note | Director fee HK$ | MPF contribution HK$ | Total HK$ |
|---|---|---|---|---|
| 2010 | | | | |
| *Executive Directors* | | | | |
| Chua Nai Tuen | 2,546,000 | 40,000 | 13,000 | 2,599,000 |
| Chua Nai King | 953,295 | 30,000 | – | 983,295 |
| Nelson Junior Chua | – | 30,000 | – | 30,000 |
| Gilson Chua | 580,000 | 30,000 | 12,000 | 622,000 |
| *Non-executive Directors* | | | | |
| Chan Man Hon, Eric | – | 30,000 | – | 30,000 |
| Jimmy Siy Tiong | – | 30,000 | – | 30,000 |
| Luis Siy | – | 30,000 | – | 30,000 |
| Rene Siy Chua | – | 30,000 | – | 30,000 |
| Tsai Han Yung | – | 30,000 | – | 30,000 |
| Samuel Siy Yap | – | 30,000 | – | 30,000 |
| Vivian Chua | – | 30,000 | – | 30,000 |
| Se Ying Kin | – | 30,000 | – | 30,000 |
| *Independent Non-executive Directors* | | | | |
| Chan Siu Ting | – | 30,000 | – | 30,000 |
| James L. Kwok | – | 30,000 | – | 30,000 |
| Wong Shek Keung | – | 30,000 | – | 30,000 |
| | 4,079,295 | 460,000 | 25,000 | 4,564,295 |

*Note:* Including consultancy fees paid to Sonliet Investment Company Limited ("Sonliet"), Tonwell Investment Co. (HK) Limited ("Tonwell") of which Messrs. Chua Nai Tuen and Chua Nai King was the director of Sonliet and Tonwell respectively.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 13. DIRECTORS' AND EMPLOYEES' REMUNERATION (Cont'd)

### Five highest paid employees

The five highest paid employees of the Group during the year included three (2010: three) directors, details of whose remuneration are disclosed above. The remuneration of the other two (2010: two) employees disclosed were as follows:

| | **2011 HK$** | 2010 HK$ |
|---|---|---|
| Salaries and other allowances | **1,516,061** | 1,346,900 |
| MPF contribution | **24,000** | 40,145 |
| Bonus | **124,000** | 100,000 |
| | **1,664,061** | 1,487,045 |

The remuneration of the other two employees fell within the following band:

| | **2011 Number of employees** | 2010 Number of employees |
|---|---|---|
| Nil – HK$1,000,000 | **2** | 2 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 14. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of HK$18,091,058 (2010: HK$6,540,722) which has been dealt with in the financial statements of the Company.

## 15. DIVIDENDS

| | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|
| Final dividend proposed after the reporting date of HK3 cents (2010: HK3 cents) per ordinary share | **6,522,565** | 6,522,565 |

The 2011 final cash dividend of HK3 cents (2010: HK3 cents) per ordinary share has been proposed by the Board of Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

The final dividend proposed after the reporting date has not been recognised as a liability at the end of the reporting period.

## 16. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit attributable to owners of the Company HK$77,370,847 (2010 (restated): HK$96,547,619) and the number of outstanding ordinary shares in issue during the year 217,418,850 (2010: 217,418,850).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 17. INVESTMENT PROPERTIES

| | Group | Company |
|---|---|---|
| | HK$ | HK$ |
| **Fair value** | | |
| At 1 April 2009 (originally stated) | 308,818,959 | 1,270,129 |
| Prior year adjustments (note 2) | 2,345,000 | – |
| At 1 April 2009 (restated) | 311,163,959 | 1,270,129 |
| Gain arising on change in fair value (restated) | 84,579,535 | 435,967 |
| At 31 March 2010 (restated) | 395,743,494 | 1,706,096 |
| At 1 April 2010 (originally stated) | 393,118,494 | 1,706,096 |
| Prior year adjustments (note 2) | 2,625,000 | – |
| At 1 April 2010 (restated) | 395,743,494 | 1,706,096 |
| Gain arising on change in fair value | 71,706,026 | 74,704 |
| **At 31 March 2011** | **467,449,520** | **1,780,800** |

The fair values of the Group's investment properties at the end of the reporting period have been arrived at on the basis of a valuation carried out on that date by Messrs. K. T. Liu Surveyors Limited, independent qualified professional valuer not connected to the Group. Messrs. K. T. Liu 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 the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs and/or by reference to market evidence of transaction prices for similar properties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 17. INVESTMENT PROPERTIES (Cont'd)

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties with carrying amount of HK$333,520,000 (2010: HK$287,900,000) have been pledged to secure general banking facilities granted to the Group.

The carrying amount of investment properties shown above comprises:

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| | | (Restated) | | |
| Inside Hong Kong, held under | | | | |
| Medium – term lease | **464,066,000** | 392,900,000 | **–** | – |
| Outside Hong Kong, held under | | | | |
| Medium – term lease | **3,383,520** | 2,843,494 | **1,780,800** | 1,706,096 |
| | **467,449,520** | 395,743,494 | **1,780,800** | 1706,096 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 18. PROPERTY, PLANT AND EQUIPMENT

### Group

| | Buildings | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medium term lease in Hong Kong HK$ | Medium term lease in PRC HK$ | Construction in progress HK$ | Plant and machinery HK$ | Furniture, fixtures & equipment HK$ | Motor vehicles HK$ | Total HK$ |
| **Cost** | | | | | | | |
| At 1 April 2009 (originally stated) | 53,308,068 | 85,081,694 | 2,021,058 | 128,292,641 | 29,778,910 | 7,297,543 | 305,779,914 |
| Prior year adjustments (note 2) | 162,677 | – | – | – | – | – | 162,677 |
| Effect of change in accounting policies (note 3) | 37,440,809 | – | – | – | – | – | 37,440,809 |
| At 1 April 2009 (restated) | 90,911,554 | 85,081,694 | 2,021,058 | 128,292,641 | 29,778,910 | 7,297,543 | 343,383,400 |
| Additions | 103,000 | – | 487,416 | 3,227,415 | 1,515,853 | 347,840 | 5,681,524 |
| Transfer | – | 480,308 | (502,146) | 21,838 | – | – | – |
| Disposals | – | – | – | – | (2,715,664) | (446,727) | (3,162,391) |
| Exchange alignments | – | 251,607 | 5,976 | 1,023,312 | 19,317 | 12,775 | 1,312,987 |
| At 31 March 2010 (restated) | 91,014,554 | 85,813,609 | 2,012,304 | 132,565,206 | 28,598,416 | 7,211,431 | 347,215,520 |
| At 31 March 2010 (originally stated) | 53,411,068 | 85,813,609 | 2,012,304 | 132,565,206 | 28,598,416 | 7,211,431 | 309,612,034 |
| Prior year adjustments (note 2) | 162,677 | – | – | – | – | – | 162,677 |
| Effect of change in accounting policies (note 3) | 37,440,809 | – | – | – | – | – | 37,440,809 |
| At 31 March 2010 (restated) | 91,014,554 | 85,813,609 | 2,012,304 | 132,565,206 | 28,598,416 | 7,211,431 | 347,215,520 |
| Additions | – | 632,316 | 2,192,837 | 6,209,409 | 2,377,822 | 1,484 | 11,413,868 |
| Disposals | – | – | – | – | (5,862) | – | (5,862) |
| Exchange alignments | – | 3,760,073 | 88,156 | 5,051,215 | 438,964 | 201,978 | 9,540,386 |
| At 31 March 2011 | 91,014,554 | 90,205,998 | 4,293,297 | 143,825,830 | 31,409,340 | 7,414,893 | 368,163,912 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 18. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### Group (Cont'd)

| | Buildings | | | | | | |
|---|---|---|---|---|---|---|---|
| | Medium term lease in Hong Kong HK$ | Medium term lease in PRC HK$ | Construction in progress HK$ | Plant and machinery HK$ | Furniture, fixtures & equipment HK$ | Motor vehicles HK$ | Total HK$ |
| **Accumulated depreciation** | | | | | | | |
| At 1 April 2009 (originally stated) | 8,752,140 | 24,231,202 | – | 71,547,517 | 16,076,181 | 4,856,528 | 125,463,568 |
| Prior year adjustments (note 2) | 88,963 | – | – | – | – | – | 88,963 |
| Effect of change in accounting policies (note 3) | 7,448,140 | – | – | – | – | – | 7,448,140 |
| At 1 April 2009 (restated) | 16,289,243 | 24,231,202 | – | 71,547,517 | 16,076,181 | 4,856,528 | 133,000,671 |
| Charge for the year (restated) | 3,241,533 | 2,054,850 | – | 6,008,812 | 2,514,813 | 483,981 | 14,303,989 |
| Written back on disposals | – | – | – | – | (2,424,516) | (123,967) | (2,548,483) |
| Exchange alignments | – | 74,697 | – | 197,820 | 12,277 | 10,562 | 295,356 |
| At 31 March 2010 (restated) | 19,530,776 | 26,360,749 | – | 77,754,149 | 16,178,755 | 5,227,104 | 145,051,533 |
| At 31 March 2010 (originally stated) | 11,299,068 | 26,360,749 | – | 77,754,149 | 16,178,755 | 5,227,104 | 136,819,825 |
| Prior year adjustments (note 2) | 92,821 | – | – | – | – | – | 92,821 |
| Effect of change in accounting policies (note 3) | 8,138,887 | – | – | – | – | – | 8,138,887 |
| At 31 March 2010 (restated) | 19,530,776 | 26,360,749 | – | 77,754,149 | 16,178,755 | 5,227,104 | 145,051,533 |
| Charge for the year | 3,249,955 | 1,622,300 | – | 6,441,177 | 2,526,449 | 383,313 | 14,223,194 |
| Written back on disposals | – | – | – | – | (5,097) | – | (5,097) |
| Exchange realignments | – | 1,146,267 | – | 4,508,227 | 286,348 | 161,778 | 6,102,620 |
| At 31 March 2011 | 22,780,731 | 29,129,316 | – | 88,703,553 | 18,986,455 | 5,772,195 | 165,372,250 |
| **Net book value** | | | | | | | |
| **At 31 March 2011** | **68,233,823** | **61,076,682** | **4,293,297** | **55,122,277** | **12,422,885** | **1,642,698** | **202,791,662** |
| At 31 March 2010 (restated) | 71,483,778 | 59,452,860 | 2,012,304 | 54,811,057 | 12,419,661 | 1,984,327 | 202,163,987 |
| At 1 April 2009 (restated) | 74,622,311 | 60,850,492 | 2,021,058 | 56,745,124 | 13,702,729 | 2,441,015 | 210,382,729 |

The Group's buildings with carrying amount of HK$68,235,222 (2010: HK$71,484,478) have been pledged to secure general banking facilities granted to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 18. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

### Company

| | Furniture, fixtures & equipment HK$ | Motor vehicles HK$ | Total HK$ |
|---|---|---|---|
| **Cost** | | | |
| At 1 April 2009 | 3,089,346 | 1,325,166 | 4,414,512 |
| Additions | 11,449 | 322,760 | 334,209 |
| Disposals | (2,546,581) | – | (2,546,581) |
| At 31 March 2010 and 1 April 2010 | 554,214 | 1,647,926 | 2,202,140 |
| Additions | 130,000 | – | 130,000 |
| At 31 March 2011 | 684,214 | 1,647,926 | 2,332,140 |
| **Accumulated depreciation** | | | |
| At 1 April 2009 | 2,715,923 | 650,804 | 3,366,727 |
| Charge for the year | 32,621 | 149,569 | 182,190 |
| Written back on disposals | (2,297,754) | – | (2,297,754) |
| At 31 March 2010 and 1 April 2010 | 450,790 | 800,373 | 1,251,163 |
| Charge for the year | 57,174 | 127,133 | 184,307 |
| At 31 March 2011 | 507,964 | 927,506 | 1,435,470 |
| **Net book value** | | | |
| **At 31 March 2011** | **176,250** | **720,420** | **896,670** |
| At 31 March 2010 | 103,424 | 847,553 | 950,977 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 19. LEASEHOLD LAND AND LAND USE RIGHT

**Group**

| | HK$ |
|---|---|
| **Cost** | |
| At 1 April 2009 (originally stated) | 55,578,585 |
| Prior year adjustments (note 2) | (575,851) |
| Effect of change in accounting policies (note 3) | (37,440,809) |
| At 1 April 2009 (restated) | 17,561,925 |
| Exchange alignment | 57,409 |
| At 31 March 2010 (restated) | 17,619,334 |
| At 31 March 2010 (originally stated) | 55,635,994 |
| Prior year adjustments (note 2) | (575,851) |
| Effect of change in accounting policies (note 3) | (37,440,809) |
| At 31 March 2010 (restated) | 17,619,334 |
| Exchange alignment | 678,991 |
| At 31 March 2011 | 18,298,325 |
| **Amortisation** | |
| At 1 April 2009 (originally stated) | 11,675,673 |
| Prior year adjustments (note 2) | (249,244) |
| Effect of change in accounting policies (note 3) | (7,448,140) |
| At 1 April 2009 (restated) | 3,978,289 |
| Charge for the year (restated) | 353,049 |
| Exchange alignment | 10,713 |
| At 31 March 2010 (restated) | 4,342,051 |
| At 31 March 2010 (originally stated) | 12,738,775 |
| Prior year adjustments (note 2) | (257,837) |
| Effect of change in accounting policies (note 3) | (8,138,887) |
| At 31 March 2010 (restated) | 4,342,051 |
| Charge for the year | 351,239 |
| Exchange alignment | 204,419 |
| At 31 March 2011 | 4,897,709 |
| **Net book value** | |
| **At 31 March 2011** | **13,400,616** |
| At 31 March 2010 (restated) | 13,277,283 |
| At 1 April 2009 (restated) | 13,583,636 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 19. LEASEHOLD LAND AND LAND USE RIGHT (Cont'd)

**Group**

| | **2011 31 March HK$** | 2010 31 March HK$ (Restated) | 2009 1 April HK$ (Restated) |
|---|---|---|---|
| Land outside Hong Kong | | | |
| Medium – term lease | **13,400,616** | 13,277,283 | 13,583,636 |

The Group's leasehold land with carrying amount of HK$12,390,143 (2010: HK$12,238,459) have been pledged to secure general banking facilities granted to the Group.

## 20. INTERESTS IN SUBSIDIARIES

**Company**

| | **2011 HK$** | 2010 HK$ |
|---|---|---|
| Unlisted shares, at cost | **48,314,775** | 48,314,775 |
| Amounts due from subsidiaries | **268,151,418** | 267,762,572 |
| | **316,466,193** | 316,077,347 |
| Less: Impairment losses | **(45,446,201)** | (69,662,709) |
| | **271,019,992** | 246,414,638 |
| Less: Non-current portion | **(133,439,398)** | (246,414,638) |
| Current portion | **137,580,594** | – |
| Movement of impairment losses: | | |
| At the beginning of the year | **69,662,709** | 69,568,166 |
| Provided for the year | **5,555** | 94,543 |
| Amounts written off during the year as waiver of amounts due from subsidiaries | **(24,222,243)** | – |
| At the end of the year | **45,446,021** | 69,662,709 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 20. INTERESTS IN SUBSIDIARIES (Cont'd)

**Company (Cont'd)**

Details of the Company's principal subsidiaries at 31 March 2011 are set out in note 46 to the consolidated financial statements.

The amounts due from/to its subsidiaries are unsecured. The non-current portion have no fixed repayment terms and the current portion is repayment on demand. At 31 March 2011, the amounts due from subsidiaries amounted HK$195,571,012 (2010: HK$180,554,454) bears interest at Hong Kong dollar prime rate, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2% to 3.25% and the remaining balance and the amounts due to subsidiaries are interest free.

## 21. INTERESTS IN ASSOCIATES

**Group**

| | **2011**<br>**HK$** | 2010<br>HK$ |
|---|---|---|
| Cost of investment in associates, unlisted | **36,983,497** | 33,464,685 |
| Share of post-acquisition profit and other comprehensive income, net of dividend received | **2,073,793** | 3,518,782 |
| Share of net assets at 31 March | **39,057,290** | 36,983,467 |
| Amounts due from associates | **32,748,126** | 35,095,944 |
| Less: Impairment losses | **(4,334,682)** | (3,000,000) |
| | **67,470,734** | 69,079,411 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 21. INTERESTS IN ASSOCIATES (Cont'd)

At 31 March 2011, an aggregate impairment loss of HK$4,334,682 (2010: HK$3,000,000) was recognised for an amount due from an associate with an aggregate gross carrying amount of HK$32,748,126 (2010: HK$35,095,944) (before deducting the impairment losses) due to the recoverable amount is less than the carrying amount.

### Company

| | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|
| Cost of investment in associates, unlisted | **13,921,154** | 13,921,154 |
| Amounts due from associates | **12,905,956** | 10,155,800 |
| | **26,827,110** | 24,076,954 |

The amounts due from associates are unsecured, interest-free and no fixed terms of repayment. The amounts due to associates are unsecured, interest-free and repayable on demand.

Details of the Group's associates at 31 March 2011 are set out in note 47 to the consolidated financial statements.

### Summarised financial information of associates

| | Assets<br>HK$ | Liabilities<br>HK$ | Equity<br>HK$ | Revenue<br>HK$ | Profit<br>HK$ |
|---|---|---|---|---|---|
| **2011** | | | | | |
| **Total** | **224,532,570** | **(138,205,104)** | **86,327,466** | **15,508,038** | **9,588,786** |
| **Group's effective interest** | **91,135,571** | **(52,078,281)** | **39,057,290** | **4,120,271** | **1,987,200** |
| 2010 | | | | | |
| Total | 200,348,635 | (123,807,268) | 76,541,367 | 17,832,575 | 12,429,477 |
| Group's effective interest | 84,465,563 | (47,482,096) | 36,983,467 | 5,888,730 | 3,511,267 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 22. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Equity securities at cost | | | | |
| Unlisted in Hong Kong | **946,000** | 3,800,649 | **810,000** | 3,664,649 |
| Unlisted outside Hong Kong | **335,100** | 1,740,720 | **–** | 1,405,620 |
| | **1,281,100** | 5,541,369 | **810,000** | 5,070,269 |
| Equity securities at fair value | | | | |
| Listed in Hong Kong | **28,908,069** | 27,306,091 | **–** | – |
| | **30,189,169** | 32,847,460 | **810,000** | 5,070,269 |
| Impairment loss on unlisted equity securities outside Hong Kong | **–** | (1,405,620) | **–** | (1,405,620) |
| | **30,189,169** | 31,441,840 | **810,000** | 3,664,649 |

At 31 March 2011, certain unlisted equity securities with carrying amount of HK$1,281,100 (2010: HK$4,135,749) were stated at cost less impairment loss because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

The Group's available-for-sale financial assets with carrying amount of HK$28,122,000 (2010: HK$26,324,480) have been pledged to secure general banking facilities granted to the Group.

The directors of the Company had re-assessed recoverable amount of unlisted equity securities in Hong Kong and outside Hong Kong, and no impairment loss was recognised for the year ended 31 March 2011 (2010: HK$1,405,620).

For listed equity securities, the fair value as determined based on the quoted market bid prices available on the relevant stock exchange and the industry group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 23. INTANGIBLE ASSETS

### Group

| | Stock Exchange trading rights HK$ | Futures Exchange trading right HK$ | Membership of The Chinese Gold & Silver Exchange Society HK$ | Club membership HK$ | Total HK$ |
|---|---|---|---|---|---|
| At 1 April 2009, 31 March 2010, 1 April 2010 and 31 March 2011 | 2,220,001 | 201,205 | 300,000 | 981,500 | 3,702,706 |

### Indefinite useful life

The Group classified the above intangible assets with indefinite life in accordance with HKAS 38 "Intangible Assets". In the opinion of the directors of the Company, its legal rights are capable of being renewed indefinitely at insignificant cost and therefore are perpetual in duration, and based on future financial performance of the Group, they are expected to generate positive cashflows indefinitely. Under HKAS 38, the Group re-evaluate the useful life of the intangible assets each year to determine whether events or circumstances continue to support the view of the indefinite useful life of the asset.

### Impairment

The Group completes its annual impairment test for the intangible asset by comparing its recoverable amount to the carrying amount at the end of the reporting period. The recoverable amounts of the intangible assets are determined based on fair value less cost to sell. The fair value are determined based on the current market conditions and there is no impairment loss recognised for the year ended 31 March 2011 and 2010.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 24. OTHER ASSETS

**Group**

| | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|
| Compensation fund deposit | **1,500,000** | 1,500,000 |
| Deposit with the Stock Exchange | **600,000** | 600,000 |
| Admission fee & guarantee fund to Hong Kong Securities Clearing Company Limited | **600,000** | 600,000 |
| | **2,700,000** | 2,700,000 |

## 25. INVENTORIES

**Group**

| | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|
| Raw materials | **51,531,736** | 32,579,982 |
| Work in progress | **6,649,333** | 4,551,881 |
| Finished goods | **16,908,132** | 21,602,067 |
| Less: Provision of obsolescent inventories | **(47,815)** | – |
| | **75,041,386** | 58,733,930 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 26. TRADE AND OTHER RECEIVABLES

The Group's trade receivables arose from (i) property investments and development/hotel, (ii) manufacturing and distribution of plastic packaging materials, and (iii) stock broking and finance for the year.

**Group**

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Trade receivables from: | | |
| Clearing house and cash clients | **63,238,912** | 29,313,162 |
| Secured margin clients | **73,828,188** | 62,679,598 |
| Others | **48,948,394** | 51,032,711 |
| | **186,015,494** | 143,025,471 |
| Less: Allowance on bad and doubtful debts | **(9,220,448)** | (8,659,397) |
| | **176,795,046** | 134,366,074 |
| Other receivables | **9,112,932** | 7,449,705 |
| | **185,907,978** | 141,815,779 |

The Group allows a credit period up to the respective settlement dates for securities transactions (normally two business days after the respective trade date for cash clients). Each secured margin client has a credit limit.

Trade receivables of manufacturing business falls into the general credit term ranged from 0-90 days except for a credit period mutually agreed between the Company and the customers.

Rental receivables billed in advance and settlements from tenants are expected upon receipts of billings.

Room guests are requested to settle all outstanding balances before they check out. Normally, upon check-in, the Group will request its room guest cash deposit or credit card debit authorisation. Other than that, the Group does not obtain any other collateral from its room guests.

The Group maintains straight control over its outstanding receivables. Overdue balances are reviewed regularly by managers and senior management. In view of the above-mentioned and the fact that the Group's trade receivables relate to a large number of diversified customers, in the opinion of the directors of the Company, there is no significant concentration of credit risk at 31 March 2011 and 2010 except as stated in credit risk in note 5(b).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 26. TRADE AND OTHER RECEIVABLES (Cont'd)

### (a) Aged analysis

The aged analysis of the trade receivables at the end of the reporting period, based on the invoice date and net of allowance on bad and doubtful debts is as follows:

| | **2011** | 2010 |
|---|---|---|
| | **HK$** | HK$ |
| Repayable on demand margin clients receivables | **71,943,898** | 61,413,946 |
| 0 – 30 days | **89,949,283** | 56,964,242 |
| 31 – 60 days | **9,192,310** | 14,030,338 |
| Over 60 days | **5,709,555** | 1,957,548 |
| | **176,795,046** | 134,366,074 |

Included in trade receivables of HK$71,943,898 (net of allowance on bad and doubtful debts) (2010: HK$61,413,946) are advances to margin clients, which are secured by client's listed securities held by the Group as collateral and are interest bearing. The amount of credit facilities granted to margin clients is determined by the discounted market value of the collateral securities accepted by the Group. At 31 March 2011, the total market value of securities pledged as collateral by the customers in respect of the advances to customers is HK$133,675,108 (2010: HK$161,173,919). No aged analysis is disclosed as, in the opinion of the directors of the Company, an aged analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 26. TRADE AND OTHER RECEIVABLES (Cont'd)

### (b) Movement in the allowance for bad and doubtful debts

The movement in the allowance for bad and doubtful debts during the year is as follows:

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| At 1 April | **8,659,397** | 8,276,871 |
| Impairment loss recognised | **686,273** | 623,577 |
| Impairment loss reversed | **(125,222)** | (241,051) |
| At 31 March | **9,220,448** | 8,659,397 |

### (c) Trade receivables that are not impaired

An aged analysis of the trade receivables at the end of the reporting period, based on the settlement due date, that are neither individually nor collectively considered to be impaired (excluding repayable on demand margin clients receivables) is as follows:

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Neither past due nor impaired | **75,391,984** | 59,568,191 |
| Less than one month past due | **12,193,148** | 9,938,992 |
| One to three months past due | **10,039,356** | 2,621,983 |
| More than three months past due | **7,226,660** | 822,962 |
| | **104,851,148** | 72,952,128 |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

**Group**

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Trading securities listed in Hong Kong | **11,569,230** | 9,469,423 |

The above trading securities were classified as held-for-trading and the fair values were determined with reference to quoted market bid prices at the end of the reporting period.

The Group's financial assets at fair value through profit or loss with carrying amount of HK$11,507,850 (2010: HK$9,405,950) have been pledged to secure general banking facilities granted to the Group.

## 28. TIME DEPOSITS

**Group**

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Short term bank deposits | | |
| – secured time deposits | **4,100,000** | 4,100,000 |
| – secured certificate of deposits | **1,000,000** | 1,000,000 |
| | **5,100,000** | 5,100,000 |

The certificates of deposits bear interest at a variable rate from 0.05% to 0.12% p.a. (2010: 0.01% to 0.6% p.a.) with maturity in April 2011 (2010: April 2010). The amounts represent deposits pledged to banks to secure short term banking facilities granted to the Group and are therefore classified as current assets. At 31 March 2011 and 2010, all time deposits are denominated in HKD.

The effective interest rates on time deposits ranged from 0.25% to 0.35% (2010: 0.02% to 0.25%) and mature within 180 days. (2010: 180 days)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 29. TRUST ACCOUNTS OF SHARES DEALING CLIENTS

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Trust accounts | **56,315,997** | 61,809,267 |

The Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These client's monies bear interest at floating rates based on daily bank deposit rate and all are denominated in HKD. The group has recognised the corresponding account payables to respective clients.

## 30. CASH AND BANK BALANCES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011** **HK$** | 2010 HK$ | **2011** **HK$** | 2010 HK$ |
| Cash and bank balances | **21,042,484** | 24,265,251 | **904,366** | 673,203 |

At 31 March 2011, cash and bank balances denominated in RMB and USD are HK$8,545,814 (2010: HK$5,032,779) and HK$1,598,672 (2010: HK$5,759,458) respectively. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated imposed by the PRC government.

Bank balances earn interests at floating rate based on daily bank deposit rates and is placed with creditworthy banks with no recent history of default.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 31. TRADE AND OTHER PAYABLES

The Group's trade payables arose from (i) property investments and development/hotel, (ii) manufacturing and distribution of plastic packaging materials, and (iii) stock broking and finance for the year.

**Group**

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Trade payables to: | | |
| Clearing house and cash clients | **67,738,036** | 72,248,739 |
| Secured margin clients | **18,003,348** | 18,060,596 |
| Others | **24,283,749** | 18,734,635 |
| | **110,025,133** | 109,043,970 |
| Other payables | **20,950,806** | 18,534,624 |
| | **130,975,939** | 127,578,594 |

The aged analysis of the Group's trade payables at the end of the reporting period, based on the invoice billing date is as follows:

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| 0 – 30 days | **98,331,288** | 98,512,246 |
| 31 – 60 days | **7,152,335** | 3,121,985 |
| Over 60 days | **4,541,510** | 7,409,739 |
| | **110,025,133** | 109,043,970 |

Included in trade and other payables of HK$67,738,036 (2010: HK$72,248,739) are amounts payable to clearing house and cash clients which would be due within 30 days.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 32. AMOUNTS DUE TO RELATED COMPANIES

### Group and the Company

The amounts due were unsecured, interest bearing (except the amount of HK$1,752,214 in 2010 which was interest – free) and repayable on demand. These interest bearing portion was charged interest at Hong Kong dollar prime rate, quoted by Standard Chartered Bank (Hong Kong) Limited, minus 2%.

## 33. BANK LOANS AND OVERDRAFTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2011** | 2010 | **2011** | 2010 |
| | **HK$** | HK$ | **HK$** | HK$ |
| Secured bank overdrafts | **136,183** | 10,115,365 | **–** | 3,991,536 |
| Secured bank loans | **265,685,881** | 235,545,470 | **–** | – |
| Unsecured bank loans | **6,000,000** | 3,498,164 | **6,000,000** | – |
| | **271,822,064** | 249,158,999 | **6,000,000** | 3,991,536 |
| The maturity of bank borrowings is as follows: | | | | |
| Within one year | **187,432,235** | 137,065,121 | **6,000,000** | 3,991,536 |
| More than one year but not exceeding two years | **23,246,471** | 27,777,289 | **–** | – |
| More than two years but not exceeding five years | **24,552,700** | 42,206,323 | **–** | – |
| Over five years | **36,590,658** | 42,110,266 | **–** | – |
| | **271,822,064** | 249,158,999 | **6,000,000** | 3,991,536 |
| Less: Amounts due within one year included under current liabilities | **(187,432,235)** | (137,065,121) | **(6,000,000)** | (3,991,536) |
| Amounts due after one year included under non-current liabilities | **84,389,829** | 112,093,878 | **–** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 33. BANK LOANS AND OVERDRAFTS (Cont'd)

The secured bank loans and bank overdrafts were secured by the Group's assets as described in note 42 and bore interest rate at rates ranging from 1.21% to 6.67% (2010: 1.04% to 5.258%) per annum.

The unsecured bank loans carrying interest rate at BLR plus 0.25% and HIBOR plus 1.5% (2010: BLR plus 0.25% and HIBOR plus 1.5%) per annum.

The Group's borrowings are denominated in currency other than HKD as set out below:

| | **2011** | 2010 |
|---|---|---|
| | **HK$** | HK$ |
| RMB | **7,123,353** | 6,824,386 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. DEFERRED TAXATION

### Group

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements thereon during the current and prior reporting years are as follows:

| | Accelerated tax depreciation HK$ | Revaluation of investment properties HK$ | Tax losses HK$ | Others HK$ | Total HK$ |
|---|---|---|---|---|---|
| At 1 April 2009 (originally stated) | 4,484,377 | 26,003,398 | (1,068,872) | (333,489) | 29,085,414 |
| Effect of changed in accounting policies (note 3) | – | (25,915,132) | – | – | (25,915,132) |
| At 1 April 2009 (restated) | 4,484,377 | 88,266 | (1,068,872) | (333,489) | 3,170,282 |
| (Credited) charged to the consolidated income statement (restated) | (297,771) | 85,892 | (298,620) | 607,277 | 96,778 |
| At 31 March 2010 (restated) | 4,186,606 | 174,158 | (1,367,492) | 273,788 | 3,267,060 |
| At 31 March 2010 (originally stated) | 4,186,606 | 39,870,090 | (1,367,492) | 273,788 | 42,962,992 |
| Effect of changed in accounting policies (note 3) | – | (39,695,932) | – | – | (39,695,932) |
| At 31 March 2010 (restated) | 4,186,606 | 174,158 | (1,367,492) | 273,788 | 3,267,060 |
| Charged to the consolidated income statement | 643,992 | 124,081 | 1,063,525 | – | 1,831,598 |
| **At 31 March 2011** | **4,830,598** | **298,239** | **(303,967)** | **273,788** | **5,098,658** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. DEFERRED TAXATION (Cont'd)

For the purposes of the presentation in the consolidated statement of financial position, certain deferred tax liabilities and deferred tax assets have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes.

| | **2011 31 March HK$** | 2010 31 March HK$ (Restated) | 2009 1 April HK$ (Restated) |
|---|---|---|---|
| Deferred tax liabilities | **5,402,625** | 3,268,147 | 3,340,981 |
| Deferred tax assets | **(303,967)** | (1,087) | (170,699) |
| | **5,098,658** | 3,267,060 | 3,170,282 |

At 31 March 2011, the Group did not recognise deferred tax assets in respect of tax losses of HK$32,088,318 (2010: HK$13,913,139). As it is not probable that taxable profits will be available against which the unused tax losses of the Group can be utilised, deferred tax assets have not been recognised in respect of the unused tax losses. Tax losses are available indefinitely for offsetting future taxable profit of the companies in which the losses arose except for the tax losses arising in the PRC of HK$14,369,168 (2010: HK$nil) that will expire in one to five years for offsetting against future taxable profits.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 34. DEFERRED TAXATION (Cont'd)

### Company

The components of deferred tax assets and liabilities recognised in the Company statement of financial position and the movements during the year are as follows:

| | **Accelerated tax depreciation HK$** | **Tax losses HK$** | **Total HK$** |
|---|---|---|---|
| At 1 April 2009 | 140,212 | (140,212) | – |
| (Credited) charged to the income statement | (15,875) | 15,875 | – |
| At 31 March 2010 and 1 April 2010 | 124,337 | (124,337) | – |
| Charged (credited) to the income statement | 377 | (377) | – |
| **At 31 March 2011** | **124,714** | **(124,714)** | **–** |

For the purposes of the presentation in the consolidated statement of financial position, deferred tax liabilities and deferred tax assets have been offset.

At 31 March 2011, the Company did not recognise deferred tax assets in respect of tax losses of HK$16,389,112 (2010: HK$13,913,139). As it is not probable that taxable profits will be available against which the unused tax losses of the Company can be utilised, deferred tax assets have not been recognised in respect of the unused tax losses. Tax losses are available indefinitely for offsetting future taxable profit of the Company in which the losses arose.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 35. SHARE CAPITAL

| | **2011** | 2010 |
|---|---|---|
| | **HK$** | HK$ |
| Authorised: | | |
| 500,000,000 (2010: 500,000,000) ordinary shares of HK$1.00 each | **500,000,000** | 500,000,000 |
| Issued and fully paid: | | |
| 217,418,850 (2010: 217,418,850) ordinary shares of HK$1.00 each | **217,418,850** | 217,418,850 |

## 36. RESERVES

**Company**

| | **Retained profits HK$** |
|---|---|
| At 1 April 2009 | 26,767,277 |
| Profit for the year | 6,540,722 |
| Bonus issue | (19,765,350) |
| Dividend paid | (5,929,605) |
| At 31 March 2010 and 1 April 2010 | 7,613,044 |
| Profit for the year | 18,091,058 |
| Dividend paid | (6,522,565) |
| **At 31 March 2011** | **19,181,537** |

## 37. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to maintain the Group's ability to continue operating as a going concern and to preserve healthy capital structure ratios in order to support its business and maximise shareholder value.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 37. CAPITAL MANAGEMENT (Cont'd)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise or repay debts. No changes were made in the objectives, policies or processes during the years ended 31 March 2011 and 2010.

Consistently, the Group monitors capital on the basis of net debt to equity ratio calculated on the basis of the Group's net bank borrowings (after cash and bank balances together with time deposit) over shareholders' funds. The Group's policy is to keep the net debt to equity ratio at a reasonable level.

The net debt to equity ratio at 31 March 2011 and 2010 were as follows:

**Group**

| | **2011**<br>**HK$** | 2010<br>HK$<br>(Restated) |
|---|---|---|
| Total bank borrowings | **271,822,064** | 249,158,999 |
| Less: | | |
| Time deposits | **(5,100,000)** | (5,100,000) |
| Cash and bank balances | **(21,042,484)** | (24,265,251) |
| **Net debt** | **245,679,580** | 219,793,748 |
| **Equity** (Note) | **708,641,219** | 631,087,711 |
| **Net debt to equity ratio** | **34.7%** | 34.8% |

*Note:* Equity includes all capital and reserves attributable to owners of the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 38. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH (OUTFLOW) FROM OPERATIONS

### Group

| | 2011<br>HK$ | 2010<br>HK$<br>(Restated) |
|---|---|---|
| Profit before tax | **85,523,635** | 103,285,670 |
| Adjustments for: | | |
| Gain arising on change in fair value of investment properties | **(71,706,026)** | (84,579,535) |
| Gain arising on change in fair value of financial assets at fair value through profit or loss of trading securities | **(2,099,808)** | (5,034,869) |
| Share of profit of associates | **(1,987,200)** | (3,511,267) |
| Dividend income | **(1,505,865)** | (1,027,338) |
| Interest income | **(8,889,596)** | (5,297,282) |
| Foreign exchange loss | **645,385** | 114,822 |
| Finance costs | **6,103,754** | 4,663,915 |
| Reversal of impairment losses on trade and other receivables | **(125,222)** | (241,051) |
| Impairment loss on trade and other receivables | **686,273** | 623,577 |
| Impairment loss on amount due from an associate | **4,334,682** | 3,000,000 |
| Depreciation of property, plant and equipment | **14,223,194** | 14,303,989 |
| Amortisation of leasehold land and land use right | **351,239** | 353,049 |
| Impairment loss on available-for-sale financial assets | **–** | 1,405,620 |
| Loss on disposal of property, plant and equipment | **765** | 269,853 |
| Loss on disposal of financial assets at fair value through profit or loss | **8,755** | 22,695 |
| Gain on disposal of available-for-sale financial assets | **(1,211,589)** | – |
| Gain on forward exchange contract | **–** | (170,468) |
| Operating cash flows before movements in working capital | **24,352,376** | 28,181,380 |
| Increase in inventories | **(16,307,456)** | (17,377,192) |
| Decrease in time deposits | **–** | 2,000,000 |
| Decrease (increase) in clients' trust money | **5,493,270** | (41,520,577) |
| Decrease in trade and other receivables | **(44,160,054)** | (49,702,962) |
| Decrease (increase) in deposits and prepayments | **10,906,745** | (10,345,655) |
| Increase (decrease) in amount due to related company | **9,027,620** | (729) |
| Increase in trade and other payable | **3,397,345** | 28,852,317 |
| CASH USED IN OPERATIONS | **(7,290,154)** | (59,913,418) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 39. RETIREMENT BENEFIT COSTS

**Defined contribution plan**

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the consolidated income statement of HK$711,295 (2010: HK$691,590) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

## 40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 March 2011 and 2010, the Group did not have major non-cash transactions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 41. OPERATING LEASES

### As lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases in respect of office premises to make payment in the following periods as follows:

**Group**

| | **2011** **HK$** | 2010 HK$ |
|---|---|---|
| Within one year | **2,248,610** | 1,624,848 |
| In the second to fifth year inclusive | **3,574,892** | 3,080,190 |
| | **5,823,502** | 4,705,038 |

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated at terms which range from 1 to 10 years.

For leasing period exceeds two years, lease rental will be adjusted bi-yearly to reflect market rent.

### As lessor

Property rental income earned during the year was HK$17,653,762 (2010: HK$17,181,813). The investment properties of the Group are expected to generate annual rental yields of 3% to 19% (2010: 3% to 20%) on an ongoing basis. All of the properties held have committed tenants for around 2 years.

At the end of the reporting period, the group had contracted with tenants for the following future minimum lease payments:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011** **HK$** | 2010 HK$ | **2011** **HK$** | 2010 HK$ |
| Within one year | **11,352,095** | 16,723,869 | **356,168** | 85,305 |
| In the second to fifth year inclusive | **2,900,516** | 12,088,069 | **445,209** | – |
| | **14,252,611** | 28,811,938 | **801,377** | 85,305 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 42. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group, set out in note 33:

| | **2011 HK$** | 2010 HK$ (Restated) |
|---|---|---|
| Investment properties | **333,520,000** | 287,900,000 |
| Leasehold land and land use right | **12,390,143** | 12,238,459 |
| Buildings | **68,235,222** | 71,484,478 |
| Time deposits | **5,100,000** | 5,100,000 |
| Financial assets at fair value through profit or loss | **11,507,850** | 9,405,950 |
| Available-for-sale financial assets | **28,122,000** | 26,324,480 |
| | **458,875,215** | 412,453,367 |

## 43. CONTINGENT LIABILITIES

(a) At the end of the reporting period, the Group and the Company have issued the following guarantees:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2011 HK$** | 2010 HK$ | **2011 HK$** | 2010 HK$ |
| Financial guarantees issued to banks in favour of | | | | |
| – subsidiaries | **–** | – | **425,614,000** | 233,295,832 |
| Guarantees issued by bank in favour of | | | | |
| – subsidiaries | **25,000,000** | 1,121,000 | **25,000,000** | 1,121,000 |
| – associates | **–** | 450,000 | **–** | 450,000 |
| Guarantees issued to trade creditors in respect of outstanding balances due by subsidiaries | **–** | – | **3,504,760** | 1,066,104 |

At the end of the reporting period, the directors of the Company do not consider it is probable that a claim will be made against the Company under any of the guarantees.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 43. CONTINGENT LIABILITIES (Cont'd)

(b) A subsidiary had unsettled tax issue regarding the deductibility of accounting fee incurred in the years from 2002/03 to 2008/09.

(c) In past year, the constructor for the hotel renovation works claimed against the Company and SAP Realty Company Limited ("SAR"), a wholly owned subsidiary of the Group for an overdue balance of HK$5,009,115. However, SAR has made a counter claim to that constructor for the amount overpaid to him of HK$5,459,314, having taken into account the cost and the expenses incurred by SAR to rectify the defect in the works and the loss and damage caused by the constructor's failure to complete the works on time.

Up to the date of this report, the outcome of the proceedings is still uncertain. As the directors of the Company considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's financial position, no provision was made as of 31 March 2011 and 2010.

(d) Furthermore, a constructor of the renovation works of a director's quarters owned by a subsidiary, "K.W.& Associates Company Limited", has demanded settlement from the subsidiary of an overdue balance of HK$1,567,380, of which HK$724,600 has been recognised as a liability in the statement of financial position of that subsidiary. However, the subsidiary has counter-claimed for the rectification cost of about HK$820,000 caused by the defects in the constructor's works.

Up to the date of this report, the outcome of the claims is still uncertain. As the directors of the Company considered it is premature and not practical to draw a conclusion of the outcome of the claims and that the ultimate liability, if any, will not have a material adverse impact on the Group's financial position, no provision was made at 31 March 2011 and 2010.

## 44. CAPITAL COMMITMENTS

**Group**

| | **2011**<br>**HK$** | 2010<br>HK$ |
|---|---|---|
| Contracted for but not provided in the financial statements in respect of factory renovation and purchase of machines | **421,851** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 45. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties at normal commercial terms:

| | | 2011<br>HK$ | 2010<br>HK$ |
|---|---|---|---|
| (a) | Income received from associates of the Group: | | |
| | – rental incomes | **265,318** | 265,318 |
| | – sales of raw materials | **–** | 318,240 |
| | – sharing of production overheads | **3,334** | 4,088 |
| (b) | Payment to an associate of the Group: | | |
| | – rental expenses | **26,340** | – |
| | – sub-contracting charge | **101,968** | 177,857 |
| (c) | Payment to a company in which the Chairman of the Group has controlling interest | | |
| | – rental expenses | **765,600** | 782,065 |
| (d) | Interest payment to related companies in which the Chairman of the Group has controlling interest | **588,962** | 471,250 |
| (e) | In addition to the directors' remuneration as disclosed in note 13, remuneration of the other key management personnel was disclosed as follows: | | |
| | short-term employee benefits | **3,590,596** | 3,173,470 |
| | MPF contribution | **89,257** | 89,765 |
| (f) | Remuneration paid to close family members of key management personnel | **697,280** | 631,547 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 46. PRINCIPAL SUBSIDIARIES

| Name of company | Place of incorporation/operation | Class of share/ registered capital held | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity interest held by the Company directly | indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Always Best Company Limited | British Virgin Islands/ PRC | Ordinary | US$1 | – | 95 | Investment holding |
| Dongguan Nan Sing Plastics Limited [(c)] | PRC | Registered | HK$160,000,000 [(a)] | – | 95 | Manufacture of plastics products |
| Dongguan Nanryo Super Plastics Limited [(c)] | PRC | Registered | HK$20,000,000 [(b)] | – | 95 | Manufacture of plastics products |
| Fortune State Investments Limited | Hong Kong | Ordinary | HK$2 | 100 | – | Investment holding |
| Happy Dragon Investment Limited | Hong Kong | Ordinary | HK$2 | 100 | – | Investment holding |
| Hotel Benito Management Limited | Hong Kong | Ordinary | HK$1,000 | 100 | – | Hotel operation |
| K.W.& Associates Company Limited | Hong Kong | Ordinary | HK$2,000,000 | 100 | – | Property investment |
| Nan Sing Holdings Limited | Hong Kong | Ordinary | HK$10,000 | 100 | – | Investment holding |
| Nan Sing Plastics Limited | Hong Kong | Ordinary | HK$15,000,000 | – | 95 | Trading of plastics products |
| Nanryo Super Plastics (Hong Kong) Limited | Hong Kong | Ordinary | HK$19,500,000 | – | 95 | Trading of plastics products |
| SAP Realty Company Limited | Hong Kong | Ordinary | HK$100 | 100 | – | Property investment |
| Southeast Asia Properties & Finance (China) Limited | Hong Kong/ PRC | Ordinary | HK$2 | 100 | – | Property investment and development |

(a) Paid up capital up to 31 March 2011 amounted to HK$152,175,718

(b) Paid up capital up to 31 March 2011 amounted to HK$14,151,600

(c) Wholly foreign–owned enterprise

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 46. PRINCIPAL SUBSIDIARIES (Cont'd)

| Name of company | Place of incorporation/operation | Class of share/ registered capital held | Nominal value of issued ordinary share capital/ registered capital | Percentage of equity interest held by the Company directly | Percentage of equity interest held by the Company indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Southeast Asia Properties & Finance (Nominees) Limited | Hong Kong | Ordinary | HK$10,000 | 100 | – | Nominees |
| Stockwell Securities Limited | Hong Kong | Ordinary | HK$30,000,000 | 100 | – | Stock broking |
| Tanpar Company Limited | Hong Kong | Ordinary | HK$3 | – | 95 | Trading and nominee |
| Top Epoch Limited | Hong Kong | Ordinary | HK$1 | 100 | – | Property investment |
| Tsen Hsin Industrial Company Limited | Hong Kong | Ordinary | HK$400,000 | – | 95 | Property investment |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2011

## 47. ASSOCIATES

| Name of company | Place of incorporation/operation | Particulars of issued ordinary share capital/ registered capital | Class of share/ registered capital held | Percentage of equity interest held by the Company directly | Percentage of equity interest held by the Company indirectly | Principal activities |
|---|---|---|---|---|---|---|
| Wisestar Holdings Limited | Hong Kong | 2 ordinary shares of HK$1 each | Ordinary | – | 47.7 | Trading of plastics products |
| Dongguan Wisestar Plastics Limited [(a)] | PRC | HK$8,000,000 | Registered | – | 47.7 | Manufacturing of plastics products |
| Ongoing Investments Limited | British Virgin Islands/ PRC | 100 ordinary shares of US$1 each | Ordinary | – | 20 | Property investment |
| Sequin Development Limited | British Virgin Islands/ PRC | 100 ordinary shares of US$1 each | Ordinary | – | 20 | Property investment |
| Titan Dragon Properties Corporation | Philippines | 80,000 ordinary shares of Peso 1,000 each | Ordinary | 30 | 19 | Property investment |
| Nice Profit Hong Kong Investment Limited | Hong Kong | 100 ordinary share of HK$1 each | Ordinary | – | 30 | Property investment |

(a) Wholly foreign–owned enterprise

The above table lists the associates of the Group. Which, in the opinion of the directors of the Company, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

## 48. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 March 2011.

## 49. APPROVAL AND AUTHORISATION FOR ISSUE OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2011.

# LIST OF PROPERTIES

At 31 March 2011

## I. PROPERTIES HELD FOR INVESTMENT

| | Location | Usage | Category of lease term | Group's interest |
|---|---|---|---|---|
| (1) | Shops, G/F, 7-7B Cameron Road Tsimshatsui Kowloon | Commercial | Medium term lease | 100% |
| (2) | Room 406, 4/F, Tower 2, Silvercord 30 Canton Road Tsimshatsui Kowloon. | Commercial | Medium term lease | 100% |
| (3) | Nan Sing Industrial Building 57-59, Kwok Shui Road Kwai Chung New Territories | Industrial | Medium term lease | 95% |
| (4) | 9/F, Chao Shan Building, Dong Men Nan Road, Shenzhen, PRC. | Commercial | Medium term lease | 100% |
| (5) | Flats C & D, 2/F, Block 2, Kwai Tak Industrial Centre, Kwai Chung, New Territories | Industrial | Medium term lease | 95% |
| (6) | Flat 15E Tower 1, Ming Yue Hua Yuan Yitian Road, Futian Shenzhen, PRC | Residential | Medium term lease | 100% |

# LIST OF PROPERTIES

At 31 March 2011

## 2. PROPERTIES UNDER DEVELOPMENT

| | Location | Approximate site area (sq.m.) | Usage | Group's interest |
|---|---|---|---|---|
| (1) | Nan Shan Development Zone<br>Zhangmutou<br>Dongguan<br>PRC | 104,788 | Industrial | 95% |
| (2) | Nan Sing Building<br>Town centre<br>Zhangmutou<br>Dongguan<br>PRC (see note) | 1,350 | Residential/<br>Commercial | 100% |

*Note:* Development plans are pending for approval by relevant authority.

## 3. PROPERTIES HELD FOR OWN USE

| | Location | Usage | Category of lease term | Group's interest |
|---|---|---|---|---|
| (1) | Residential Block,<br>7-7B Cameron Road,<br>Tsimshatsui, Kowloon. | Hotel operation | Medium term lease | 100% |
| (2) | Room 407-410, 4/F,<br>Tower 2, Silvercord,<br>30 Canton Road, Tsimshatsui,<br>Kowloon. | Commercial | Medium term lease | 100% |
| (3) | 24, Essex Crescent,<br>Kowloon Tong, Kowloon. | Residential | Medium term lease | 100% |
| (4) | Nan Sing Industrial Estate,<br>Nan Shan Development Zone<br>Zhangmutou, Dongguan, PRC | Industrial | Medium term lease | 95% |
| (5) | Car Park Space No. 20 on G/F.,<br>Kwai Tak Industrial Centre,<br>Kwai Chung, N. T. | Carpark | Medium term lease | 95% |

# FIVE YEARS FINANCIAL SUMMARY

The consolidation results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements are as follows:

| | **2011** | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| | **HK$** | HK$ | HK$ | HK$ | HK$ |
| | | (Note a) | (Note b) | (Note b) | (Note b) |
| | | (Restated) | | | |
| **RESULTS** | | | | | |
| Turnover | **349,696,043** | 308,036,722 | 367,971,773 | 402,458,138 | 340,807,836 |
| Profit attributable to: | | | | | |
| Owners of the Company | **77,370,847** | 96,547,619 | 17,634,549 | 36,012,929 | 36,502,978 |
| Non-controlling interests | **856,440** | 252,144 | (172,752) | (276,084) | 837,632 |
| | **78,227,287** | 96,799,763 | 17,461,797 | 35,736,845 | 37,340,610 |
| Total assets | **1,150,338,699** | 1,036,272,501 | 853,576,078 | 1,052,495,321 | 1,136,800,576 |
| Total liabilities | **(433,132,181)** | (397,130,343) | (342,387,450) | (530,374,100) | (672,324,740) |
| | **717,206,518** | 639,142,158 | 511,188,628 | 522,121,221 | 464,475,836 |
| Equity attributable to: | | | | | |
| Owners of the Company | **708,641,219** | 631,087,711 | 497,624,757 | 508,123,040 | 448,907,916 |
| Non-controlling interests | **8,565,299** | 8,054,447 | 13,563,871 | 13,998,181 | 15,567,920 |
| | **717,206,518** | 639,142,158 | 511,188,628 | 522,121,221 | 464,475,836 |
| **EARNINGS PER SHARE** | | | | | |
| Basic and diluted | **35.6 cents** | 44.4 cents | 8.1 cents | 16.6 cents | 17.3 cents |
| **DIVIDENDS PER SHARE** | **3.0 cents** | 3.0 cents | 3.0 cents | 3.5 cents | 3.0 cents |

*Notes:*

(a) Figures for year 2010 have been adjusted to reflect prior year adjustments and changes in accounting policies as described in note 2 and note 3 to the consolidated financial statements.

(b) The summary of the results, assets and liabilities of the Group for the year ended 31 March 2009, 2008 and 2007 have not been restated upon prior year adjustments and changes in accounting policies as the directors of the Company are of the opinion that the restatement would involve costs not in proportion to the benefit of the Group.