South East Group Limited
東南國際集團有限公司*

(Incorporated in Bermuda with limited liability)
Stock Code: 726

* For identification purpose only

2012 ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

DIRECTORS:

Executive:

WU Siu Chung *(Chairman)*
CHEN Xiaoping *(Chief Executive Officer)*

Non-executive:

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

* independent non-executive director

AUDIT COMMITTEE:

WONG Kam Wah *(Committee Chairman)*
LO Yuk Lam
Eduard William Rudolf Helmuth WILL

REMUNERATION COMMITTEE:

LO Yuk Lam *(Committee Chairman)*
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

NOMINATION COMMITTEE:

(Established on 27 March 2012)
LO Yuk Lam *(Committee Chairman)*
WONG Kam Wah
Eduard William Rudolf Helmuth WILL

FINANCIAL CONTROLLER:

LAU Wah Ching

COMPANY SECRETARY:

CHAN Sau Chee

REGISTERED OFFICE:

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS:

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

AUDITORS:

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

PRINCIPAL REGISTRARS AND TRANSFER OFFICE:

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

HONG KONG SHARE REGISTRARS AND TRANSFER OFFICE:

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

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 March 2012, South East Group Limited (the "Company") and its subsidiaries (the "Group") generated approximately HK$940,000 in turnover (2011: HK$1,383,000), which was contributed by sale of properties. During the year under review, loss attributable to owners of the Company was approximately HK$16,864,000 (2011: loss of HK$19,874,000) and loss per share was HK4.83 cents (2011: HK5.75 cents). The decrease in loss was mainly attributable to reduction of administrative expenses compared with last year, as certain non-recurring items were incurred in the previous year.

BUSINESS REVIEW AND PROSPECTS

In the year ended 31 March 2012, the Group continued its principal activities of selling completed properties including commercial units and car parking space in the People's Republic of China (the "PRC"). For the year under review, this single business segment currently undertaken by the Group generated a turnover of approximately HK$940,000 (2011: HK$1,383,000), which represented sales of commercial units with floor area of approximately 152 square metres in aggregate (2011: nil) located at Zouping, Shandong and 5 car park units (2011: 17) located at Pudong, Shanghai. For the year ended 31 March 2012, the property business was operated at a loss before tax of approximately HK$383,000 (2011: loss before tax of HK$846,000). At 31 March 2012, the Group's portfolio of properties held for sale consisted of commercial properties with a gross floor area of approximately 7,985 (2011: 8,137) square metres in Zouping, Shandong, and 6 (2011: 11) car park units in Pudong, Shanghai. As in the past few years, the Group has been leasing out some of the commercial properties held in Zouping, Shandong for expedience sake. For the year under review, the Group recorded rental income of approximately HK$176,000 (2011: HK$202,000), which was accounted for as other revenues.

The Group is regularly reviewing its existing business operations and will make necessary adjustments as and when appropriate. As reported in the Group's interim report for the six months ended 30 September 2011, the management may consider realizing on the investments in the property projects in the PRC so as to deploy resources on other business opportunities with higher development potential. In the meanwhile the management will continue to explore all kinds of investment opportunities which will drive the Group to deliver better results. The Group will endeavour to expand its business scope so that revenues will be generated from different segments in the future. In view of maintaining a balanced financial position, the Group will proceed with its business development plan in a vigorous yet prudent way.

APPRECIATION

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

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

Hong Kong, 20 June 2012

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

At 31 March 2012, the Group had cash and bank balances amounted to approximately HK$56,597,000 (2011: HK$68,691,000). At the year-end date, the Group's total borrowings represented the carrying amount of the Convertible Bond (as defined below) of approximately HK$63,069,000 (2011: HK$67,721,000).

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

Shareholders' equity at 31 March 2012 was HK$20,243,000 (2011: HK$28,683,000), representing a decrease of 29% over last year.

The Group's gearing ratio at 31 March 2012, expressed as the percentage of the Group's total borrowings over shareholders' equity, was approximately 312% (2011: 236%).

CAPITAL STRUCTURE

During the year under review, 3,305,000 new ordinary shares of HK$0.10 each have been issued and allotted upon exercise of share options granted by the Company. The proceeds obtained by the Company from the exercise of share options amounted to approximately HK$585,000.

At 31 March 2012, the Company's issued share capital was HK$35,125,888 (2011: HK$34,795,388) with 351,258,880 (2011: 347,953,880) ordinary shares of HK$0.10 each in issue.

At 31 March 2012, the Company had an outstanding convertible bond with a principal amount of HK$68,000,000 ("Convertible Bond"). The Convertible Bond was issued by the Company to Loyal Delight Group Limited, an independent third party; which was subsequently amended by the parties involved pursuant to a deed of amendment with the approval of the shareholders of the Company at a special general meeting held on 18 April 2011. The Convertible Bond was so amended that its maturity date is now 7 May 2016 ("Maturity Date"), the coupon interest rate is 3% per annum effective from 8 May 2011 and the conversion price is HK$0.418 per share. The Company has no obligation to redeem the Convertible Bond prior to the Maturity Date unless an event of default as provided in the terms and conditions of the Convertible Bond has occurred prior to the Maturity Date and the bondholder serves a notice on the Company requiring the Convertible Bond to be redeemed.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and associated companies during the year.

EMPLOYEE INFORMATION

At 31 March 2012, the total number of employees of the Group was 24 (2011: 23). 10 (2011: 10) of them worked in the PRC while 14 (2011: 13) of them worked in Hong Kong.

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

CHARGES ON GROUP ASSETS

At 31 March 2012, the Group had no assets pledged to banks to secure general banking facilities and bank loan granted to the Group (2011: nil).

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

At 31 March 2012, the Group had no outstanding capital commitments (2011: nil) and no material contingent liabilities (2011: nil).

LITIGATION

At 31 March 2012, the Group had not involved in any material litigation.

DIRECTORS' BIOGRAPHY

EXECUTIVE DIRECTORS

Mr. WU Siu Chung, aged 54, was appointed as the chairman and an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Wu has rich experience in investment activities and holds senior management positions in various investment companies. He was awarded World Outstanding Chinese in 2008 and received honorary doctorate from York University in the USA. Mr. Wu is the chairman and the beneficial owner of Ricco Capital (Holdings) Limited. He is also the sole director and the sole shareholder of Brilliant Express International Limited, the single largest shareholder of the Company as listed under the section headed "Substantial Shareholders" in the Directors' Report. Mr. Wu is responsible for the overall strategy for business development and corporate planning of the Group.

Mr. CHEN Xiaoping, aged 60, was appointed as an executive director of the Company on 25 September 2007. He is also director of certain subsidiaries in the Group. Mr. Chen worked at senior management positions in banking and other business fields in the past twenty five years, such as Director of Kleinwort Benson Group, Senior Advisor of Global Interactive Technology AG and Financial Advisor of CNT Group. He is also a director and the chief executive officer of Ricco Capital (Holdings) Limited, which is wholly owned by the chairman of the Company. Mr. Chen assumes the role of chief executive officer of the Company and is responsible for the overall management and monitoring of the Group's activities.

NON-EXECUTIVE DIRECTORS

Mr. CHEN Yuan Shou, Budiman, aged 33, was re-designated as a non-executive director of the Company on 25 September 2007. Up to his re-designation, he had assumed the roles of executive director and chairman of the Company since September 2001 and September 2002 respectively. Mr. Chen was educated at the University of Southern California with an emphasis on Economics. His experience lies in the field of real estate project development and e-business development.

Mr. Eduard William Rudolf Helmuth WILL, aged 70, was appointed as a non-executive director of the Company on 1 January 2008. Mr. Will is a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company. He is also a director of a wholly owned subsidiary of the Company. Mr. Will graduated from University of Hamburg, is a seasoned investment banker specializing in international corporate finance. He has rich experience in cross border mergers and acquisitions in Europe, the USA and the Asia Pacific Region. He worked in management capacity for Morgan Guaranty Trust Company (JP Morgan), Amex Bank Limited (American Express's merchant bank), Bank of America, Bear Stearns and Company, Asian Oceanic Limited (Cigna Group's investment bank) and other big international corporations and is currently serving on the board of directors of Emerson Radio, a public company listed on the American Stock Exchange; and is a non-executive director of Lafe Corporation Limited whose shares are listed on the Singapore Exchange. He is also the vice chairman of Ricco Capital (Holdings) Limited, which is wholly owned by the chairman of the Company.

DIRECTORS' BIOGRAPHY

NON-EXECUTIVE DIRECTORS (continued)

Mr. LO Yuk Lam, aged 63, was appointed as an independent non-executive director of the Company on 2 January 2002. Mr. Lo is a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company, and is the chairman of the Nomination Committee and the Remuneration Committee respectively. Mr. Lo was heavily involved in several committees of the HKSAR Government. He had been appointed a director of the Hong Kong Applied R&D Fund Co., Ltd., Chairman of the Biotechnology Committee of the Hong Kong Industry & Technology Development Council, and Chairman of Biotechnology Projects Vetting Committee of the Innovation and Technology Fund, HKSAR. Currently, Mr. Lo is serving as a member of the Advisory Council for Food Safety of the Food and Health Bureau HKSAR, a director of the Chinese Manufacturers' Association of Hong Kong (CMA) and Chairman of the Innovation and Technology Committee of CMA. He is also the Honorary Founding Chairman of Hong Kong Bio-Organization. In the educational sector, Mr. Lo has been elected an honorary fellow of the Hong Kong University of Science and Technology. He is a member of the Advisory Committee of the Vocational Training Council, an executive vice-president of Asian College of Management, Adjunct Professor of The Chinese University of Hong Kong and Honorary Professor in several universities in China. In China, Mr. Lo was a consultant to the Economic Bureau of Changchun and a member of the Advisory Committee of the Shenzhen Municipal Science and Technology Bureau. At present, he is a consultant of the Centre for Disease Control and Prevention of China. In the business sector, Mr. Lo is the Chairman of Lo's Associates Limited, Vice-Chairman of Santai Eco-Fishery Limited, Vice-Chairman of APlus OTC Health Group Limited, Senior Advisor of Questmark Capital Management Sdn. Bhd. and Senior Director of Questmark Asia Limited. He is also serving as an independent director of two other US listed companies, namely ShangPharma Corporation (NYSE: SHP) and Sinovac Biotech Limited (Nasdaq: SVA).

Mr. WONG Kam Wah, aged 53, was appointed as an independent non-executive director of the Company on 1 December 2002. Mr. Wong is a member of each of the Nomination Committee, the Remuneration Committee and the Audit Committee of the Company, and is the chairman of the Audit Committee. Mr. Wong is a fellow member of the Association of Chartered Certified Accountants and an associate member of each of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators. He served in senior positions in a multinational corporation and an audit firm. Mr. Wong is currently the principal of a certified public accountants firm. He has extensive experience in accounting and auditing work. Mr. Wong has been appointed as an independent non-executive director of another company publicly listed in Hong Kong, namely China Environmental Technology Holdings Limited (formerly known as Yardway Group Limited), since December 2009.

Mr. David R. PETERSON, aged 68, was appointed as an independent non-executive director of the Company on 8 April 2008. Mr. Peterson is currently a senior partner and chairman of the Toronto law firm of Cassels Brock & Blackwell LLP, where he practices corporate/commercial law. He was called to the Bar in Ontario in 1969 and appointed a Queen's Counsel in 1980 and was summoned by Her Majesty to the Privy Council in 1992. Mr. Peterson is also director of a number of public and private companies including Rogers Communications Inc., Ivanhoe Cambridge Inc., Industrielle-Alliance Life Assurance Company, Franco-Nevada Corporation, Shoppers Drug Mart, Versapay Corporation (JG Capital Corp.), Riverbank Power Inc. and Transmission Developers Inc. Mr. Peterson is or was director or active with a number of charitable, educational and environmental organizations. He is now the chancellor of the University of Toronto and a director of St. Michael's Hospital, and was an adjunct professor at York University, a fellow of McLaughlin College and Executive-in-Residence at Rotman School of Management. Other than possessing extensive business and professional experience, Mr. Peterson is also devoted to constituency and constitutional development. He was elected as a member of the Ontario Legislature in 1975, and became the leader of the Ontario Liberal party in 1982. He served as Premier of the Province between 1985 and 1990, overseeing a very active period of reform and playing a major role in the country's constitutional discussions. He was chairman of the Commonwealth Team observing the 1992 elections in Guyana and was chief federal negotiator for the devolution of the Northwest Territories. Mr. Peterson holds a Bachelor of Arts degree from the University of Western Ontario and a Bachelor of Law degree from the University of Toronto and studied at the University of Caen, France. He received honorary doctorates from the University of Toronto, the University of Western Ontario, the University of Ottawa, the University of Tel Aviv and the American University of the Caribbean. In 1994 the government of France appointed him a Knight of the Order of the Legion of Honour of France. In 1995 the International Assembly of French-Speaking Parliamentarians presented him with the Ordre de la Pléiade.

DIRECTORS' REPORT

The directors have pleasure in presenting their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. During the year, the principal business activities of the Group are property development and investment. Details of the principal activities of the Company's principal subsidiaries are set out in note 13 to the financial statements.

FINANCIAL RESULTS

The loss and cash flows of the Group for the year ended 31 March 2012 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 21 to 65.

DONATIONS

During the year, the Group has not made any charitable donations (2011: nil).

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 March 2012 (2011: nil).

FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 66.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the statement of changes in equity on page 24 and note 22 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

PROPERTIES HELD FOR SALE

Details of the principal properties held for sale by the Group are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of share capital for the year are set out in note 21 to the financial statements.

LITIGATION

During the year, the Group has not involved in any material litigation.

BORROWINGS

Details of the borrowings of the Group at 31 March 2012 are set out in note 20 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are disclosed in note 30 to the financial statements. Such transactions are exempt from the reporting requirements in accordance with Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") in respect of connected transactions.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Details of the significant post statement of financial position event of the Group are set out in note 33 to the financial statements.

DIRECTORS

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

Executive directors:

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

Non-executive directors:

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

** Independent non-executive director

In accordance with bye-law 99 of the Company's bye-laws, Mr. Wu Siu Chung, Mr. Lo Yuk Lam, and Mr. Wong Kam Wah shall retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, details of the interests of the directors and chief executive of the Company in the equity or debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which (a) were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

(a) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
WU Siu Chung	Through a controlled corporation	92,000,000 (Note 1)	26.19%
CHEN Yuan Shou, Budiman	Beneficially owned	11,971,820	3.41%
LO Yuk Lam	Beneficially owned and through family interest	530,000 (Note 2)	0.15%
WONG Kam Wah	Beneficially owned	82,000	0.02%

Notes:

1. These shares were held by Brilliant Express International Limited, a company wholly owned by Mr. Wu Siu Chung.

2. Of these shares, 330,000 shares were personally held by Mr. Lo Yuk Lam and 200,000 shares were held by his wife, Ms. Pang Wai Bing, Cecilia.

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

Save as disclosed above, as at 31 March 2012, none of the directors and chief executive of the Company was interested in the equity and debt securities of the Company or any associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the director is taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Company and the Stock Exchange.

DIRECTORS' INTERESTS IN CONTRACTS

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

DIRECTORS' AND CHIEF EXECUTIVE'S RIGHT TO ACQUIRE SHARES

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2012, according to the register kept by the Company under Section 336 of the SFO, the following shareholders, other than a director or chief executive of the Company, had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholder	Capacity	Number of ordinary shares	Percentage of the Company's issued share capital
Brilliant Express International Limited (Note)	Directly beneficially owned	92,000,000	26.19%

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

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

SHARE OPTION SCHEME

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

Details of the share option scheme of the Company are set out in note 23 to the financial statements.

DIRECTORS' REPORT

SHARE OPTION SCHEME (continued)

Details of movements in the share options during the year ended 31 March 2012 were as follows:

				Number of share options				
Participants	Date of Grant	Exercisable period	Exercise price per share HK$	At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2012
Directors								
WU Siu Chung	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	(800,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	3,000,000	–	–	–	3,000,000
				3,800,000	**–**	**–**	**(800,000)**	**3,000,000**
CHEN Xiaoping	09/03/2011	09/03/2011 - 08/03/2014	0.390	**2,500,000**	**–**	**–**	**–**	**2,500,000**
Eduard William Rudolf Helmuth WILL	09/03/2011	09/03/2011 - 08/03/2014	0.390	**2,500,000**	**–**	**–**	**–**	**2,500,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	(3,305,000)	–	–
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	–	3,305,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				10,261,000	**–**	**(3,305,000)**	**–**	**6,956,000**
LO Yuk Lam	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				676,000	**–**	**–**	**–**	**676,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				676,000	**–**	**–**	**–**	**676,000**
David R. PETERSON	09/03/2011	09/03/2011 - 08/03/2014	0.390	**346,000**	**–**	**–**	**–**	**346,000**
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	**1,040,000**	**–**	**–**	**–**	**1,040,000**
Total				**21,799,000**	**–**	**(3,305,000)**	**(800,000)**	**17,694,000**

The valuation of share options is set out in note 23 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2012:

(i) The Group's largest customer and five largest customers accounted for approximately 43% and 89% respectively of the Group's total turnover.

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

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

PURCHASE, SALE OR REDEMPTION OF OWN SHARES

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

PRE-EMPTIVE RIGHTS

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

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors, the Company has maintained sufficient public float throughout the year ended 31 March 2012 and up to the date of this report.

AUDIT COMMITTEE

The Company has set up an audit committee (the "Audit Committee") with specific written terms of reference which clearly deal with its authorities and duties. The Audit Committee currently comprises three members including two independent non-executive directors and one non-executive director, and its chairman possesses recognized professional qualifications in accounting. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and has discussed the auditing, internal control and financial reporting matters, including a review of the annual results and the consolidated financial statements for the year ended 31 March 2012.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules (without taking into account of the amendments to the Corporate Governance Code effective from 1 April 2012) throughout the year ended 31 March 2012, except the deviations as disclosed in the "Corporate Governance Report".

DIRECTORS' INTEREST IN COMPETING BUSINESS

At 31 March 2012, none of the directors of the Company has interest in competing business required to be disclosed pursuant to rule 8.10(2) of the Listing Rules.

DIRECTORS' REPORT

AUDITORS

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

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

Hong Kong, 20 June 2012

(A) CORPORATE GOVERNANCE PRACTICES

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules (without taking into account of the amendments to the Corporate Governance Code effective from 1 April 2012) throughout the year ended 31 March 2012 except the following:

Under Code Provision A.1.1, board meetings should be held at least four times a year at approximately quarterly intervals. The Board only convened three meetings during the year ended 31 March 2012 that required attendance in person as stipulated in Code Provision A.1.1. In addition, the Board has made resolutions by circulation of documents once during the year. As there is no significant business development that needs to bring to the attention of the Board immediately, circulation of written materials to keep the Board informed throughout the year is considered to be sufficient. It is believed that the Company will satisfy the requirement under this code provision when the Group's business grows in the future.

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

(B) MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by directors of the Company. The Company has made specific enquiry to all directors that they have compiled with the required standard set out in the Model Code throughout the year ended 31 March 2012.

(C) BOARD OF DIRECTORS

The Board comprised the following directors during the year ended 31 March 2012 and up to the date of this report:

Executive directors:

WU Siu Chung *(Chairman)*
CHEN Xiaoping

Non-executive directors:

CHEN Yuan Shou, Budiman
Eduard William Rudolf Helmuth WILL

Independent non-executive directors:

LO Yuk Lam
WONG Kam Wah
David R. PETERSON

(C) BOARD OF DIRECTORS (continued)

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

The Board aims to meet regularly in person or through electronic means of communication at least 4 times a year. For the sake of flexibility, the Board may also hold meetings whenever necessary rather than the regular meetings. During the year ended 31 March 2012, the Board has convened three meetings (excluding committee meetings) that required directors' attendance in person or through electronic means of communication, and has also obtained for one time the Board consent by way of circulation of written resolutions.

During the year ended 31 March 2012, the individual attendance record of each director at the meetings of the Board is as follows:

Name of director	Number of meetings attended
WU Siu Chung	3/3
CHEN Xiaoping	3/3
CHEN Yuan Shou, Budiman	1/3
Eduard William Rudolf Helmuth WILL	3/3
LO Yuk Lam	3/3
WONG Kam Wah	3/3
David R. PETERSON	3/3

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

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

(D) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

(E) NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the Company's bye-laws. Starting from this year, the Company proposes to enter into a letter of appointment with the non-executive directors re-elected at the annual general meeting of the Company for a specific term yet subject to re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

(F) REMUNERATION OF DIRECTORS

The Company has set up the Remuneration Committee with specific written terms of reference which clearly deal with its authorities and duties. The Remuneration Committee currently comprises three members; including two independent non-executive directors namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah and one non-executive director namely Mr. Eduard William Rudolf Helmuth Will. Mr. Lo Yuk Lam is appointed the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all directors and senior management of the Company, including benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, and ensure no director or any of his associates may be involved in any decisions as to his own remuneration.

During the year ended 31 March 2012, the Remuneration Committee met once to review the remuneration packages of the executive directors and senior management. The attendance of each member of the Remuneration Committee is set out below:

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

(G) NOMINATION OF DIRECTORS

On 27 March 2012, the Company set up the Nomination Committee with specific written terms of reference which clearly deal with its authorities and duties. The Nomination Committee currently comprises three members; including two independent non-executive directors namely Mr. Lo Yuk Lam and Mr. Wong Kam Wah and one non-executive director namely Mr. Eduard William Rudolf Helmuth Will. Mr. Lo Yuk Lam is appointed the chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis, to recommend to the Board on the selection of suitable candidates for directorships and on the succession planning for directors.

During the year ended 31 March 2012, no Nomination Committee meeting has been held.

CORPORATE GOVERNANCE REPORT

(H) AUDITORS' REMUNERATION

An analysis of remuneration in respect of audit services provided by East Asia Sentinel Limited for the year ended 31 March 2012 was as follows:

	HK$'000
Audit services	225

(I) AUDIT COMMITTEE

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

During the year ended 31 March 2012, the Audit Committee met twice, with the attendance of each member as follows:

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

The Audit Committee has reviewed with the management the Group's adopted accounting principles and practices, internal controls and financial reporting matters in conjunction with the external auditors, including reviews of the unaudited financial statements for the six months ended 30 September 2011 and the audited financial statements for the year ended 31 March 2012. The Audit Committee has also discussed on the financial, operational and compliance controls in particular the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Audit Committee has not taken a different view from the Board regarding the selection and re-appointment of the external auditors.

(J) ACCOUNTABILITY

Financial reporting

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

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

Internal controls

The Board is responsible for maintaining and reviewing the effectiveness of the Group's internal control system. The Board has through the Audit Committee reviewed the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management functions. The review has also considered the adequacy of resources, qualifications and experience of staff in respect of the Company's accounting and financial reporting function, and their training programmes and budget. The Board considers the existing resources, qualifications and experience of staff and their training programmes and budget should be adequate in respect of the Group's accounting and financial reporting function.

INDEPENDENT AUDITORS' REPORT

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

22/F, Tai Yau Building
181 Johnston Road
Wanchai, Hong Kong

Tel : +852 2521 2328
Fax : +852 2525 9890
Email : letters@EastAsiaSentinel.com
www.EastAsiaSentinel.com

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

We have audited the consolidated financial statements of South East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 21 to 65, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

Hong Kong
Date: 20 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Turnover	6	**940**	1,383
Cost of properties sold		**(700)**	(883)
GROSS PROFIT		**240**	500
Other revenues	6	**1,919**	1,106
Selling and distribution costs		**(13)**	(3)
Administrative expenses		**(15,621)**	(18,110)
LOSS FROM OPERATIONS		**(13,475)**	(16,507)
Finance costs	7	**(3,242)**	(3,352)
LOSS BEFORE TAXATION	8	**(16,717)**	(19,859)
Taxation	9(a)	**(147)**	(15)
LOSS FOR THE YEAR		**(16,864)**	(19,874)
OTHER COMPREHENSIVE INCOME/(LOSS):			
Translation difference		**3,664**	1,127
Change in fair value of available-for-sale financial assets		**(1,713)**	506
Other comprehensive income for the year		**1,951**	1,633
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(14,913)**	(18,241)
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the company	10	**(16,864)**	(19,874)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (cents)	11	**(4.83)**	(5.75)

The notes on pages 26 to 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**238**	591
Goodwill	25	**—**	—
Available-for-sale financial assets	14	**4,481**	6,194
Total non-current assets		**4,719**	6,785
CURRENT ASSETS			
Held-to-maturity investments	15	**780**	780
Properties held for sale	16	**22,435**	21,778
Trade and other receivables	17	**1,757**	1,242
Tax prepayment	9(b)	**210**	183
Cash and cash equivalents	18	**56,597**	68,691
Total current assets		**81,779**	92,674
CURRENT LIABILITIES			
Trade and other payables	19	**3,186**	3,055
Convertible bond	20	**2,040**	1,877
Total current liabilities		**5,226**	4,932
NET CURRENT ASSETS		**76,553**	87,742
TOTAL ASSETS LESS CURRENT LIABILITIES		**81,272**	94,527
NON-CURRENT LIABILITIES			
Convertible bond	20	**61,029**	65,844
NET ASSETS		**20,243**	28,683
EQUITY			
Equity attributable to owners of the Company:			
Share capital	21	**35,126**	34,795
Reserves	22	**(14,883)**	(6,112)
TOTAL EQUITY		**20,243**	28,683

Approved by the Board of Directors on 20 June 2012

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

The notes on pages 26 to 65 form an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**158**	474
Interests in subsidiaries	13	**53,782**	54,525
Available-for-sale financial assets	14	**4,297**	6,010
Total non-current assets		**58,237**	61,009
CURRENT ASSETS			
Other receivables	17	**1,676**	1,112
Cash and cash equivalents	18	**23,169**	25,337
Total current assets		**24,845**	26,449
CURRENT LIABILITIES			
Other payables	19	**2,139**	2,046
Convertible bond	20	**2,040**	1,877
Total current liabilities		**4,179**	3,923
NET CURRENT ASSETS		**20,666**	22,526
TOTAL ASSETS LESS CURRENT LIABILITIES		**78,903**	83,535
NON-CURRENT LIABILITIES			
Convertible bond	20	**61,029**	65,844
NET ASSETS		**17,874**	17,691
EQUITY			
Share capital	21	**35,126**	34,795
Reserves	22(b)	**(17,252)**	(17,104)
TOTAL EQUITY		**17,874**	17,691

Approved by the Board of Directors on 20 June 2012

WU Siu Chung
Director

CHEN Xiaoping
Director

The notes on pages 26 to 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Share capital HK$'000	Share premium HK$'000 Note 22(c)(i)	Available-for-sale financial assets revaluation reserve HK$'000 Note 22(c)(ii)	Equity component convertible bond HK$'000 Note 22(c)(iii)	Exchange reserve HK$'000 Note 22(c)(iv)	Contributed surplus reserve HK$'000 Note 22(c)(v)	Employee share-based payment reserve HK$'000 Note 22(c)(vi)	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2011									
At 1 April 2010	34,433	10,083	(535)	4,629	10,315	131,166	4,976	(149,979)	45,088
Comprehensive loss:									
Loss for the year	–	–	–	–	–	–	–	(19,874)	(19,874)
Other comprehensive income:									
Change in fair value of available-for-sale financial assets	–	–	506	–	–	–	–	–	506
Translation difference	–	–	–	–	1,127	–	–	–	1,127
Total comprehensive (loss)/income for the year	–	–	506	–	1,127	–	–	(19,874)	(18,241)
Transactions with owners:									
Equity-settled share-based transactions	–	–	–	–	–	–	1,218	–	1,218
Cancellation of share options	–	–	–	–	–	–	(2,936)	2,936	–
Exercise of share options	362	641	–	–	–	–	(385)	–	618
Total transactions with owners	362	641	–	–	–	–	(2,103)	2,936	1,836
At 31 March 2011	34,795	10,724	(29)	4,629	11,442	131,166	2,873	(166,917)	28,683
FOR THE YEAR ENDED 31 MARCH 2012									
At 1 April 2011	**34,795**	**10,724**	**(29)**	**4,629**	**11,442**	**131,166**	**2,873**	**(166,917)**	**28,683**
Comprehensive loss:									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(16,864)**	**(16,864)**
Other comprehensive income/(loss):									
Change in fair value of available-for-sale financial assets	**–**	**–**	**(1,713)**	**–**	**–**	**–**	**–**	**–**	**(1,713)**
Translation difference	**–**	**–**	**–**	**–**	**3,664**	**–**	**–**	**–**	**3,664**
Total comprehensive (loss)/income for the year	**–**	**–**	**(1,713)**	**–**	**3,664**	**–**	**–**	**(16,864)**	**(14,913)**
Transactions with owners:									
Effect on amendment of convertible bond	**–**	**–**	**–**	**1,259**	**–**	**–**	**–**	**4,629**	**5,888**
Cancellation of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(617)**	**617**	**–**
Exercise of share options	**331**	**613**	**–**	**–**	**–**	**–**	**(359)**	**–**	**585**
Total transactions with owners	**331**	**613**	**–**	**1,259**	**–**	**–**	**(976)**	**5,246**	**6,473**
At 31 March 2012	**35,126**	**11,337**	**(1,742)**	**5,888**	**15,106**	**131,166**	**1,897**	**(178,535)**	**20,243**

The notes on pages 26 to 65 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	**(16,717)**	(19,859)
Adjustments for:		
Depreciation	**357**	358
Impairment loss of trade receivables	**—**	1,315
Recovery of trade receivables	**(405)**	(240)
Employee share option benefits	**—**	1,218
Over provision for the prior year expense	**(282)**	—
Interest expenses	**3,242**	3,352
Interest income	**(643)**	(592)
Investment income	**(113)**	(72)
Operating loss before changes in working capital	**(14,561)**	(14,520)
(Increase)/Decrease in properties held for sale	**(657)**	404
(Increase)/Decrease in trade and other receivables	**(115)**	71
Increase/(Decrease) in trade and other payables	**112**	(224)
Cash used in operations	**(15,221)**	(14,269)
Income taxes paid	**(173)**	(7)
NET CASH USED IN OPERATING ACTIVITIES	**(15,394)**	(14,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**643**	585
Investment income	**113**	72
Investment in a subsidiary	**—**	(1)
NET CASH GENERATED FROM INVESTING ACTIVITIES	**756**	656
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	**(1,705)**	(1,704)
Proceeds from issue of shares	**585**	619
NET CASH USED IN FINANCING ACTIVITIES	**(1,120)**	(1,085)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(15,758)**	(14,705)
Effect of foreign exchange rate changes	**3,664**	1,124
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**68,691**	82,272
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**56,597**	68,691
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**56,597**	68,691
	56,597	68,691

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of the Stock Exchange. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda. The principal place of business of the Company is 12/F, Entertainment Building, 30 Queen's Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities and details of the Group are set out in Note 13 to the consolidated financial statements.

2. BASIS OF PREPARATION

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

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

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

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

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

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

(a) Amendments and interpretations to existing standards effective for the Group's annual financial year beginning on 1 April 2011 and relevant to the Group

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

HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) — INT 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to HKFRSs (2010)	Amendments to a number of HKFRSs issued in May 2010

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

(a) Amendments and interpretations to existing standards effective for the Group's annual financial year beginning on 1 April 2011 and relevant to the Group (continued)

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

HKAS 24 (Revised), "Related Party Disclosures", issued in November 2009. It supersedes HKAS 24, "Related Party Disclosures", issued in 2003. HKAS 24 (Revised) is mandatory for annual periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. This revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, if any. The adoption of this standard did not have material impact to the consolidated financial statements.

HK(IFRIC) — INT 19, "Extinguishing Financial Liabilities with Equity Instruments". The interpretation is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The adoption of the interpretation did not have material impact to the Group or the Company's financial statements.

The "Improvements to HKFRSs (2010)" comprises a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. The impact of these amendments is not considered to be material to the Group and have not resulted in changes to the Group's accounting policies.

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

The following new standards, amendments and interpretations to existing standards (collectively, the "Amendments") have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2012. Some of the Amendments are relevant and applicable to the Group. However, they have not been early adopted in these consolidated financial statements. The Group has commenced, but not yet completed, an assessment of the impact of the applicable Amendments on its results of operations and financial positions. The directors are of the view that the impact on the consolidated financial statements would not be significant other than certain additional disclosures.

HKAS 1 (Revised)	Presentation of financial statements [1]
HKAS 27 (Revised)	Separate financial statements [2]
HKFRS 9	Financial instruments [2]
HKFRS 10	Consolidated financial statements [2]
HKFRS 13	Fair value measurement [2]

1 Effective for accounting periods beginning on or after 1 July 2012.
2 Effective for accounting periods beginning on or after 1 January 2013.

Amendments to HKAS 1 (Revised), "Presentation of financial statements", change the grouping of items presented in other comprehensive income, items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

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

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

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9's full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on 1 April 2013.

HKFRS 10, "Consolidated financial statements", builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess HKFRS 10's full impact and intends to adopt HKFRS 10 no later than the accounting period beginning on 1 April 2013.

HKFRS 13, "Fair value measurement", provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 April 2013.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March with the exception of those excluded from consolidation as disclosed in Note 29 to the consolidated financial statements.

(b) Subsidiaries

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries (continued)

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill (Note 25). If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances, and unrealised gains or losses on transactions between Group Companies are eliminated. Profits or losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less provision for impairment losses (Note 13). The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

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

(iii) Group entities

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

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

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

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

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

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

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

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

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

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

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

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

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

(f) Financial instruments

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

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

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Financial instruments (continued)

(iii) Held-to-maturity investments

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

(iv) Other financial liabilities

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

(g) Operating leases (As a leasee)

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

(h) Properties held for sale

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

(i) Cash and cash equivalents

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

(j) Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(k) Provisions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

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

Sales of properties held for sale

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

Interest income

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

Dividend income

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

Rental income

Rental income is recognised on time proportion basis over the term of leases.

Sundry income

Sundry income is recognised on an accrual basis.

(m) Employee benefits

(i) Employee leave entitlements

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

(ii) Pension obligations

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

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

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

(iii) Termination benefits

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(iv) Share-based compensation

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

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

(n) Taxation

The tax expense for the year comprises current income tax.

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Related parties

A related party is a person or entity that is related to the Group if:

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each controlling shareholder, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(p) Segment reporting

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Convertible bond

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

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

(r) Events after the end of the reporting period

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

5. CRITICAL JUDGMENT IN APPLYING POLICIES

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

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

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

(b) Impairment loss for doubtful debts

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. CRITICAL JUDGMENT IN APPLYING POLICIES (continued)

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

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

6. TURNOVER AND OTHER REVENUES

The Group's turnover represents the sales of properties held for sale.

	2012 HK$'000	2011 HK$'000
TURNOVER		
— Sales of properties held for sale	940	1,383
Total turnover	940	1,383
OTHER REVENUES		
— Interest income	643	592
— Investment income	113	72
— Recovery of trade receivables	405	240
— Exchange gain	201	—
— Rental income	176	202
— Over provision for the prior year expense	282	—
— Sundry income	99	—
Total other revenues	1,919	1,106
Total turnover and other revenues	2,859	2,489

7. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest expenses on convertible bond	3,237	3,348
Others	5	4
Total	3,242	3,352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. LOSS BEFORE TAXATION

Loss before taxation was arrived at after charging:

	2012 **HK$'000**	2011 HK$'000
Auditors' remuneration	**225**	205
Impairment loss of trade receivables	**—**	1,315
Cost of properties sold	**700**	883
Depreciation	**357**	358
Impairment on goodwill	**—**	35
Operating lease payments	**3,262**	2,198
Employee share option benefits	**—**	1,218
Staff costs (excluding directors' remuneration)		
— Salaries and allowance	**3,269**	2,639
— Retirement benefit scheme contribution	**168**	137

9. TAXATION

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

	2012 **HK$'000**	2011 HK$'000
The PRC Enterprise Income Tax		
Provision for the year	**147**	15

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not derive any assessable profits in Hong Kong for the year (2011: nil).

Taxation on profits derived in the PRC for subsidiaries has been calculated at the rate of tax prevailing in the PRC, Enterprise Income Tax rate, of 25% (2011: 25%), which is based on existing legislation, interpretations and practices in respect thereof.

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

	2012 **HK$'000**	2011 HK$'000
The PRC Enterprise Income Tax		
— Tax payable	**(1)**	(15)
— Tax prepayment	**211**	198
Total	**210**	183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. TAXATION (continued)

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

	2012 HK$'000	2011 HK$'000
Loss before taxation	**(16,717)**	(19,859)
Tax calculated at the applicable tax rates	**(2,791)**	(3,348)
Tax effect of non-deductible expenses	**55**	305
Tax effect of non-taxable income	**(41)**	(87)
Tax loss not recognised	**2,924**	3,145
Total tax expenses	**147**	15

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

As at 31 March 2012 and 31 March 2011, there were no significant unrecognised deferred tax liabilities for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Included in the loss of HK$16,864,000 (2011: loss of HK$19,874,000) attributable to the owners of the Company was the loss of HK$4,577,000 (2011: loss of HK$18,663,000) which has been dealt with in the Company's own accounts.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the consolidated loss attributable to owners for the year of HK$16,864,000 (2011: loss of HK$19,874,000) and on the weighted average of 349,335,478 (2011: 345,863,219) ordinary shares in issue during the year. No diluted loss per share has been presented as the exercise of the Company's outstanding share options and convertible bond would result in a decrease in loss per share for the year. The Company had no potential dilutive ordinary shares that were outstanding for the years ended 31 March 2012 and 31 March 2011.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 April 2010	115	2	1,892	2,009
Exchange adjustment	3	—	6	9
At 31 March 2011	118	2	1,898	2,018
Exchange adjustment	**7**	**—**	**20**	**27**
At 31 March 2012	**125**	**2**	**1,918**	**2,045**
ACCUMULATED DEPRECIATION				
At 1 April 2010	99	—	963	1,062
Exchange adjustment	3	—	4	7
Charge for the year	4	1	353	358
At 31 March 2011	106	1	1,320	1,427
Exchange adjustment	**8**	**—**	**15**	**23**
Charge for the year	**2**	**1**	**354**	**357**
At 31 March 2012	**116**	**2**	**1,689**	**1,807**
NET BOOK VALUE				
At 31 March 2012	**9**	**—**	**229**	**238**
At 31 March 2011	12	1	578	591

Depreciation expenses of HK$357,000 (2011: HK$358,000) has been charged in administrative expenses.

Company

	Motor vehicle HK$'000
COST	
At 1 April 2010, 31 March 2011 and 31 March 2012	**1,580**
ACCUMULATED DEPRECIATION	
At 1 April 2010	790
Charge for the year	316
At 31 March 2011	1,106
Charge for the year	**316**
At 31 March 2012	**1,422**
NET BOOK VALUE	
At 31 March 2012	**158**
At 31 March 2011	474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

13. INTERESTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**52,925**	52,925
Amounts due from subsidiaries	**132,065**	132,870
Less: Provision for impairment #	**(131,208)**	(131,270)
	53,782	54,525

An impairment was recognised during the years ended 31 March 2012 and 31 March 2011 due to the repeated losses of these subsidiaries.

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

The following is a summary of the principal subsidiaries of the Company that, in the opinion of the directors, were significant in relation to the results of the year or formed a portion of the net assets of the Group as at 31 March 2012:

Direct subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Percentage of equity interests attributable to the Company 2012	2011	Principal activities
Benelux Property Development (Shanghai) Limited	The PRC	US$5,000,000	**100%**	100%	Property development
Benelux (Far East) Company Limited	Hong Kong	Ordinary HK$100	**100%**	100%	Investment holding
Sunshine Universal Development Limited	The British Virgin Islands/Hong Kong	US$1	**100%**	100%	Inactive
Happy Universal Investment Limited	The British Virgin Islands/Hong Kong	US$1	**100%**	100%	Investment holding
South East Property (Shandong) Limited	The PRC	RMB15,000,000	**100%**	100%	Property development
Perfect Gold Investments Limited	Hong Kong	Ordinary HK$2	**100%**	100%	Inactive
Ricco Mining Investment Limited	Hong Kong	Ordinary HK$1	**100%**	100%	Inactive

Indirect subsidiaries	Place of incorporation/ operation	Nominal value of issued ordinary share/registered paid-up capital	Effective equity interest 2012	2011	Principal activities
Benelux International Electronics Co., Limited	The PRC	US$10,000,000	**100%**	100%	In the process of voluntary winding up
Shanghai Kaiyuen Computer Company Limited (Note)	The PRC	RMB500,000	**100%**	100%	Inactive
Excel Profit International Investment Limited	The British Virgin Islands/Hong Kong	US$1	**100%**	100%	Inactive

None of the subsidiaries had issued any debt securities at 31 March 2012 or at any time during the year.

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 HK$'000	2011 HK$'000
Group		
Listed equity investments in Hong Kong, at fair value (Note (a))	**4,297**	6,010
Unlisted equity investments, at cost (Note (b))	**1,950**	1,950
Less: Impairment loss (Note (b))	**(1,766)**	(1,766)
	4,481	6,194
Company		
Listed equity investments in Hong Kong, at fair value (Note (a))	**4,297**	6,010

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

Notes:

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

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

15. HELD-TO-MATURITY INVESTMENTS

	2012 HK$'000	2011 HK$'000
Group		
Promissory note	**780**	780

The promissory note represents an unlisted security which bears interest at 5% per annum and which was initially due to mature in March 2008. The maturity date has been extended repeatedly until 15 December 2012.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of held-to-maturity investments.

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For the year ended 31 March 2012

16. PROPERTIES HELD FOR SALE

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

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

	2012 HK$'000	2011 HK$'000
Group		
Land cost	**6,057**	5,879
Development cost	**16,378**	15,899
	22,435	21,778

Particulars of the properties held for sale are as follows:

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

17. TRADE AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Group		
Trade receivables	**1,590**	1,929
Less: Provision for impairment	**(1,590)**	(1,904)
Trade receivables, net of provision	**–**	25
Deposits and other receivables	**1,367**	655
Maximum exposure to credit risk	**1,367**	680
Prepayments	**390**	562
	1,757	1,242
Company		
Deposits and other receivables	**1,288**	558
Prepayments	**388**	554
	1,676	1,112

17. TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of trade and other receivables approximated their fair values as at 31 March 2012 and 31 March 2011. The Group does not hold any collateral over these balances.

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

As at 31 March 2011, all trade receivables, net of provision of the Group were past due over twelve months but not impaired. The balance relates to a number of independent customers for whom there was no recent history of default.

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

	2012 **HK$'000**	2011 HK$'000
At 1 April	**1,904**	796
Provision for impairment of trade receivables	**—**	1,315
Recovery of trade receivables	**(405)**	(240)
Exchange difference	**91**	33
At 31 March	**1,590**	1,904

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

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

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

	2012 **HK$'000**	2011 HK$'000
Group		
Renminbi	**78**	121
Hong Kong dollars	**1,679**	1,121
	1,757	1,242

The carrying amounts of the Company's deposits and other receivables, prepayments approximated their fair values as at 31 March 2012 and 31 March 2011 and were denominated in Hong Kong dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. CASH AND CASH EQUIVALENTS

	2012 HK$'000	2011 HK$'000
Group		
Cash and bank balances	**56,597**	68,691
Maximum exposure to credit risk	**56,539**	68,617
Company		
Cash and bank balances	**23,169**	25,337
Maximum exposure to credit risk	**23,167**	25,332

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

	2012 HK$'000	2011 HK$'000
Group		
Renminbi	**45,611**	43,288
Hong Kong dollars	**10,881**	25,322
Others	**105**	81
	56,597	68,691
Company		
Renminbi	**12,223**	—
Hong Kong dollars	**10,842**	25,294
United States dollars	**104**	43
	23,169	25,337

19. TRADE AND OTHER PAYABLES

	2012 HK$'000	2011 HK$'000
Group		
Trade payables	**323**	328
Other payables and accruals	**2,863**	2,727
	3,186	3,055
Company		
Other payables and accruals	**2,139**	2,046

19. TRADE AND OTHER PAYABLES (continued)

The carrying amounts of the Group's trade and other payables approximated their fair values as at 31 March 2012 and 31 March 2011 and were denominated in the following currencies:

	2012 HK$'000	2011 HK$'000
Group		
Hong Kong dollars	**2,140**	2,330
Renminbi	**1,046**	725
	3,186	3,055

The carrying amounts of the Company's other payables and accruals approximated their fair values as at 31 March 2012 and 31 March 2011 and were denominated in Hong Kong dollars.

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

20. CONVERTIBLE BOND

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

20. CONVERTIBLE BOND (continued)

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

	2012 HK$'000	2011 HK$'000
Group and Company		
Nominal value of the Convertible Bond	**68,000**	68,000
Equity component	**(5,888)**	(4,629)
Liability component		
— Liability component at 8 May 2011 and 1 April 2010	**62,112**	63,371
— Interest expenses	**957**	4,350
Total liability component	**63,069**	67,721
Analysis into		
— Current liabilities	**2,040**	1,877
— Non-current liabilities	**61,029**	65,844
	63,069	67,721

21. SHARE CAPITAL

	Number of shares		Share capital	
	2012 '000	2011 '000	2012 HK$'000	2011 HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
Balance at the beginning and at the end of the year	**4,000,000**	4,000,000	**400,000**	400,000
Issued and fully paid:				
Balance at the beginning of the year	**347,954**	344,326	**34,795**	34,433
Share options exercised	**3,305**	3,628	**331**	362
Balance at the end of the year	**351,259**	347,954	**35,126**	34,795

22. RESERVES

(a) Group

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. RESERVES (continued)

(b) Company

	Share premium HK$'000 Note 22(c)(i)	Available-for-sale financial assets revaluation reserve HK$'000 Note 22(c)(ii)	Equity component convertible bond HK$'000 Note 22(c)(iii)	Contributed surplus reserve HK$'000 Note 22(c)(v)	Employee share-based payment reserve HK$'000 Note 22(c)(vi)	Accumulated losses HK$'000	Total HK$'000
FOR THE YEAR ENDED 31 MARCH 2011							
At 1 April 2010	10,083	(535)	4,629	157,955	4,976	(177,529)	(421)
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(18,663)	(18,663)
Other comprehensive income:							
Change in fair value of available-for-sale financial assets	–	506	–	–	–	–	506
Total comprehensive income/(loss)	–	506	–	–	–	(18,663)	(18,157)
Transactions with owners:							
Equity-settled share-based transactions	–	–	–	–	1,218	–	1,218
Cancellation of share options	–	–	–	–	(2,936)	2,936	–
Exercise of share options	641	–	–	–	(385)	–	256
Total transactions with owners	641	–	–	–	(2,103)	2,936	1,474
At 31 March 2011	10,724	(29)	4,629	157,955	2,873	(193,256)	(17,104)
FOR THE YEAR ENDED 31 MARCH 2012							
At 1 April 2011	**10,724**	**(29)**	**4,629**	**157,955**	**2,873**	**(193,256)**	**(17,104)**
Comprehensive loss:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(4,577)**	**(4,577)**
Other comprehensive loss:							
Change in fair value of available-for-sale financial assets	**–**	**(1,713)**	**–**	**–**	**–**	**–**	**(1,713)**
Total comprehensive loss	**–**	**(1,713)**	**–**	**–**	**–**	**(4,577)**	**(6,290)**
Transactions with owners:							
Effect on amendment of convertible bond	**–**	**–**	**1,259**	**–**	**–**	**4,629**	**5,888**
Cancellation of share options	**–**	**–**	**–**	**–**	**(617)**	**617**	**–**
Exercise of share options	**613**	**–**	**–**	**–**	**(359)**	**–**	**254**
Total transactions with owners	**613**	**–**	**1,259**	**–**	**(976)**	**5,246**	**6,142**
At 31 March 2012	**11,337**	**(1,742)**	**5,888**	**157,955**	**1,897**	**(192,587)**	**(17,252)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

22. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium

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

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

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policies in Note 4(f)(ii) and Note 14 to the consolidated financial statements.

(iii) Equity component convertible bond

The capital reserve represents the value of the unexercised equity component of convertible bond issued by the Company recognised in accordance with the accounting policy adopted for convertible loans in Note 20 to the consolidated financial statements.

(iv) Exchange reserve

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

(v) Contributed surplus reserve

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

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

(vi) Employee share-based payment reserve

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

23. SHARE OPTION SCHEME

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

(a) Purpose

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

(b) Participants

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

23. SHARE OPTION SCHEME (continued)

(c) Total number of shares available for issue

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

(d) Maximum entitlement of each participant

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

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

(e) Option period

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

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

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

(g) Payment on acceptance of the option

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

(h) Basis of determining the exercise price

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

(i) Remaining life of the Scheme

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

23. SHARE OPTION SCHEME (continued)

(j) Estimated fair value of share options

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

Fair value of share options and assumptions:

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

The Company did not grant any share options that no share options expense was recognised during the year (2011: HK$1,218,000).

The share options exercised during the year resulted in the issue of 3,305,000 (2011: 3,628,000) new ordinary shares of the Company and an increase in issued share capital of HK$331,000 (2011: HK$362,000) and a share premium of HK$613,000 (2011: HK$641,000).

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

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

	2012		2011	
	Weighted average exercise price per share HK$	**Number of options '000**	Weighted average exercise price per share HK$	Number of options '000
At 1 April	**0.3035**	**21,799**	0.4315	19,303
Granted during the year	**—**	**—**	0.3900	10,424
Exercised during the year	**0.1770**	**(3,305)**	0.1707	(3,628)
Cancelled during the year	**1.2000**	**(800)**	1.2000	(4,300)
At 31 March	**0.2866**	**17,694**	0.3035	21,799

23. SHARE OPTION SCHEME (continued)

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

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

2012

	Number of options '000	Exercise price per share HK$	Exercisable period
	3,965	0.106	18-Dec-2005 to 17-Dec-2015
	3,305	0.177	1-Nov-2009 to 31-Oct-2012
	10,424	0.390	9-Mar-2011 to 8-Mar-2014
	17,694		
Weighted average exercise price per share		0.2866	

2011

	Number of options '000	Exercise price per share HK$	Exercisable period
	3,965	0.106	18-Dec-2005 to 17-Dec-2015
	3,305	0.177	1-Nov-2008 to 31-Oct-2011
	800	1.200	23-Jan-2009 to 22-Jan-2012
	3,305	0.177	1-Nov-2009 to 31-Oct-2012
	10,424	0.390	9-Mar-2011 to 8-Mar-2014
	21,799		
Weighted average exercise price per share		0.3035	

24. CAPITAL RISK MANAGEMENT

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

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

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

In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt. In view of the amount of cash and cash equivalents as compared to the total debts for the years ended 31 March 2012 and 31 March 2011, the directors did not find it necessary to restructure its share capital or adjust its total debts of the Group.

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For the year ended 31 March 2012

24. CAPITAL RISK MANAGEMENT (continued)

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

	The Group	
	2012	2011
	HK$'000	HK$'000
LIABILITIES		
Trade and other payables	**3,186**	3,055
Convertible bond	**63,069**	67,721
Total debts	**66,255**	70,776
Less: Cash and cash equivalents (Limited to total debts)	**(56,597)**	(68,691)
Net debt	**9,658**	2,085
Total equity	**20,243**	28,683
Net debt-to-equity ratio	**48%**	7%

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

25. BUSINESS COMBINATION

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

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

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

	2012	2011
	HK$'000	HK$'000
Amount due to a related company	**–**	(36)
Total identifiable net liabilities	**–**	(36)
Purchase consideration	**–**	1
Goodwill arising from acquisition	**–**	35
Impairment on goodwill	**–**	(35)
Goodwill at 31 March	**–**	–

25. BUSINESS COMBINATION (continued)

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

	2012 HK$'000	2011 HK$'000
Net cash outflow	–	1

26. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	2012 HK$'000	2011 HK$'000
Fees — non-executive directors	600	600
Salaries, allowance and benefits in kind	2,730	2,730
Retirement benefit scheme contribution	24	24
	3,354	3,354

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

	Number of directors	
	2012	2011
Up to HK$1,000,000	5	5
HK$1,000,001 - HK$1,500,000	1	1
HK$1,500,001 - HK$2,000,000	1	1

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For the year ended 31 March 2012

26. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of each director, on a named basis, for the year ended 31 March 2012 were set out below:

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

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

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

For the years ended 31 March 2012 and 31 March 2011, there was no arrangement under which a director waived or agreed to waive any remuneration. No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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26. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

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

Participants	Date of Grant	Exercisable period	Exercise price per share HK$	Number of share options: At 1 April 2011	Granted during the year	Exercised during the year	Lapsed during the year	At 31 March 2012
Directors								
WU Siu Chung	23/01/2008	23/01/2009 - 22/01/2012	1.200	800,000	–	–	(800,000)	–
	09/03/2011	09/03/2011 - 08/03/2014	0.390	3,000,000	–	–	–	3,000,000
				3,800,000	**–**	**–**	**(800,000)**	**3,000,000**
CHEN Xiaoping	09/03/2011	09/03/2011 - 08/03/2014	0.390	**2,500,000**	**–**	**–**	**–**	**2,500,000**
Eduard William Rudolf Helmuth WILL	09/03/2011	09/03/2011 - 08/03/2014	0.390	**2,500,000**	**–**	**–**	**–**	**2,500,000**
CHEN Yuan Shou, Budiman	18/12/2003	18/12/2005 - 17/12/2015	0.106	3,305,000	–	–	–	3,305,000
	16/04/2007	01/11/2008 - 31/10/2011	0.177	3,305,000	–	(3,305,000)	–	–
	16/04/2007	01/11/2009 - 31/10/2012	0.177	3,305,000	–	–	–	3,305,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				10,261,000	**–**	**(3,305,000)**	**–**	**6,956,000**
LO Yuk Lam	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				676,000	**–**	**–**	**–**	**676,000**
WONG Kam Wah	18/12/2003	18/12/2005 - 17/12/2015	0.106	330,000	–	–	–	330,000
	09/03/2011	09/03/2011 - 08/03/2014	0.390	346,000	–	–	–	346,000
				676,000	**–**	**–**	**–**	**676,000**
David R. PETERSON	09/03/2011	09/03/2011 - 08/03/2014	0.390	**346,000**	**–**	**–**	**–**	**346,000**
Employees and others	09/03/2011	09/03/2011 - 08/03/2014	0.390	**1,040,000**	**–**	**–**	**–**	**1,040,000**
Total				**21,799,000**	**–**	**(3,305,000)**	**(800,000)**	**17,694,000**

The five individuals whose emoluments are the highest in the Group for the year included two (2011: two) directors whose emoluments have already been disclosed in the analysis presented above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

The emoluments of the remaining three (2011: three) highest paid employees fall into the following bands:

	Number of individuals	
	2012	2011
Up to HK$1,000,000	**3**	3

The details of the emoluments payable to the remaining three (2011: three) non-director, highest paid employees were as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries, allowance and benefits in kind	**1,292**	1,281
Retirement benefit scheme contribution	**36**	36
	1,328	1,317

27. CONTINGENT LIABILITIES

There were no significant contingent liabilities as at 31 March 2012 and 31 March 2011.

28. OPERATING LEASE ARRANGEMENT

At 31 March 2012 and 31 March 2011, the Group had the total future minimum lease payments under non-cancellable operating leases with respect of office premises as follows:

	2012 **HK$'000**	2011 HK$'000
Group		
Not later than one year	**5,485**	865
Within the second to fifth year inclusive	**3,121**	—
	8,606	865
Company		
Not later than one year	**5,111**	642
Within the second to fifth year inclusive	**2,984**	—
	8,095	642

29. COMPANIES EXCLUDED FROM CONSOLIDATION

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

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

Details of the companies excluded from consolidation are as follows:

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

Notes:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. COMPANIES EXCLUDED FROM CONSOLIDATION (continued)

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

	2012 HK$'000	Previous years since acquisition HK$'000
Dealt with in the consolidated financial statements of the Group	**Nil**	(46,232)
Not dealt with in the consolidated financial statements of the Group	**Nil**	(244,391)

30. RELATED PARTY TRANSACTIONS

Other than those disclosed in the notes elsewhere to the consolidated financial statements, the Group has engaged in a related party transaction with Ricco Capital (Holdings) Limited ("Ricco"), a company wholly owned by the chairman of the Group, during the year. Pursuant to an office sharing and management service agreement between the Group and Ricco effective from 1 July 2011, the parties thereto agreed to share administrative services relating to business consulting and use of the Hong Kong office premises basically on a cost basis. The expenses accrued from office facilities and consulting services amounting to approximately HK$1,220,000 (2011: nil) was paid by the Group for the period from 1 July 2011 up to 31 October 2011, and HK$422,000 (2011: nil) was paid by Ricco to the Group for the period from 1 November 2011 up to the end of the reporting period under the above agreement.

31. SEGMENT INFORMATION

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

At the end of the reporting period, non-current assets included property, plant and equipment with carrying amount of HK$158,000 (2011: HK$474,000) and HK$80,000 (2011: HK$117,000) are located in Hong Kong and the PRC respectively.

32. FINANCIAL RISK MANAGEMENT

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

(a) Credit risk

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

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

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

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

(b) Liquidity risk

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

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

Group

		2012		
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	**In two to five years HK$'000**
Trade and other payables	**3,186**	**3,186**	**3,186**	**—**
Convertible bond	**63,069**	**78,200**	**2,040**	**76,160**
	66,255	**81,386**	**5,226**	**76,160**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

32. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Company

	2012			
	Carrying amount HK$'000	**Total contractual undiscounted cash flow HK$'000**	**Within one year or on demand HK$'000**	**In two to five years HK$'000**
Other payables	**2,139**	**2,139**	**2,139**	**—**
Convertible bond	**63,069**	**78,200**	**2,040**	**76,160**
	65,208	**80,339**	**4,179**	**76,160**

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

(c) Interest rate risk

The Group's and the Company's interest rate risk arises primarily from the convertible bond that is due to mature in May 2016. In light of the short period of exposure of the convertible bond, the directors are of the view that the Group and the Company are not subject to interest rate risk. The Group and the Company currently does not have any interest rate hedging policy. Due to the insignificance of bank interest income and expense, the Group's income, expenses and operating cash flows are substantially independent of changes in market interest rates. The directors are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

(d) Currency risk

Foreign exchange risk arises when future commercial transactions, assets and liabilities are denominated in a currency that is not the functional currency of the entities. The majority of the Group's transactions and balances are denominated in Hong Kong dollars and Renminbi, which are the functional currencies of the Company and its subsidiaries respectively.

At 31 March 2012, if Renminbi had strengthen/weaken by 5% (2010: 5%) against the Hong Kong dollars with all other variable held constant, loss for the year would have been HK$510,000/HK$510,000 (2011: nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi — denominated net assets, representing trade and other receivables, cash and cash equivalents and trade and other payables.

32. FINANCIAL RISK MANAGEMENT (continued)

(e) Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group and the Company is exposed to equity price risk arising from individual equity investments classified as available-for-sale financial assets as at 31 March 2012. The Group's and the Company's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

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

	At 31 March 2012	**High/low 2012**	At 31 March 2011	High/low 2011
Hong Kong — Hang Seng Index	**20,555**	**24,396/ 19,592**	23,527	24,988/ 18,971

The following table demonstrates the sensitivity to every 5% (2011: 5%) change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the available-for-sale financial assets of the Group and the Company, the impact is on the available-for-sale financial assets revaluation reserve and no account is given for factors such as impairment which might impact on the consolidated statement of comprehensive income.

	Carrying amount of equity investments HK$'000	**Increase/ (decrease) in equity** HK$'000
2012		
Available-for-sale financial assets listed in Hong Kong:	**4,297**	**215/(215)**
2011		
Available-for-sale financial assets listed in Hong Kong:	6,010	300/(300)

(f) Fair value

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

The fair value of derivatives embedded in the convertible bond is measured using Binomial Lattice Model in which all significant inputs are directly or indirectly based on observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

32. FINANCIAL RISK MANAGEMENT (continued)

(f) Fair value (continued)

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

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

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

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

	Note	**Level 1** HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Group and Company					
For the year ended 31 March 2012					
Available-for-sale financial assets	**14**	**4,297**	**—**	**—**	**4,297**
For the year ended 31 March 2011					
Available-for-sale financial assets	14	6,010	—	—	6,010

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

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

34. FINANCIAL INSTRUMENTS — BY CATEGORY

	2012 HK$'000	2011 HK$'000
Group		
Financial assets — Loans and receivables		
Trade and other receivables	**1,367**	680
Cash and cash equivalents	**56,597**	68,691
	57,964	69,371
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	**4,481**	6,194
Financial assets — Held-to-maturity investments		
Held-to-maturity investments	**780**	780
Financial liabilities — Other financial liabilities		
Trade and other payables	**3,186**	3,055
Convertible bond	**63,069**	67,721
	66,255	70,776
Company		
Financial assets — Loans and receivables		
Other receivables	**1,288**	558
Cash and cash equivalents	**23,169**	25,337
	24,457	25,895
Financial assets — Available-for-sale financial assets		
Available-for-sale financial assets	**4,297**	6,010
Financial liabilities — Other financial liabilities		
Other payables	**2,139**	2,046
Convertible bond	**63,069**	67,721
	65,208	69,767

35. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 20 June 2012.

FINANCIAL SUMMARY

	For the year ended 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Results					
Turnover	7,216	8,275	244	1,383	**940**
Loss before taxation	(4,637)	(16,612)	(13,059)	(19,859)	**(16,717)**
Taxation	(418)	(1,264)	(8)	(15)	**(147)**
Loss after taxation	(5,055)	(17,876)	(13,067)	(19,874)	**(16,864)**
Non-controlling interests	—	—	—	—	**—**
Loss attributable to owners of the Company	(5,055)	(17,876)	(13,067)	(19,874)	**(16,864)**

	At 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Assets and liabilities					
Total assets	92,715	138,839	114,441	99,459	**86,498**
Total liabilities	(23,666)	(84,355)	(69,353)	(70,776)	**(66,255)**
Non-controlling interests	—	—	—	—	**—**
Total equity	69,049	54,484	45,088	28,683	**20,243**