HERITAGE

INTERNATIONAL HOLDINGS LIMITED

ANNUAL REPORT

2012

Contents

Corporate Information

BOARD OF DIRECTORS	*Executive Directors:* Kwong Kai Sing, Benny *(Chairman)* Wong Chun Hung *(Vice Chairman)* (resigned on 19 August 2011) Ong Peter *(Managing Director)* Poon Chi Wan Chow Chi Wah, Vincent *Independent Non-executive Directors:* Chung Yuk Lun* Chan Sze Hung* (retired on 3 August 2011) To Shing Chuen* Ha Kee Choy, Eugene* Lo Wong Fung* * *Member of Audit Committee*
COMPANY SECRETARY	Chow Chi Wah, Vincent
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
PRINCIPAL OFFICE	29th Floor, China United Centre 28 Marble Road North Point Hong Kong
STOCK CODE	412
WARRANT CODE	1248
AUDITORS	Ernst & Young *Certified Public Accountants* 22/F CITIC Tower 1 Tim Mei Avenue Central Hong Kong

LEGAL ADVISERS

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

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

PRINCIPAL BANKER

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

PRINCIPAL REGISTRAR IN BERMUDA

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH REGISTRAR IN HONG KONG

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be temporarily closed from 6 August 2012 to 8 August 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for voting in the Annual General Meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-16, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:30 p.m. on 3 August 2012.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Heritage International Holdings Limited (the "Company") will be held at 30/F., China United Centre, No. 28 Marble Road, North Point, Hong Kong on 8 August 2012 at 4:30 p.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the financial year ended 31 March 2012.

2. To re-elect retiring directors and to authorise the board of directors to fix the directors' remuneration.

3. To re-appoint the auditors and to authorise the board of directors to fix their remuneration.

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

ORDINARY RESOLUTIONS

4. "THAT:

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

   (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;

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

(d) for the purpose of this resolution:

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

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

5. "THAT:

(a) subject to paragraph (c) of this resolution, the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to purchase issued shares in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission of Hong Kong and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as may be amended from time to time, be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall be in addition to any other authorisation given to the directors of the Company and shall authorise the directors of the Company during the Relevant Period to procure the Company to purchase its shares at a price determined by the directors of the Company;

(c) the aggregate nominal amount of the shares of the Company which the Company is authorised to purchase pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company as at the time of passing this resolution, and the said approval shall be limited accordingly; and

(d) for the purpose of this resolution:

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

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by any ordinary resolution of the shareholders of the Company in general meeting."

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

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

Hong Kong, 9 July 2012

Notes:

(1) A member of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxy or proxies to attend and vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, no less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

(2) In case of joint holders of a share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto. However, if more than one of such joint holders are present at the meeting personally or by proxy, that one of such holders whose name stands first in the register of members of the Company shall alone be entitled to vote in respect of that share.

To Shareholders,

On behalf of the Board of Directors, I hereby present the annual report of the Group for the year ended 31 March 2012.

FINANCIAL RESULTS

The Group's audited consolidated loss for the year ended 31 March 2012 was HK$368,077,000 compared with last year's attributable loss of HK$391,908,000. The net assets value of the Group increased from HK$957,970,000 as at 31 March 2011 to HK$1,013,874,000 as at 31 March 2012.

The Group recorded a negative revenue for the year amounted to HK$78,084,000 compared to last year negative revenue of HK$171,624,000. Details of the breakdown of the revenue can be seen on note 5 to the financial statements.

On the expenses side, the level of total operating expenses increased in this year mainly due to the fair value losses on investments at fair value through profit or loss amounted to HK$254,994,000. Employee benefit expense, depreciation and minimum lease payments under operating leases in respect of land and buildings increased from last year's sum of HK$15,059,000 to HK$23,769,000 in this year being in line with the increase in the size of our operation. Finance costs decreased from last year's figure of HK$2,144,000 to HK$965,000 this year.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend for the financial year (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The Board announces that the Group has made a loss before tax of approximately HK$369.1 million for the year ended 31 March 2012. The loss is mainly attributable to loss on sale of investments at fair value through profit or loss and fair value losses arisen from equity investments at fair value through profit or loss as at the fiscal year end date.

The Company is an investment holding company with its subsidiaries engaging in the following major lines of business:

a) **Real Estate Investments**

The Group owned certain commercial properties in North Point and a luxury residential property in Stanley. During this fiscal year, the Group entered into an agreement with an independent third party to dispose of one of its commercial properties in cash of approximately HK$117.0 million. This transaction was approved by shareholders at the special general meeting dated 28 June 2011 and the transaction was subsequently completed on 8 August 2011. The value of the Group's property investments amounted to HK$106.1 million as at 31 March 2012.

b) **Investments in Listed Securities**

The Group's securities portfolio has suffered a loss on sale of investments at fair value through profit or loss of approximately HK$89.5 million for the year ended 31 March 2012. Besides, there are fair value losses on investments at fair value through profit or loss of approximately HK$255.0 million in the same period.

c) **Money Lending Business**

The Group's money lending business segment generated positive result for the year ended 31 March 2012. The Company has taken a more cautious approach in this line of business and subsequently the exposure has relatively reduced as compared to the previous year.

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

The Group has a 20% interest in a company engaging in lottery related business in the PRC (the "PRC Company"). In the last interim report, it was mentioned that management was considering the application of an internet lottery business license by increasing its investment in the PRC Company. However, this plan has been placed on hold pending the assessment by management of the future prospect of this business.

e) **Chinese Medicine Clinic Operation**

The Group has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic. The operation started for about a year and the turnover is generally increasing. Although the operation is still not making positive contribution to the Group, management believes that the outlook of the Chinese medicine business is buoyant as Chinese medicine is gaining popularity especially among the younger generation.

PROSPECT

The global economy is increasingly unstable as threatened by Europe's debt crisis. The US economic data are mixed and future pace of economic recovery is uncertain. The Group expects the coming fiscal year to be challenging and the market condition is expected to slow down as compared to the previous year. Management will take a cautious approach in its future growth.

Subsequent to the fiscal year end, on 8 June 2012, an indirect wholly-owned subsidiary of the Company has conditionally acquired a company for a cash consideration of HK$50.0 million. The principal asset of the acquired company is the 50% interest in the concession rights and interests in three parcels of forest land of approximately 36,737 Chinese Mu in the Yunnan Province of the PRC. Management believes that this acquisition provides the Group with a good opportunity to diversify into other business areas and participate in forest harvesting and timber processing.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2012, the Group's total assets and borrowings were HK$1,057,161,000 and HK$35,294,000, respectively. Borrowings represented interest-bearing bank borrowings. A majority of the bank borrowings of the Group carried floating interest rates with reference to the Hong Kong dollar prime rate/HIBOR and were denominated in Hong Kong dollar, and thus, there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings/total assets) was approximately 3%. As at 31 March 2012, investment properties amounted to HK$103,700,000 were pledged to banks to secure certain loan facilities granted to the Group and investments in securities with carrying amount of HK$478,298,000 were pledged to certain financial institutes to secure certain margin financing facilities provided to the Group.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

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

CONTINGENT LIABILITIES

The Company has major contingent liabilities relating to a guarantee given to a bank in connection with facility granted to a subsidiary of approximately HK$31,500,000 (2011: HK$61,500,000).

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

Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong
22 June 2012

EXECUTIVE DIRECTORS

Dr. Kwong Kai Sing, Benny, aged 53, is the Chairman and an Executive Director of the Company. Dr. Kwong graduated from Simon Fraser University in British Columbia, Canada with a bachelor degree in arts. Dr. Kwong was awarded the honor degree of doctor of commerce by The University of West Alabama in 2008.

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

Dr. Kwong was a director of the Tung Wah Group of Hospitals from 2008 to 2010 and was a member of the Campaign Committee of The Community Chest from 2006 to 2010. He is currently the first vice chairman of Hong Kong Book and Stationery Industry Association, the honorary chairman of Hong Kong Taiwan Chamber of Commerce, the vice chairman of China Studies Alumni Association of HKPPRI and a committee member of the China People's Political Consultative Conference of the Zhaoqing City.

Mr. Ong Peter, aged 42, is the Managing Director and an Executive Director of the Company. Mr. Ong holds a bachelor degree from California State University, Los Angeles, the United States of America. He has extensive experience in the press and the insurance industries.

Ms. Poon Chi Wan, aged 56, is an Executive Director of the Company. Ms. Poon has over 10 years' experience in administrative management including management experience in another listed company. Ms. Poon graduated from the Royal School of Music.

Mr. Chow Chi Wah, Vincent, aged 43, is the Financial Controller as well as Company Secretary of the Company. Mr. Chow obtained a master's degree in professional accounting from the Hong Kong Polytechnic University. Mr. Chow is a fellow member of the Association of Chartered Certified Accountants and an associate member of Hong Kong Institute of Certified Public Accountants. Mr. Chow has over 15 years' experience in the finance and accounting field in Hong Kong.

NON-EXECUTIVE DIRECTORS

Mr. To Shing Chuen, aged 61, is an Independent Non-Executive Director of the Company. Mr. To has a Bachelor's degree in Arts and has over 19 years' experience in trading, garment and leather field. He enjoys excellent relationship with Mainland China companies.

Mr. Ha Kee Choy, Eugene, aged 55, is an Independent Non-Executive Director of the Company. He was appointed as Independent Non-Executive Director on 1 October 2005. Mr. Ha is the director of a certified public accountants corporate practice and the director of an advisory services limited in Hong Kong. Mr. Ha holds a Master's degree in business administration and is a fellow member of the Association of Chartered Certified Accountants. Mr. Ha possesses over 20 years of experience in the finance and banking industry and acts as director of a number of private and listed companies in Hong Kong.

Mr. Chung Yuk Lun, aged 51, is an Independent Non-Executive Director of the Company. Mr. Chung has over 20 years' experience in the finance and accounting field. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants, a member of the Hong Kong Institute of Certified Public Accountants and an Associate Chartered Accountant (England and Wales). He is an executive director and chairman of Radford Capital Investment Limited (stock code: 901), an executive director of Ming Fung Jewellery Group Limited (stock code: 860), an independent non-executive director of Forefront Group Limited (stock code: 885) and Dragonite International Limited (stock code: 329), all of which are companies listed on the Stock Exchange.

Mr. Lo Wong Fung, JP, aged 65, is an Independent Non-Executive Director of the Company. Mr. Lo is the founder and Chairman of Golden Fame Logistics Holding Limited and has more than 30 years' experience in the logistic field. He is the Chairman of The Chamber of Hong Kong Logistics Industry, a director and the Chairman of the Technology Committee of Hong Kong R&D Centre for Logistics and Supply Chain Management Enabling Technologies, the Permanent President of Hong Kong CFS & Logistics Association, the Permanent President of Hong Kong Container Drayage Services Association, the Honorary President of Hong Kong Cargo Vessel Traders' Association, the Chairman of Guangdong and Hong kong Feeder Association and also a member of the Hong Kong Logistics Development Council. Mr. Lo is also the Vice Chairman and General Affairs Committee Chairman of Ning Po Residents Association (H.K.), and the Vice Chairman of Zhongshan Association of Overseas Chinese Enterprises. Mr. Lo is currently a visiting professor at the Shanghai Maritime University of China.

The directors herein present their report together with the audited financial statements of the Company and of the Group for the financial year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. The Group has developed a new line of business in traditional Chinese medicine industry through the operation of the Hon Chinese Medicine Clinic.

RESULTS AND DIVIDENDS

The Group's loss for the financial year ended 31 March 2012 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 27 to 122.

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

SUMMARY FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

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

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE NOTE

Details of movements in the Company's share capital, share options, warrants and convertible note during the financial year are set out in notes 26, 27, 26 and 24 to the financial statements, respectively.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the financial year are set out in note 28(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of HK$1,448,035,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 March 2012. In addition, the Company's share premium account and capital redemption reserve, totalling HK$1,369,488,000 as at 31 March 2012, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 March 2012, sales to the Group's five largest customers and purchases from the Group's five largest suppliers accounted for less than 30% of the Group's revenue and total purchases, respectively.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions totalling HK$8,000.

DIRECTORS

The directors of the Company during the financial year ended 31 March 2012 were:

Kwong Kai Sing, Benny *(Chairman)*	
Wong Chun Hung *(Vice Chairman)*	(resigned on 19 August 2011)
Ong Peter *(Managing Director)*	
Poon Chi Wan	
Chow Chi Wah, Vincent	
Chung Yuk Lun*	
Chan Sze Hung*	(retired on 3 August 2011)
To Shing Chuen*	
Ha Kee Choy, Eugene*	
Lo Wong Fung*	

* *Independent non-executive directors*

In accordance with Bye-law 99 of the bye-laws, Ms. Poon Chi Wan, Mr. To Shing Chuen and Mr. Lo Wong Fung, will retire from office by rotation at the annual general meeting, and being eligible, will offer themselves for re-election as directors at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 33(b) to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the financial year.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in the ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Kwong Kai Sing, Benny	6,347,484	–	6,347,484	0.08
Ong, Peter	3,532,654	–	3,532,654	0.05
Poon Chi Wan	488,268	–	488,268	0.01

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

Save as disclosed above, as at 31 March 2012, none of the directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme disclosures in note 27 to the financial statements, at no time during the financial year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 March 2012, no interest of 5% or more of the issued share capital of the Company was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

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

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Dr. Kwong Kai Sing, Benny
Chairman

Hong Kong
22 June 2012

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding director's securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had compiled with the required standard set out in the Model Code during the year ended 31 March 2012.

BOARD OF DIRECTORS

As at 31 March 2012, the board comprises eight Directors, of which four are executive Directors namely Kwong Kai Sing, Benny (Chairman), Ong, Peter (Managing Director), Poon Chi Wan and Chow Chi Wah, Vincent and four are independent non-executive Directors namely, To Shing Chuen, Ha Kee Choy, Eugene, Chung Yuk Lun and Lo Wong Fung. The four independent non-executive Directors are professionals with strong experience. Two of the independent non-executive Directors have professional accounting qualification, which is in compliance with the requirement of the Listing Rules. Biographical details of all Directors are disclosed on pages 12 to 13 of this Annual Report.

The attendance of Directors of 16 board meetings held for the year ended 31 March 2012 is as follows:

Name		Attended
Executive Directors		
Kwong Kai Sing, Benny *(Chairman)*		16/16
Wong Chun Hung *(Vice Chairman)*	(resigned on 19 August 2011)	1/16
Ong, Peter *(Managing Director)*		14/16
Poon Chi Wan		16/16
Chow Chi Wah, Vincent		16/16
Independent non-executive Directors		
Chan Sze Hung	(retired on 3 August 2011)	1/16
To Shing Chuen		3/16
Ha Kee Choy, Eugene		3/16
Chung Yuk Lun		4/16
Lo Wong Fung		3/16

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

NON-EXECUTIVE DIRECTORS

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

REMUNERATION OF DIRECTORS

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

Mr. To Shing Chuen *(Independent Non-executive Director)*
Mr. Ha Kee Choy, Eugene *(Independent Non-executive Director)*
Ms. Poon Chi Wan *(Executive Director)*

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

The Remuneration Committee held one meeting during the financial year of 2012. Details of the attendance of the Remuneration Committee meeting were as follows:

Committee members	**Attendance**	**Title**
Mr. To Shing Chuen	1/1	INED
Mr. Ha Kee Choy, Eugene	1/1	Chairman, INED
Ms. Poon Chi Wan	1/1	Executive Director

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

NOMINATION OF DIRECTORS

The nomination committee of the Company (the "Nomination Committee") was established in March 2012. As at the date of this report, the Nomination Committee comprises two Independent Non-executive Directors and one Executive Director:

Mr. To Shing Chuen *(Independent Non-executive Director)*
Mr. Ha Kee Choy, Eugene *(Independent Non-executive Director)*
Ms. Poon Chi Wan *(Executive Director)*

The adopted terms of reference of the Nomination Committee is in compliance with the Code Provision A.5.2.

The Nomination Committee held one meeting during the financial year of 2012. Details of the attendance of the Nomination Committee meeting were as follows:

Committee members	Attendance	Title
Mr. To Shing Chuen	1/1	INED
Mr. Ha Kee Choy, Eugene	1/1	Chairman, INED
Ms. Poon Chi Wan	1/1	Executive Director

The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying suitable candidates for directorship, assessing the independence of independent non-executive Directors, and making recommendations to the Board regarding any proposed appointment or re-appointment.

AUDITORS' REMUNERATION

During the year ended 31 March 2012, fees paid to the Company's external auditors for non-audit activities amounted to approximately HK$710,000 which comprised agreed-upon procedures in respect of the Group's interim financial information and corporate transactions.

Audit fee for the year 2012 is HK$1,638,000.

AUDIT COMMITTEE

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

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

The members and attendance of the audit committees for the year ended 31 March 2012 are as follows:

Name		Attended
Chan Sze Hung	(retired on 3 August 2011)	1/2
To Shing Chuen		2/2
Ha Kee Choy, Eugene		2/2
Chung Yuk Lun		2/2
Lo Wong Fung		2/2

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

OTHERS

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

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

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Heritage International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 27 to 122, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

AUDITORS' RESPONSIBILITY (continued)

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 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.

Ernst & Young
Certified Public Accountants

22nd Floor
CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

22 June 2012

Consolidated Income Statement

Year ended 31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
REVENUE	5	**(78,084)**	(171,624)
Other income	5	**3,868**	7,567
Changes in inventories and consumables used	6	**(212)**	–
Gain/(loss) arising from changes in fair value of investment properties, net	14	**(6,102)**	4,193
Fair value losses on investments at fair value through profit or loss, net		**(254,994)**	(72,834)
Fair value gain on derivative financial instruments	21	**677**	–
Employee benefit expense		**(10,746)**	(8,031)
Depreciation		**(5,523)**	(2,089)
Minimum lease payments under operating leases in respect of land and buildings		**(7,500)**	(4,939)
Gains on disposal of subsidiaries	29(a)	**11,619**	1,490
Other expenses		**(31,528)**	(30,367)
Finance costs	7	**(965)**	(2,144)
Gains on disposal of associates		**10,368**	69,000
Share of losses of associates		**–**	(182,587)
		10,368	(113,587)
LOSS BEFORE TAX	6	**(369,122)**	(392,365)
Income tax	10	**1,045**	457
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	11	**(368,077)**	(391,908)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			(Restated)
Basic	12	**HK$(0.09)**	HK$(0.57)
Diluted	12	**HK$(0.09)**	HK$(0.57)

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
LOSS FOR THE YEAR		**(368,077)**	(391,908)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Change in fair value of an available-for-sale investment	18	**20**	–
Exchange differences on translation of foreign operations		**–**	(53)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**20**	(53)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(368,057)**	(391,961)

Consolidated Statement of Financial Position

31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**13,052**	6,047
Investment properties	14	**106,100**	246,800
Investments in jointly-controlled entities	16	**–**	–
Investments in associates	17	**–**	–
Deposits paid for purchases of items of property, plant and equipment		**–**	5,814
Available-for-sale investment	18	**4,500**	–
Rental deposit		**700**	–
Loans receivable	19	**25,120**	8,442
Investments at fair value through profit or loss	20	**299,029**	105,487
Total non-current assets		**448,501**	372,590
CURRENT ASSETS			
Inventories		**137**	–
Loans receivable	19	**46,789**	2,608
Investments at fair value through profit or loss	20	**503,720**	666,099
Derivative financial instruments	21	**15,969**	–
Prepayments, deposits and other receivables	22	**3,297**	6,293
Cash and cash equivalents		**38,748**	1,667
Total current assets		**608,660**	676,667
CURRENT LIABILITIES			
Other payables and accruals		**5,293**	11,204
Due to an associate	17	**–**	10,094
Interest-bearing bank borrowings	23	**35,294**	66,244
Total current liabilities		**40,587**	87,542
NET CURRENT ASSETS		**568,073**	589,125
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,016,574**	961,715

Consolidated Statement of Financial Position

31 March 2012

	Notes	**2012** **HK$'000**	2011 HK$'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	25	**2,700**	3,745
Net assets		**1,013,874**	957,970
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**77,276**	2,849
Reserves	28(a)	**936,598**	955,121
Total equity		**1,013,874**	957,970

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2012

		Attributable to owners of the Company								
	Notes	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2010		82,730	890,349	–	1,177	1,259,970	53	–	(1,120,960)	1,113,319
Loss for the year		–	–	–	–	–	–	–	(391,908)	(391,908)
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	–	–	(53)	–	–	(53)
Total comprehensive loss for the year		–	–	–	–	–	(53)	–	(391,908)	(391,961)
Placement of new shares	26(a)	89,861	62,818	–	–	–	–	–	–	152,679
Share issue expenses	26	–	(4,655)	–	–	–	–	–	–	(4,655)
Exercise of share options	26(b)	17,373	18,028	–	–	–	–	–	–	35,401
Capital reorganisation	26(c)	(188,065)	–	–	–	188,065	–	–	–	–
Rights issue	26(d)	950	46,541	–	–	–	–	–	–	47,491
Equity-settled share option expenses	27	–	–	5,696	–	–	–	–	–	5,696
Transfer from share option reserve	26	–	5,696	(5,696)	–	–	–	–	–	–
At 31 March 2011 and at 1 April 2011		2,849	1,018,777	–	1,177	1,448,035	–	–	(1,512,868)	957,970
Loss for the year		–	–	–	–	–	–	–	(368,077)	(368,077)
Other comprehensive income for the year:										
Change in fair value of an available-for-sale investment	18	–	–	–	–	–	–	20	–	20
Total comprehensive income/(loss) for the year		–	–	–	–	–	–	20	(368,077)	(368,057)
Rights issue	26(e)	62,689	325,979	–	–	–	–	–	–	388,668
Exercise of warrants	26(f)	11,738	35,215	–	–	–	–	–	–	46,953
Share issue expenses	26	–	(11,660)	–	–	–	–	–	–	(11,660)
At 31 March 2012		77,276	1,368,311*	–	1,177*	1,448,035*	–	20*	(1,880,945)*	1,013,874

* These reserve accounts comprise the consolidated reserves of HK$936,598,000 (2011: HK$955,121,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES #			
Loss before tax		**(369,122)**	(392,365)
Adjustments for:			
Fair value losses on investments at fair value through profit or loss, net		**254,994**	72,834
Fair value gain on derivative financial instruments	21	**(677)**	–
Depreciation		**5,523**	2,089
Interest income on a convertible bond	5	**–**	(444)
Write-off of items of property, plant and equipment, net	6	**–**	667
Impairment of a loan receivable	6, 19	**2,498**	–
Loss on redemption of a convertible note	6, 24	**–**	9,288
Equity-settled share option expense	6, 27	**–**	5,696
Finance costs	7	**965**	2,144
Changes in fair value of investment properties, net	14	**6,102**	(4,193)
Gains on disposal of subsidiaries	29(a)	**(11,619)**	(1,490)
Gains on disposal of associates		**(10,368)**	(69,000)
Share of losses of associates		**–**	182,587
		(121,704)	(192,187)
Increase in loans receivable		**(63,357)**	(8,500)
Increase in inventories		**(137)**	–
Decrease/(increase) in investments at fair value through profit or loss, net		**(286,157)**	65,342
Decrease/(increase) in prepayments, deposits and other receivables		**(2,747)**	1,280
Change in balance with an associate		**(226)**	10,640
Decrease in other payables and accruals		**(5,784)**	(7,121)
Cash used in operations		**(480,112)**	(130,546)
Interest paid		**(965)**	(2,144)
Net cash flows used in operating activities		**(481,077)**	(132,690)

Consolidated Statement of Cash Flows

Year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Net cash flows used in operating activities		**(481,077)**	(132,690)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deposits paid for purchases of items of property, plant and equipment		**–**	(5,814)
Purchases of items of property, plant and equipment		**(5,433)**	(625)
Purchases of an available-for-sale investment		**(4,480)**	–
Additions to investment properties		**(10,402)**	(6,407)
Disposal of subsidiaries	29(a)	**116,943**	1,500
Disposal of associates	17	**500**	–
Net cash flows generated from/(used in) investing activities		**97,128**	(11,346)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement of new shares	26(a)	**–**	152,679
Proceeds from share options exercised	26(b)	**–**	35,401
Proceeds from rights issue	26(d), 26(e)	**388,668**	47,491
Share issue expenses	26	**(11,660)**	(4,655)
Proceeds from warrants exercised	26(f)	**46,953**	–
New other loan		**–**	200,000
Repayment of other loan		**–**	(200,000)
New bank borrowing		**–**	30,000
Repayment of bank borrowings		**(2,931)**	(35,743)
Redemption of a convertible note	24	**–**	(90,000)
Net cash flows from financing activities		**421,030**	135,173
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**37,081**	(8,863)
Cash and cash equivalents at beginning of year		**1,667**	10,583
Effect of foreign exchange rate changes, net		**–**	(53)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**38,748**	1,667
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**38,748**	1,667

Included in "Cash flows from operating activities" above are loan interests, dividend income and other interest income from the Group's principal activities amounting to HK$5,250,000 (2011: HK$278,000), HK$2,434,000 (2011: HK$4,293,000) and HK$1,152,000 (2011: Nil), respectively.

Statement of Financial Position

31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	15	**731,785**	1,081,246
Available-for-sale investment	18	**4,500**	–
Total non-current assets		**736,285**	1,081,246
CURRENT ASSETS			
Prepayments, deposit and other receivables	22	**1,011**	599
Cash and cash equivalents		**32,189**	1,339
Total current assets		**33,200**	1,938
CURRENT LIABILITIES			
Other payables and accruals		**3,147**	4,419
Due to an associate	17	**–**	10,094
Total current liabilities		**3,147**	14,513
NET CURRENT ASSETS/(LIABILITIES)		**30,053**	(12,575)
Net assets		**766,338**	1,068,671
EQUITY			
Issued capital	26	**77,276**	2,849
Reserves	28(b)	**689,062**	1,065,822
Total equity		**766,338**	1,068,671

Poon Chi Wan
Director

Kwong Kai Sing, Benny
Director

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, an available-for-sale investment, derivative financial instruments and investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income/(loss) is reclassified to profit or loss or accumulated losses, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* [4]
HKFRS 9	*Financial Instruments* [6]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* [5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine* [4]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs contained in *Annual Improvements 2009-2011 Cycle* issued in June 2012 [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2014
6 Effective for annual periods beginning on or after 1 January 2015

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

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

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly-controlled entities

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

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

Associates

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquire that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

Impairment of non-financial assets

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

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

(a) the party is a person or a close member of that person's family and 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 a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or a joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group 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 Group or an entity related to the Group;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) (continued)

(vi) the entity is controlled or jointly controlled by a person identified in (a); and

(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).

Property, plant and equipment and depreciation

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

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and building	Over the shorter of the lease terms and 2.5%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25% to 30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

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

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

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

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income in the income statement. The loss arising from impairment is recognised in the income statement in finance costs for loans and in other expenses for receivables.

(iii) Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

(iii) Available-for-sale financial investments (continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the income statement in other expenses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets or management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the income statement.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

(i) *Loans and borrowings*

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

(ii) *Financial guarantee contracts*

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories, including Chinese medicine and consumables for the Group's Chinese medicine clinic operations, are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Cash and cash equivalents

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

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and jointly-controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Revenue recognition

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

(a) rental income, on a time proportion basis over the lease terms;

(b) income from the sale of equity and debt securities, on a trade-date basis;

(c) management fee income, when such services are rendered;

(d) Chinese medicine clinic operation income, when such services are rendered;

(e) dividend income, when the shareholders' right to receive payment has been established; and

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Share-based payment transactions

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binominal model, further details of which are given in note 27 to the financial statements.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefit

Retirement benefit scheme

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

Borrowing costs

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain jointly-controlled entities registered in the People's Republic of China (the "PRC") are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their statements of comprehensive income are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in a separate component of equity. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments – Group as lessor

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

Classification between investment properties and owner-occupied properties

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

Income taxes

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of loans and receivables

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

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

Fair value of investment properties

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

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

Fair values of unlisted equity investments and other financial instruments

The fair values unlisted equity investments have been estimated with reference to the subscription prices of other recent share allotments of those investees with other independent third parties. The fair value of the unlisted equity investments at 31 March 2012 was HK$112,800,000 (2011: HK$78,000,000). Further details of the fair values of unlisted equity investments and other financial instruments are included in notes 20 and 35 to the financial statements.

Fair value of equity-settled transactions

The Group operates a share option scheme under which eligible participants of the Group receive remuneration in the form of share-based payment transactions. The cost of these equity-settled transactions with eligible participants is measured by reference to the fair value of the options at the date at which they are granted, using assumptions including, inter alia, expected volatility and risk-free interest rate.

4. OPERATING SEGMENT INFORMATION

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

(i) the property investment segment engages primarily in the investments in properties for rental income potential and/or appreciation in values;

(ii) the investments in securities segment engages primarily in the purchase and sale of securities and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(iii) the money lending segment engages primarily in money lending operations in Hong Kong;

(iv) the investment holding segment engages primarily in investment holding for a continuing strategic or long term purpose, primarily for dividend income and capital appreciation; and

(v) the Chinese medicine clinic segment engages primarily in Chinese medicine clinic operations in Hong Kong.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that certain gain and loss, finance costs, and unallocated expenses are excluded from such measurement.

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

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Revenue from external customers	**936**	926	**(85,952)**	(172,828)	**5,250**	278	**-**	–	**1,682**	–	**(78,084)**	(171,624)
Other income	**-**	2	**3,010**	2,283	**226**	4,763	**632**	519	**-**	–	**3,868**	7,567
Total	**936**	928	**(82,942)**	(170,545)	**5,476**	5,041	**632**	519	**1,682**	–	**(74,216)**	(164,057)
Segment results	**4,711**	60	**(340,202)**	(253,598)	**12,873**	(109,000)	**467**	342	**(8,252)**	–	**(330,403)**	(362,196)
Reconciliation:												
Gain on disposal of a subsidiary – unallocated											**-**	1,490
Write-off of items of property, plant and equipment, net											**-**	(667)
Unallocated finance costs											**-**	(400)
Unallocated expenses											**(38,719)**	(30,592)
Loss before tax											**(369,122)**	(392,365)
Other segment information:												
Finance costs – allocated	**(965)**	(1,744)	**-**	–	**-**	–	**-**	–	**-**	–	**(965)**	(1,744)
Finance costs – unallocated											**-**	(400)
											(965)	(2,144)

4. OPERATING SEGMENT INFORMATION (continued)

	Property investment		Investments in securities		Money lending		Investment holding		Chinese medicine clinic		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Other segment information: (continued)												
Depreciation – allocated	-	-	-	-	-	-	-	-	(2,971)	-	(2,971)	-
Depreciation – unallocated											(2,552)	(2,089)
											(5,523)	(2,089)
Gain on disposal of subsidiaries – allocated	11,619	-	-	-	-	-	-	-	-	-	11,619	-
Gains on disposal of associates	-	-	-	-	10,368	69,000	-	-	-	-	10,368	69,000
Share of losses of associates	-	-	-	-	-	(182,587)	-	-	-	-	-	(182,587)
Gain/(loss) arising from changes in fair value of investment properties, net	(6,102)	4,193	-	-	-	-	-	-	-	-	(6,102)	4,193
Fair value losses on investments at fair value through profit or loss, net	-	-	(254,994)	(72,834)	-	-	-	-	-	-	(254,994)	(72,834)
Fair value gain on derivative financial instruments	-	-	-	-	-	-	-	-	677	-	677	-
Equity-settled share option expense in respect of share options granted to investment advisors for investment advisory services											-	(5,696)
Loss on redemption of a convertible note	-	-	-	(9,288)	-	-	-	-	-	-	-	(9,288)
Write-off of items of property, plant and equipment, net											-	(667)
Impairment of a loan receivable	-	-	-	-	(2,498)	-	-	-	-	-	(2,498)	-
Capital expenditure* – allocated	10,402	6,407	-	-	-	-	-	-	9,718	-	20,120	6,407
Capital expenditure* – unallocated											1,529	625
											21,649	7,032

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

5. REVENUE AND OTHER INCOME

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

An analysis of revenue and other income is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Revenue		
Gross rental income from investment properties	**936**	926
Interest income from money lending operations	**5,250**	278
Interest income from investments at fair value through profit or loss	**1,152**	–
Dividend income from investments at fair value through profit or loss	**2,434**	4,293
Loss on sale of investments at fair value through profit or loss, net	**(89,538)**	(177,121)
Income from Chinese medicine clinic operations	**1,682**	–
	(78,084)	(171,624)
Other income		
Interest income on a convertible bond	**–**	444
Management fee income from an associate	**226**	4,761
Others	**3,642**	2,362
	3,868	7,567

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	**2012** **HK$'000**	2011 HK$'000
Auditors' remuneration		**1,638**	1,588
Cost of inventories sold and consumables		**212**	–
Employee benefit expense (excluding directors' remuneration (note 8)):			
Salaries and allowances		**4,281**	1,662
Retirement benefit scheme contributions (defined contribution scheme)*		**178**	78
		4,459	1,740
Equity-settled share option expense in respect of share options granted to investment advisors for investment advisory services	27	**–**	5,696
Direct operating expenses arising on rental-earning investment properties		**117**	117
Direct expenses arising on non-rental-earning investment properties		**198**	957
Rental income on investment properties less direct operating expenses of HK$117,000 (2011: HK$117,000)		**(819)**	(809)
Loss on redemption of a convertible note	24	**–**	9,288
Write-off of items of property, plant and equipment, net		**–**	667
Impairment of a loan receivable	19	**2,498**	–

* At 31 March 2012, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit scheme in future years (2011: Nil).

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**965**	1,744
Interest on other loan	**–**	400
	965	2,144

The Group's bank loans containing an on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such loans is disclosed as "Interest on bank loans wholly repayable within five years".

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Fees	**530**	600
Other emoluments:		
Salaries and allowances	**5,704**	5,631
Retirement benefit scheme contributions (defined contribution scheme)	**53**	60
	5,757	5,691
	6,287	6,291

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2012 HK$'000	2011 HK$'000
Mr. Chan Sze Hung*	50	120
Mr. To Shing Chuen	120	120
Mr. Ha Kee Choy Eugene	120	120
Mr. Chung Yuk Lun	120	120
Mr. Lo Wong Fung	120	120
	530	600

* Mr. Chan Sze Hung retired from his position as an independent non-executive director of the Company with effect from 3 August 2011.

There were no other emoluments payable to the independent non-executive directors during the year (2011: Nil).

(b) Executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefit scheme contributions HK$'000	Total remuneration HK$'000
2012				
Dr. Kwong Kai Sing, Benny	–	2,400	12	2,412
Mr. Ong Peter	–	1,350	12	1,362
Ms. Poon Chi Wan	–	960	12	972
Mr. Chow Chi Wah, Vincent	–	744	12	756
Mr. Wong Chun Hung**	–	250	5	255
	–	5,704	53	5,757

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors (continued)

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

** Mr. Wong Chun Hung resigned from his positions as an executive director and vice chairman of the Company with effect from 19 August 2011.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2011: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2011: five) directors of the Company, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2011: Nil) non-director, highest paid employee for the year ended 31 March 2012 are as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Salaries and allowances	**415**	–
Retirement benefit scheme contributions (defined contribution scheme)	**10**	–
	425	–

10. INCOME TAX

No provision for current Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2011: Nil).

	Group	
	2012	2011
	HK$'000	HK$'000
Deferred (note 25) and total tax credit for the year	**(1,045)**	(457)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Loss before tax	**(369,122)**	(392,365)
Tax credit at the Hong Kong statutory tax rate of 16.5% (2011: 16.5%)	**(60,905)**	(64,740)
Losses attributable to associates	**–**	30,127
Income not subject to tax	**(4,418)**	(15,221)
Expenses not deductible for tax	**4,356**	5,623
Tax losses utilised from previous periods	**–**	(76)
Tax losses not recognised	**59,912**	43,627
Others	**10**	203
Tax credit at the Group's effective rate	**(1,045)**	(457)

No share of tax expense was attributable to associates for the years ended 31 March 2012 and 2011.

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

The consolidated loss attributable to owners of the Company for the year ended 31 March 2012 includes a loss of HK$722,463,000 (2011: HK$240,101,000), excluding intercompany income and expenses, which has been dealt with in the financial statements of the Company.

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

(a) Basic loss per share

The calculation of the basic loss per share amount for the year is based on the loss for the year attributable to ordinary equity holders of the Company of HK$368,077,000 (2011: HK$391,908,000), and the weighted average number of ordinary shares of 4,236,749,817 (2011: 689,295,820 (restated)) in issue during the year, as adjusted to reflect the rights issue during the current year. The basic loss per share amount for the prior year has been adjusted to reflect the consolidation of shares during the prior year and the rights issue during the current and prior years.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 March 2012 in respect of a dilution as the impact of the warrants outstanding during the year had an anti-dilutive effect on the basic loss per share amount presented. No adjustment had been made to the basic loss per share amount presented for the year ended 31 March 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during that year.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2012					
At 31 March 2011 and at 1 April 2011:					
Cost	–	4,628	4,172	5,398	14,198
Accumulated depreciation	–	(1,821)	(2,413)	(3,917)	(8,151)
Net carrying amount	–	2,807	1,759	1,481	6,047
At 1 April 2011, net of accumulated depreciation	–	2,807	1,759	1,481	6,047
Additions	–	8,238	1,629	1,380	11,247
Transfer from investment properties (note 14)	145,000	–	–	–	145,000
Disposal of a subsidiary (note 29(a))	(143,719)	–	–	–	(143,719)
Depreciation provided during the year	(1,281)	(2,367)	(855)	(1,020)	(5,523)
At 31 March 2012, net of accumulated depreciation	–	8,678	2,533	1,841	13,052
At 31 March 2012:					
Cost	–	12,866	5,801	6,778	25,445
Accumulated depreciation	–	(4,188)	(3,268)	(4,937)	(12,393)
Net carrying amount	–	8,678	2,533	1,841	13,052

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2011					
At 1 April 2010:					
Cost	–	5,378	4,322	9,998	19,698
Accumulated depreciation	–	(1,068)	(1,883)	(8,562)	(11,513)
Net carrying amount	–	4,310	2,439	1,436	8,185
At 1 April 2010, net of accumulated depreciation	–	4,310	2,439	1,436	8,185
Additions	–	–	3	622	625
Write-off	–	(452)	(73)	(142)	(667)
Disposal of a subsidiary (note 29(a))	–	–	(7)	–	(7)
Depreciation provided during the year	–	(1,051)	(603)	(435)	(2,089)
At 31 March 2011, net of accumulated depreciation	–	2,807	1,759	1,481	6,047
At 31 March 2011:					
Cost	–	4,628	4,172	5,398	14,198
Accumulated depreciation	–	(1,821)	(2,413)	(3,917)	(8,151)
Net carrying amount	–	2,807	1,759	1,481	6,047

14. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at beginning of year	**246,800**	236,200
Additions	**10,402**	6,407
Net gain/(loss) from a fair value adjustment	**(6,102)**	4,193
Transfer to owner-occupied property (note 13)	**(145,000)**	–
Carrying amount at end of year	**106,100**	246,800

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

The Group's investment properties were revalued on 31 March 2012 by Asset Appraisal Limited, independent professionally qualified valuers, at HK$106,100,000 (2011: HK$246,800,000) on an open market, existing use basis. The investment properties are currently or expected to be leased to third parties under operating leases, further summary details of operating lease arrangements of the Group as the lessor are included in note 32(a) to the financial statements.

At 31 March 2012, the Group's investment properties with an aggregate carrying value of HK$103,700,000 (2011: HK$244,500,000) were pledged to secure general banking facilities granted to the Group (note 23).

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

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**1**	1
Due from subsidiaries	**2,848,347**	2,600,075
	2,848,348	2,600,076
Impairment*	**(2,116,563)**	(1,518,830)
	731,785	1,081,246

* Due to the dismal performance of certain subsidiaries, impairment testing for amounts due therefrom was performed. An impairment was recognised for certain amounts due from subsidiaries with a carrying amount of HK$2,749,014,000 (2011: HK$2,485,714,000) (before deducting the impairment loss) because these subsidiaries have deficiency in assets and, accordingly, a portion of the receivables is impaired. The impairment losses recognised for the year amounted to HK$597,733,000 (2011: HK$218,586,000).

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Place of incorporation and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
High Heritage Group Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Property investment
Rainbow Fair Development Limited	Hong Kong	HK$2	–	100	Holding of motor vehicles
Waytech Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Noble Castle International Limited	Hong Kong	HK$1	–	100	Property investment
Power Global Limited	British Virgin Islands/ Hong Kong	US$1	100	–	Investment holding
Apex Corporate Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
HON Chinese Medicine Company Limited	Hong Kong	HK$2	–	100	Operation of a Chinese medicine clinic

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

15. INVESTMENTS IN SUBSIDIARIES (continued)

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

	2012 HK$'000	2011 HK$'000
At beginning and end of year:		
Cost	**2,688**	2,688
Accumulated impairment	**(2,688)**	(2,688)
Net carrying amount	**–**	–

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2012 HK$'000	2011 HK$'000
Share of net assets	**–**	–
Goodwill on acquisition	**15,972**	15,972
	15,972	15,972
Provision for impairment	**(15,972)**	(15,972)
	–	–

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

Particulars of the jointly-controlled entities are as follows:

Name	Particulars of issued shares held/ registered capital	Place of incorporation/ registration	Percentage of ownership interest, voting power and profit sharing attributable to the Group		Principal activities
			2012	2011	
New Range Investments Limited ("New Range")*	Ordinary shares of HK$1 each	Hong Kong	20	20	Investment holding
上海漢基新幹線投資諮詢有限公司* ^	Registered capital of RMB10,000,000	PRC	20	20	Provision of investment and management consultancy services
上海新幹線廣告有限公司* ^	Registered capital of RMB1,000,000	PRC	20	20	Provision of advertising and related services

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

^ Subsidiaries of New Range

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

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

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

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

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

The Group has discontinued the recognition of its share of losses of New Range and its subsidiaries because the share of losses of the jointly-controlled entities exceeded the Group's investments in the jointly-controlled entities. The amounts of the Group's unrecognised share of loss of the jointly-controlled entities for the current year and the cumulative losses were approximately HK$24,000 (2011: share of profit of HK$28,000) and HK$673,000 (2011: HK$649,000), respectively.

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

16. INVESTMENTS IN JOINTLY-CONTROLLED ENTITIES (continued)

The following table illustrates the summarised financial information of the Group's jointly-controlled entities as extracted from the unaudited consolidated management accounts of New Range for the year ended 31 March 2012 (not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network):

	2012	2011
	HK$'000	HK$'000
Current assets	5	318
Non-current assets	7	12
Current liabilities	(3,802)	(3,816)
Net liabilities	(3,790)	(3,486)
Revenue	–	288
Total expenses	(122)	(147)
Profit/(loss) for the year	(122)	141

17. INVESTMENTS IN ASSOCIATES

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	–	–

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

17. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the associates at 31 March 2011 were as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of ownership interest attributable to the Group 2012	Percentage of ownership interest attributable to the Group 2011	Principal activities
Best Purpose Limited ("Best Purpose")	US$4,004	British Virgin Islands	–	27.75	Investment holding
Double Smart Finance Limited ^	HK$2	Hong Kong	–	27.75	Money lending
Dario Enterprises Limited #	US$11	British Virgin Islands	–	27.75	Investment holding
All Cosmos Investments Limited #	US$1	British Virgin Islands	–	27.75	Investment holding

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

^ Subsidiary of Best Purpose

Subsidiary of Double Smart Finance Limited

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

17. INVESTMENTS IN ASSOCIATES (continued)

On 16 March 2012, the Group entered into a sale and purchase agreement with an independent third party (the "Purchaser") to dispose of the entire remaining 27.75% equity interest in Best Purpose together with an assignment of a loan from Best Purpose of HK$9,868,000 to the Purchaser for a cash consideration of HK$500,000, resulting in a gain on disposal of HK$10,368,000. The disposal was completed on 16 March 2012 and Best Purpose ceased to be an associate of the Group thereafter.

The Group had discontinued the recognition of its share of losses of Best Purpose and its subsidiaries (collectively the "Best Purpose Group") because the cumulated share of losses of the Best Purpose Group exceeded the Group's investments in the associates. The Group's share of losses of the Best Purpose Group amounted to HK$182,587,000 for the year ended 31 March 2011. The amounts of the Group's unrecognised share of profit of the Best Purpose Group for the period from 1 April 2011 to 16 March 2012 and the cumulative share of losses were approximately HK$9,529,000 (for the year ended 31 March 2011: share of loss of HK$26,286,000) and HK$16,757,000 (2011: HK$26,286,000), respectively.

The following table illustrates the summarised financial information of the Group's associates as extracted from the unaudited consolidated management accounts of Best Purpose Group for the period from 1 April 2011 to 16 March 2012 (date of disposal):

	16 March 2012 HK$'000	31 March 2011 HK$'000
Non-current assets	**–**	1,432
Current assets	**11,016**	76,081
Current liabilities	**(160)**	(140,996)
Net assets/(liabilities)	**10,856**	(63,483)

17. INVESTMENTS IN ASSOCIATES (continued)

	For the period from 1 April 2011 to 16 March 2012 (date of disposal) HK$'000	For the year ended 31 March 2011 HK$'000
Revenue	**(9,645)**	10,129
Other income	**57,260**	519
	47,615	10,648
Total expenses	**(13,276)**	(458,524)
Profit/(loss) for the period/year	**34,339**	(447,876)

18. AVAILABLE-FOR-SALE INVESTMENT

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Club membership debenture, at fair value	**4,500**	–

During the year, the fair value gain of HK$20,000 was recognised directly in equity (2011: Nil).

The above investment was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

The fair value of the club membership debenture is based on its quoted market price. The Group does not intend to dispose of the investment in the near future.

19. LOANS RECEIVABLE

	Group	
	2012	2011
	HK$'000	HK$'000
Loans receivable	**74,407**	11,050
Impairment	**(2,498)**	–
	71,909	11,050
Portion classified as current assets	**(46,789)**	(2,608)
Non-current portion	**25,120**	8,442

Loans receivable represented receivables arising from the money lending business of the Group and bore interest at rates ranging from 5% to 12% per annum (2011: ranging from 1.33% to 10% per annum). The granting of these loans had been approved and monitored by the Company's executive directors in charge of the Group's money lending operations. Overdue balances were reviewed regularly by senior management. The Group did not hold any collateral or other credit enhancements over these balances, except for loans receivable amounting to HK$31,400,000 (2011: HK$6,000,000 (fully secured)), which were partially secured by the pledge of certain collaterals.

19. LOANS RECEIVABLE (continued)

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

	2012 HK$'000	2011 HK$'000
At beginning of year	–	–
Impairment loss recognised (note 6)	2,498	–
At end of year	2,498	–

The above provision for impairment of a loan receivable is a provision for an individually impaired loan receivable of HK$2,498,000 (2011: Nil) with a carrying amount of HK$2,507,000 (2011: Nil).

The individually impaired loan receivable relates to a borrower that was in financial difficulties and was in default in both interest and principal payments and only a portion of the receivables is expected to be recovered.

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

	Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	71,900	11,050

Receivables that were neither past due nor impaired relate to a number of borrowers for whom there was no recent history of default. Based on past experience, the executive directors of the Company in charge of the Group's money lending operations were of the opinion that no provision for impairment was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2012	2011
	HK$'000	HK$'000
Non-current assets		
Unlisted investments, at fair value	**112,800**	78,000
Notes classified as financial assets at fair value through profit or loss, at fair value	**169,941**	–
Convertible notes classified as financial assets at fair value through profit or loss, at fair value	**16,288**	27,487
	299,029	105,487
Current assets		
Listed equity investments, at market value:		
Hong Kong	**478,298**	636,488
Elsewhere	**25,422**	29,611
	503,720	666,099

The above unlisted investments, notes and convertible notes at 31 March 2012 and 2011 were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The above listed equity investments classified as financial assets at fair value through profit or loss at 31 March 2012 and 2011 were classified as held for trading.

The fair values of the notes and convertible notes classified as financial assets at fair value through profit or loss have been estimated by independent professionally qualified valuers using valuation techniques based on the quoted market prices of the underlying listed securities. The fair values of the unlisted investments have been estimated by independent professionally qualified valuers with reference to the subscription prices of other recent share allotments of those investees with other independent third parties.

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

At the end of the reporting period, the Group's investments in listed equity securities with an aggregate carrying amount of approximately HK$478,298,000 (2011: HK$636,488,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group (note 31).

The market value of the Group's listed equity investments at the date of approval of these financial statements was approximately HK$433,643,000 (2011: HK$667,421,000).

None of the carrying amount of the Group's shareholding in a listed equity security exceeded 10% of the total assets of the Group as at 31 March 2012. As at 31 March 2011, the carrying amount of the Group's shareholding in the following listed equity security exceeded 10% of the total assets of the Group.

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

21. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets	
	2012	2011
Group	**HK$'000**	HK$'000
Call and put options	**15,969**	–

On 4 May 2011, the Group entered into a conditional sale and purchase agreement with an independent third party (the "Buyer") to dispose of the entire issued capital of a wholly-owned subsidiary, Central Town Limited, together with an assignment for the benefit of a shareholder loan to the Buyer, for a total cash consideration of HK$117,000,000 (the "Disposal"). Central Town Limited and its subsidiaries are primarily involved in the holding of a property. The resolution approving the Disposal was passed at the Company's special general meeting held on 28 June 2011. Details of the Disposal are disclosed in note 29(a).

As part of and upon the completion of the Disposal on 8 August 2011, the Group entered into an options agreement (the "Options Agreement") with the Buyer whereby (i) the Group has granted to the Buyer an option to purchase (the "Call Option") and; (ii) the Buyer has granted to the Group an option to sell (the "Put Option"), for a period of five years, the entire issued capital of the Company's wholly-owned subsidiary, Apex Corporate Investments Limited ("Apex"), together with the assignment of a shareholders' loan due therefrom (if any) in accordance with the terms of the Options Agreement. Apex and its subsidiaries (collectively the "Apex Group") are primarily involved in Chinese medicine clinic operations. Upon initial recognition, the fair value of the call and put options (collectively the "Options" or the "derivative financial instruments") was approximately HK$15,292,000.

According to the Options Agreement, the Group shall warrant that, amongst other things, until the exercise or expiry of the Options (i) the total amount of the paid up share capital of Apex and the shareholders' loan(s) of the Group will not be less than HK$25,000,000; and (ii) the total amount of liabilities of the Apex Group excluding the shareholders' loan(s) will not exceed HK$10,000,000.

Further details of the Disposal and the Options Agreement are set out in the Company's announcement dated 11 May 2011.

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The exercise price is determined with the following conditions:

(I) If the audited consolidated financial statements of the Apex Group for the year ended 31 March 2012 or any accounting period subsequent thereto have not been released and issued, the exercise price shall be HK$25,000,000 for the exercise of Options;

and

(II) If the audited consolidated financial statements of the Apex Group for the year ended 31 March 2012 or any accounting period subsequent thereto have been released and issued, the exercise price shall be as follows:

(a) In the case of the exercise of the Call Option, the higher of (i) HK$25,000,000; or (ii) the lower of 10 times earnings before interest, tax, depreciation and amortisation ("EBITDA") or HK$75,000,000; and

(b) In the case of the exercise of the Put Option, the higher of (i) HK$25,000,000; or (ii) the lower of 5 times EBITDA or HK$75,000,000.

The fair value of the Options Agreement was approximately HK$15,969,000 as at 31 March 2012. During the year, the fair value gain on the derivative financial instruments of HK$677,000 was recognised in the consolidated income statement.

The above derivative financial instruments were measured at fair value at the end of the reporting period and the fair value was determined based on the asset-based approach.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Prepayments	**969**	624	**668**	291
Deposits	**130**	509	**–**	50
Other receivables	**2,198**	5,160	**343**	258
	3,297	6,293	**1,011**	599

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

23. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2012 HK$'000	Group 2011 HK$'000
Current				
Portion of bank loans due for repayment within one year – secured	1.9	2013	**2,434**	3,969
Portion of bank loans due for repayment after one year which contains a repayment on demand clause (note) – secured	1.9	2014 – 2029	**32,860**	62,275
			35,294	66,244
Analysed into:				
Bank loans repayable within one year or on demand			**35,294**	66,244

23. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) The Group's term loans with an aggregate carrying amount of HK$35,294,000 (2011: HK$66,244,000) containing a repayment on demand clause have been classified in total as current liabilities. Accordingly, a portion of the bank loans due for repayment after one year with an aggregate carrying amount of HK$32,860,000 (2011: HK$62,275,000) has been reclassified under current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank borrowings and analysed into bank loans repayable within one year or on demand.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans are repayable:

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**2,434**	3,969
In the second year	**2,540**	4,179
In the third to fifth years, inclusive	**7,939**	13,181
Beyond five years	**22,381**	44,915
	35,294	66,244

(b) At the end of the reporting period, certain of the Group's bank loans are secured by:

(i) mortgages over the Group's investment properties situated in Hong Kong, which had an aggregate carrying amount at the end of the reporting period of approximately HK$103,700,000 (2011: HK$244,500,000) (note 14); and

(ii) a corporate guarantee given by the Company up to HK$31,500,000 (2011: HK$61,500,000) (note 30).

(c) All borrowings of the Group are denominated in Hong Kong dollars.

24. CONVERTIBLE NOTE

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

The Note was, upon initial recognition, designated by the Group as a financial liability at fair value through profit or loss as the Note contained embedded derivatives.

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

25. DEFERRED TAX

The movement in deferred tax liabilities during the year is as follows:

Group

	Revaluation of properties	
	2012	2011
	HK$'000	HK$'000
At beginning of year	**3,745**	4,202
Deferred tax credited to the income statement during the year (note 10)	**(1,045)**	(457)
At end of year	**2,700**	3,745

At 31 March 2012, the Group had tax losses arising in Hong Kong of approximately HK$1,558,803,000 (2011: HK$1,195,700,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

26. SHARE CAPITAL

	Company	
	2012	2011
	HK$'000	HK$'000
Authorised:		
50,000,000,000 (2011: 50,000,000,000) ordinary shares of HK$0.01 (2011: HK$0.01) each	**500,000**	500,000
Issued and fully paid:		
7,727,591,301 (2011: 284,947,018) ordinary shares of HK$0.01 (2011: HK$0.01) each	**77,276**	2,849

26. SHARE CAPITAL (continued)

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

	Notes	Number of shares in issue	Issued capital	Share premium account	Total
			HK$'000	HK$'000	HK$'000
At 1 April 2010		827,302,494	82,730	890,349	973,079
Placement of new shares	(a)	898,614,296	89,861	62,818	152,679
Exercise of share options	(b)	173,730,000	17,373	18,028	35,401
Capital reorganisation	(c)	(1,709,682,111)	(188,065)	–	(188,065)
Rights issue	(d)	94,982,339	950	46,541	47,491
Transfer from share option reserve		–	–	5,696	5,696
Share issue expenses		–	–	(4,655)	(4,655)
At 31 March 2011 and at 1 April 2011		284,947,018	2,849	1,018,777	1,021,626
Rights issue	(e)	6,268,834,396	62,689	325,979	388,668
Warrants exercised	(f)	1,173,809,887	11,738	35,215	46,953
Share issue expenses		–	–	(11,660)	(11,660)
At 31 March 2012		7,727,591,301	77,276	1,368,311	1,445,587

Notes:

(a) During the year ended 31 March 2011, the Company had the following placements of shares:

(i) On 3 June 2010, the Company allotted and issued a total of 400,000,000 ordinary shares of HK$0.10 each for cash at a price of HK$0.250 per share. Further details of the placing are set out in the Company's announcement dated 9 April 2010.

(ii) On 2 August 2010, the Company allotted and issued a total of 182,006,498 ordinary shares of HK$0.10 each for cash at a price of HK$0.112 per share. Further details of the placing are set out in the Company's announcement dated 27 July 2010.

(iii) On 19 October 2010, the Company allotted and issued a total of 316,607,798 ordinary shares of HK$0.10 each for cash at a price of HK$0.102 per share. Further details of the placing are set out in the Company's announcement dated 5 October 2010.

26. SHARE CAPITAL (continued)

Notes: (continued)

(b) During the year ended 31 March 2011, the following share options were granted by the Company and were exercised:

(i) On 27 April 2010, subscription rights attaching to 82,730,000 share options were granted and exercised at the subscription price of HK$0.2990 per share (note 27), resulting in the issuance of 82,730,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$24,736,000.

(ii) On 9 August 2010, subscription rights attaching to 91,000,000 share options were granted and exercised at the subscription price of HK$0.1172 per share (note 27), resulting in the issuance of 91,000,000 shares of HK$0.10 each for a total cash consideration, before expenses, of approximately HK$10,665,000.

(c) The Company effected a capital reorganisation on 17 February 2011 which involved: (i) a share consolidation of every 10 shares in the issued ordinary share capital of the Company of HK$0.10 each into one consolidated share of HK$1.00 each; (ii) a reduction in the nominal value of each consolidated share of the Company from HK$1.00 to HK$0.01 by the cancellation of HK$0.99 of the paid-up capital for each consolidated share; (iii) a transfer of the credit arising from the capital reduction of approximately HK$188,065,000 to the Company's contributed surplus account; and (iv) a sub-division of every authorised but unissued ordinary share of the Company of HK$0.10 into 10 shares of HK$0.01 each. Further details of the capital reorganisation are also set out in the Company's announcement dated 6 January 2011.

(d) A rights issue of one rights share for every two existing shares held by members on the register of members on 2 March 2011 was made, at an issue price of HK$0.50 per rights share, resulting in the issuance of 94,982,339 shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$47,491,000. Further details of the rights issue are also set out in the Company's announcement dated 6 January 2011.

(e) A rights issue of 22 rights shares for every existing share held by members on the register of members on 3 October 2011 was made, at an issue price of HK$0.062 per rights share, resulting in the issuance of 6,268,834,396 shares of HK$0.01 each for a total cash consideration, before expenses, of approximately HK$388,668,000. Further details of the rights issue are also set out in the Company's announcement dated 11 August 2011.

26. SHARE CAPITAL (continued)

Notes: (continued)

(f) Pursuant to the terms and conditions of the instrument creating the rights share in note 26(e) above, a bonus issue of warrants (the "Warrants") was made in the proportion of one Warrant for every five rights shares taken up and held by the first registered holders of the rights shares, resulting in 1,253,766,879 Warrants being issued. Each Warrant originally entitled the first registered holders of the rights shares thereof to subscribe for one ordinary share of the Company of HK$0.01 at an initial exercise price of HK$0.04, payable in cash and subject to adjustment, and the Warrants would be exercisable at any time between the date of issue of the Warrants and the day immediately preceding the date which is 24 months after the date of issue.

During the year, 1,173,809,887 (2011: Nil) Warrants were exercised for 1,173,809,887 shares of HK$0.01 each at a price of HK$0.04 per share. At the end of the reporting period, the Company had 79,956,992 (2011:Nil) Warrants outstanding and the Warrants will expire on 25 October 2013. The exercise in full of such Warrants would, under the present capital structure of the Company, result in the issue of 79,956,992 additional shares of HK$0.01 each.

Subsequent to the end of the reporting period and up to the date of approval of these financial statements, 25,698,280 Warrants were exercised, resulting in the issue of 25,698,280 additional shares of the Company at HK$0.01 each.

(g) Subsequent to the end of the reporting period, on 15 May 2012, the Company allotted and issued a total of 56,989,403 ordinary shares of HK$0.01 each for cash at a price of HK$0.12 per share. Further details of the placing are set out in the Company's announcement dated 20 April 2012.

27. SHARE OPTION SCHEMES

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

27. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

27. SHARE OPTION SCHEMES (continued)

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

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

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

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

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

The fair value of the share options granted during the prior year was HK$5,696,000, of which the Group recognised equity-settled share option expenses of HK$5,696,000 during the year ended 31 March 2011.

27. SHARE OPTION SCHEMES (continued)

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

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

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

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

Subsequent to the end of the reporting period, on 20 April 2012, the Company granted a total of 18,996,467 share options to an investment advisor, which have an exercise price of HK$0.137 per share, under the New Share Option Scheme. The exercise period is ranging from 20 April 2012 to 19 April 2022. The price of the Company's shares at the date of grant was HK$0.137 per share. Further details of the grant are also set out in the Company's announcement dated 20 April 2012.

The share options granted on 20 April 2012 were subsequently cancelled under the consent of the grantee on 30 April 2012. Further details of the cancellation are also set out in the Company's announcement dated 30 April 2012.

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

28. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

		Reserves						
	Notes	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accum-ulated losses HK$'000	Total HK$'000
At 1 April 2010		890,349	–	1,177	1,259,970	–	(1,150,414)	1,001,082
Loss for the year and total comprehensive loss for the year		–	–	–	–	–	(251,753)	(251,753)
Placement of new shares	26(a)	62,818	–	–	–	–	–	62,818
Share issue expenses	26	(4,655)	–	–	–	–	–	(4,655)
Exercise of share options	26(b)	18,028	–	–	–	–	–	18,028
Capital reorganisation	26(c)	–	–	–	188,065	–	–	188,065
Rights issue	26(d)	46,541	–	–	–	–	–	46,541
Equity-settled share option expenses	27	–	5,696	–	–	–	–	5,696
Transfer from share option reserve	26	5,696	(5,696)	–	–	–	–	–
At 31 March 2011		1,018,777	–	1,177	1,448,035	–	(1,402,167)	1,065,822

28. RESERVES (continued)

(b) Company (continued)

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Available-for-sale investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
		Reserves						
At 1 April 2011		1,018,777	–	1,177	1,448,035	–	(1,402,167)	1,065,822
Loss for the year		–	–	–	–	–	(726,314)	(726,314)
Other comprehensive income for the year:								
Change in fair value of available-for-sale investment		–	–	–	–	20	–	20
Total comprehensive income/(loss) for the year		–	–	–	–	20	(726,314)	(726,294)
Rights issue	26(e)	325,979	–	–	–	–	–	325,979
Warrants exercised	26(f)	35,215	–	–	–	–	–	35,215
Share issue expenses	26	(11,660)	–	–	–	–	–	(11,660)
At 31 March 2012		1,368,311	–	1,177	1,448,035	20	(2,128,481)	689,062

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

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

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of subsidiaries

	2012 HK$'000	2011 HK$'000
Net liabilities disposed of:		
Property, plant and equipment (note 13)	**143,719**	7
Prepayments and deposits	**5,043**	35
Cash and cash equivalents	**57**	–
Other payable and accrual	**(127)**	(32)
Amounts due to group companies	**(123,850)**	(5,887)
Interest-bearing bank borrowing	**(28,019)**	–
	(3,177)	(5,877)
Amounts due from subsidiaries disposed of	**123,850**	5,887
Gains on disposal of subsidiaries	**11,619**	1,490
	132,292	1,500
Satisfied by:		
Cash	**117,000**	1,500
Derivative financial instruments (note 21)	**15,292**	–
	132,292	1,500

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2012 HK$'000	2011 HK$'000
Cash consideration	**117,000**	1,500
Cash and cash equivalents disposed of	**(57)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**116,943**	1,500

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

(b) Major non-cash transactions

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

(ii) During the year, the Group entered into a sale and purchase agreement with an independent third party to dispose of its remaining 27.75% equity interest in Best Purpose together with the assignment of a loan from Best Purpose for a cash consideration of HK$500,000. Further details are set out in note 17 to the financial statements.

30. CONTINGENT LIABILITIES

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

	Company	
	2012	2011
	HK$'000	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**31,500**	61,500

As at 31 March 2012, the banking facilities granted to subsidiaries subject to guarantees given to banks by the Company were utilised to the extent of approximately HK$27,847,000 (2011: HK$57,717,000).

31. PLEDGE OF ASSETS

The Group's investments in Hong Kong listed equity securities with an aggregate carrying amount at the end of the reporting period of approximately HK$478,298,000 (2011: HK$636,488,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group which were not utilised as at 31 March 2012 and 2011 (note 20).

Details of the Group's interest-bearing bank borrowings, which are secured by certain assets of the Group (note 14), are included in note 23 to the financial statements.

32. COMMITMENTS

Operating lease arrangements

(a) *As lessor*

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**1,020**	920
In the second to fifth years, inclusive	**88**	–
	1,108	920

(b) *As lessee*

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within one year	**8,287**	4,261
In the second to fifth years, inclusive	**14,079**	3,560
	22,366	7,821

32. COMMITMENTS (continued)

Capital commitments

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

	Group	
	2012	2011
	HK$'000	HK$'000
Contracted, but not provided for:		
Office equipment	**–**	440
Leasehold improvements	**–**	5,850
	–	6,290

At the end of the reporting period, the Company had no significant operating lease or capital commitments (2011: Nil).

33. RELATED PARTY TRANSACTIONS

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

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Management fee income from an associate	**226**	4,761

The management fee income was related to administrative and accounting services rendered by the Group to the associate. The fee was charged based on 15% (2011: 15%) of the loan interest income of the associate.

33. RELATED PARTY TRANSACTIONS (continued)

(b) On 21 March 2012, an indirect wholly-owned subsidiary of the Company, Dollar Group Limited, acquired 300,000,000 shares of Hao Tian Resources Group Limited ("HT"), a company incorporated in the Cayman Islands and listed on the Stock Exchange, which together with 100,000,000 HT shares subscribed by the Group earlier in a placement of shares by HT, the Group then held a total of 400,000,000 HT shares (the "Acquisition Shares") (collectively the "Acquisition").

As the Acquisition was subject to the Company's shareholders' approval on or before 31 May 2012 (subsequently extended to 30 June 2012) at a special general meeting of the Company, the Group might not be able to retain the Acquisition Shares if shareholders' approval could not be obtained. In this connection, Dr. Kwong Kai Sing, Benny ("Dr. Kwong"), the Chairman and an executive director of the Company, had undertaken to the Company through a deed of undertaking entered into between the Company and Dr. Kwong on 21 March 2012 that in the event the requisite Company's shareholders' approval could not be obtained on or before 31 May 2012 (subsequently extended to 30 June 2012), he would acquire all the Acquisition Shares (the "Proposed Disposal") at the original cost of acquisition to the Group of HK$115 million and reimburse the Group for all costs and expenses incurred in connection with the Acquisition and the Proposed Disposal. If neither the Acquisition nor the Proposed Disposal be approved by the Company's shareholders or the Company's independent shareholders (as the case may be) at the special general meeting, the Group would be forced to sell the Acquisition Shares to third parties (the "Forced Sale") and Dr. Kwong had also undertaken to the Company that in such event, he would indemnify the Group for all losses, costs and expenses suffered by the Group in connection with the Acquisition and the Forced Sale.

Further details of the Acquisition, the Proposed Disposal and the Forced Sale are set out in the Company's announcement dated 22 March 2012 and circular dated 25 May 2012.

Subsequent to the end of the reporting period, on 12 June 2012, a resolution approving the Acquisition was passed at the Company's special general meeting.

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

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**6,119**	5,631
Post-employment benefits	**63**	60
Total compensation paid to key management personnel	**6,182**	5,691

Further details of directors' emoluments and the five highest paid employees are included in notes 8 and 9, respectively, to the financial statements.

34. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
2012					
Available-for-sale investment	–	–	–	4,500	4,500
Rental deposit	–	–	700	–	700
Loans receivable	–	–	71,909	–	71,909
Investments at fair value through profit or loss	503,720	299,029	–	–	802,749
Derivative financial instruments	15,969	–	–	–	15,969
Financial assets included in prepayments, deposits and other receivables (note 22)	–	–	2,328	–	2,328
Cash and cash equivalents	–	–	38,748	–	38,748
	519,689	299,029	113,685	4,500	936,903

	Financial assets at fair value through profit or loss – held for trading HK$'000	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Loans and receivables HK$'000	Available-for-sale financial asset HK$'000	Total HK$'000
2011					
Loans receivable	–	–	11,050	–	11,050
Investments at fair value through profit or loss	666,099	105,487	–	–	771,586
Financial assets included in prepayments, deposits and other receivables (note 22)	–	–	5,669	–	5,669
Cash and cash equivalents	–	–	1,667	–	1,667
	666,099	105,487	18,386	–	789,972

34. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Other payables and accruals	**5,293**	11,204
Due to an associate	**–**	10,094
Interest-bearing bank borrowings	**35,294**	66,244
	40,587	87,542

Company

Financial assets

	Loans and receivables		Available-for-sale financial assets		Total	
	2012	2011	**2012**	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Available-for-sale investment	**–**	–	**4,500**	–	**4,500**	–
Financial assets included in prepayments, deposit and other receivables (note 22)	**343**	308	**–**	–	**343**	308
Cash and cash equivalents	**32,189**	1,339	**–**	–	**32,189**	1,339
	32,532	1,647	**4,500**	–	**37,032**	1,647

Financial liabilities

	Financial liabilities at amortised cost	
	2012	2011
	HK$'000	HK$'000
Other payables and accruals	**3,147**	4,419
Due to an associate	**–**	10,094
	3,147	14,513

35. FAIR VALUE AND FAIR VALUE HIERARCHY

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

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

The fair values of the current portion of loans receivable, financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, an amount due to an associate, other payables and accruals and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the non-current portion of loans receivable and rental deposit are estimated based on discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risks and remaining maturities.

The fair values of the derivative financial instruments are estimated using the asset-based approach.

The fair values of the convertible notes and notes are estimated using an equivalent market interest rate for a similar convertible note and note.

The fair values of listed equity investments and an available-for-sale investment are based on quoted market prices. The fair values of unlisted equity investments have been estimated with reference to the subscription prices of recent share allotments of those investees with other independent third parties.

Fair value hierarchy

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

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

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

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

35. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

Fair value hierarchy (continued)

Assets measured at fair value:

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2012				
Available-for-sale investment	**4,500**	**–**	**–**	**4,500**
Investments at fair value through profit or loss	**503,720**	**299,029**	**–**	**802,749**
Derivative financial instruments	**–**	**–**	**15,969**	**15,969**
	508,220	**299,029**	**15,969**	**823,218**
As at 31 March 2011				
Investments at fair value through profit or loss	666,099	105,487	–	771,586

The movements in fair value measurements in Level 3 for the Group during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Derivative financial instruments:		
At 1 April	**–**	–
Addition (note 21)	**15,292**	–
Total gain recognised in the consolidated income statement	**677**	–
At 31 March	**15,969**	–

	Company	
	Level 1	
	2012	2011
	HK$'000	HK$'000
Available-for-sale investment	**4,500**	–

During the year, there were no transfer of fair value measurements of the Group and the Company between Level 1 and Level 2 and no transfer into or out of Level 3 (2011: Nil).

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

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

	Group	
	Increase/ (decrease) in basis points	**Increase/ (decrease) in loss before tax**
		HK$'000
2012		
Hong Kong dollar	**25**	**(112)**
Hong Kong dollar	**(25)**	**112**
2011		
Hong Kong dollar	25	142
Hong Kong dollar	(25)	(142)

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The credit risk of the Group's financial assets, which comprise loans receivable, an available-for-sale investment, investments at fair value through profit or loss, derivative financial instruments, deposits and other receivables, and bank balances, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the executive directors in charge of the Group's money lending operations on an ongoing basis. The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 30 to the financial statements.

Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivable are disclosed in note 19 to the financial statements.

Liquidity risk

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's and the Company's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2012			
	On demand/ no fixed terms of repayment HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Other payables and accruals	**2,520**	**2,448**	**325**	**5,293**
Interest-bearing bank borrowings (note)	**35,294**	**–**	**–**	**35,294**
	37,814	**2,448**	**325**	**40,587**

	2011			
	On demand/ no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Other payables and accruals	7,243	3,859	102	11,204
Due to an associate	10,094	–	–	10,094
Interest-bearing bank borrowings (note)	66,244	–	–	66,244
	83,581	3,859	102	87,542

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	2012			
	On demand/ no fixed terms of repayment HK$'000	**Less than 3 months HK$'000**	**3 to less than 12 months HK$'000**	**Total HK$'000**
Other payables and accruals	**528**	**2,310**	**309**	**3,147**
Guarantees given to banks in connection with facilities granted to subsidiaries	**27,847**	**–**	**–**	**27,847**
	28,375	**2,310**	**309**	**30,994**

	2011			
	On demand/ no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	Total HK$'000
Other payables and accruals	629	3,704	86	4,419
Due to an associate	10,094	–	–	10,094
Guarantees given to banks in connection with facilities granted to subsidiaries	57,717	–	–	57,717
	68,440	3,704	86	72,230

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Note:

Included in the above interest-bearing bank borrowings are term loans with an aggregate carrying amount of HK$35,294,000 (2011: HK$66,244,000). The loan agreements contain a repayment on demand clause giving the bank the unconditional right to call in the loans at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "repayable on demand".

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

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

			Group		
	Less than 3 months	**3 to less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2012	**713**	**2,358**	**12,574**	**24,815**	**40,460**
As at 31 March 2011	1,260	4,244	22,634	50,743	78,881

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 20) as at 31 March 2012. The Group's listed investments are listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

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

	31 March 2012	**Highest/lowest point during the year ended 31 March 2012**	31 March 2011	Highest/lowest point during the year ended 31 March 2011
Hong Kong - Hang Seng Index	**20,556**	**24,469/16,170**	23,528	24,989/18,972
Singapore - Straits Times Index	**3,010**	**3,227/2,522**	3,106	3,314/2,648

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 10% change in the fair values of the listed 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.

	Carrying amount of equity investments HK$'000	Increase/ (decrease) in loss before tax HK$'000
2012		
Investments listed in:		
Hong Kong - Held-for-trading	**478,298**	**47,830**
Singapore - Held-for-trading	**25,422**	**2,542**
2011		
Investments listed in:		
Hong Kong - Held-for-trading	636,488	63,649
Singapore - Held-for-trading	29,611	2,961

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2012 and 2011.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings represent interest-bearing bank borrowings. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Total borrowings	**35,294**	66,244
Total assets	**1,057,161**	1,049,257
Gearing ratio	**3%**	6%

37. EVENTS AFTER THE REPORTING PERIOD

In addition to events detailed elsewhere in these financial statements, subsequent to the end of the reporting period, on 8 June 2012, the Group entered into a conditional sale and purchase agreement (the "S&P Agreement") with a subsidiary of Forefront Group Limited ("Forefront") (the "Vendor"), a company incorporated in the Cayman Islands and listed in Hong Kong, to purchase the entire issued capital of an indirect wholly-owned subsidiary of Forefront, Richful Zone International Limited ("Richful Zone"), together with the assignment of the benefit of a shareholders' loan due therefrom to the Group, for an aggregate cash consideration of HK$50,000,000.

The completion of the S&P Agreement, currently expected to be before 3 September 2012, is still subject to, inter alia, (i) the completion of due diligence investigation on Richful Zone, (ii) the approval of the shareholders of the Company and Forefront, if required, and (iii) the obtaining of all consents by the Vendor from relevant government or regulatory authorities. Further details of the acquisition are also set out in the Company's announcement dated 8 June 2012.

38. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors, such reclassifications result in a more appropriate presentation and/or better reflect the nature of the transactions/balances.

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2012.

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**(78,084)**	(171,624)	(79,098)	(20,459)	51,765
LOSS BEFORE TAX	**(369,122)**	(392,365)	(5,232)	(432,340)	(366,275)
Income tax credit/(expense)	**1,045**	457	(2,150)	–	(1,476)
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(368,077)**	(391,908)	(7,382)	(432,340)	(367,751)

ASSETS AND LIABILITIES

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**1,057,161**	1,049,257	1,288,577	950,485	1,355,171
TOTAL LIABILITIES	**(43,287)**	(91,287)	(175,258)	(48,080)	(94,207)
NET ASSETS	**1,013,874**	957,970	1,113,319	902,405	1,260,964

Particulars of Investment Properties

31 March 2012

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