2012 Annual Report

PNG Resources

PNG Resources Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 221

Contents

Milestone

2002

The Company was listed in Hong Kong

2007

The Group acquired 50% interest in a property development project in Fuzhou

2008

The Group acquired 100% interest in a property development project in Dongguan

The Group acquired the remaining 50% interest in the Fuzhou property development project

2009

The Group acquired 51% interest in a forestry project with an area of approximately 240,000 hectares in Papua New Guinea

2010

The name of the Company was changed from "LeRoi Holdings Limited 利來控股有限公司" to "PNG Resources Holdings Limited PNG 資源控股有限公司"

Pre-sale of the Fuzhou property development project commenced

2011

Pre-sale of the Dongguan property development project commenced

2012

First phase of the Fuzhou property development project was completed stage by stage

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chun Hong, Thomas
(Chairman & Managing Director)
Mr. Cheung Wai Kai
Mr. Wong Yiu Hung, Gary

Independent Non-executive Directors

Mr. Sin Ka Man
Mr. Yuen Kam Ho, George, *FHKIoD*
Mr. Cheung Sau Wah, Joseph, *PMSM*

AUDIT COMMITTEE

Mr. Sin Ka Man *(Chairman)*
Mr. Yuen Kam Ho, George, *FHKIoD*
Mr. Cheung Sau Wah, Joseph, *PMSM*

REMUNERATION COMMITTEE

Mr. Cheung Sau Wah, Joseph, *PMSM (Chairman)*
Mr. Sin Ka Man
Mr. Yuen Kam Ho, George, *FHKIoD*
Mr. Chan Chun Hong, Thomas
Mr. Cheung Wai Kai

NOMINATION COMMITTEE

Mr. Yuen Kam Ho, George, *FHKIoD (Chairman)*
Mr. Cheung Sau Wah, Joseph, *PMSM*
Mr. Sin Ka Man
Mr. Chan Chun Hong, Thomas
Mr. Cheung Wai Kai

COMPANY SECRETARY

Ms. Mak Yuen Ming, Anita

LEGAL ADVISERS

DLA Piper Hong Kong
K&L Gates

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central
Hong Kong

PRINCIPAL BANKERS

China Construction Bank (Asia) Corporation Limited
The Hongkong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., Wai Yuen Tong Medicine Building
9 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

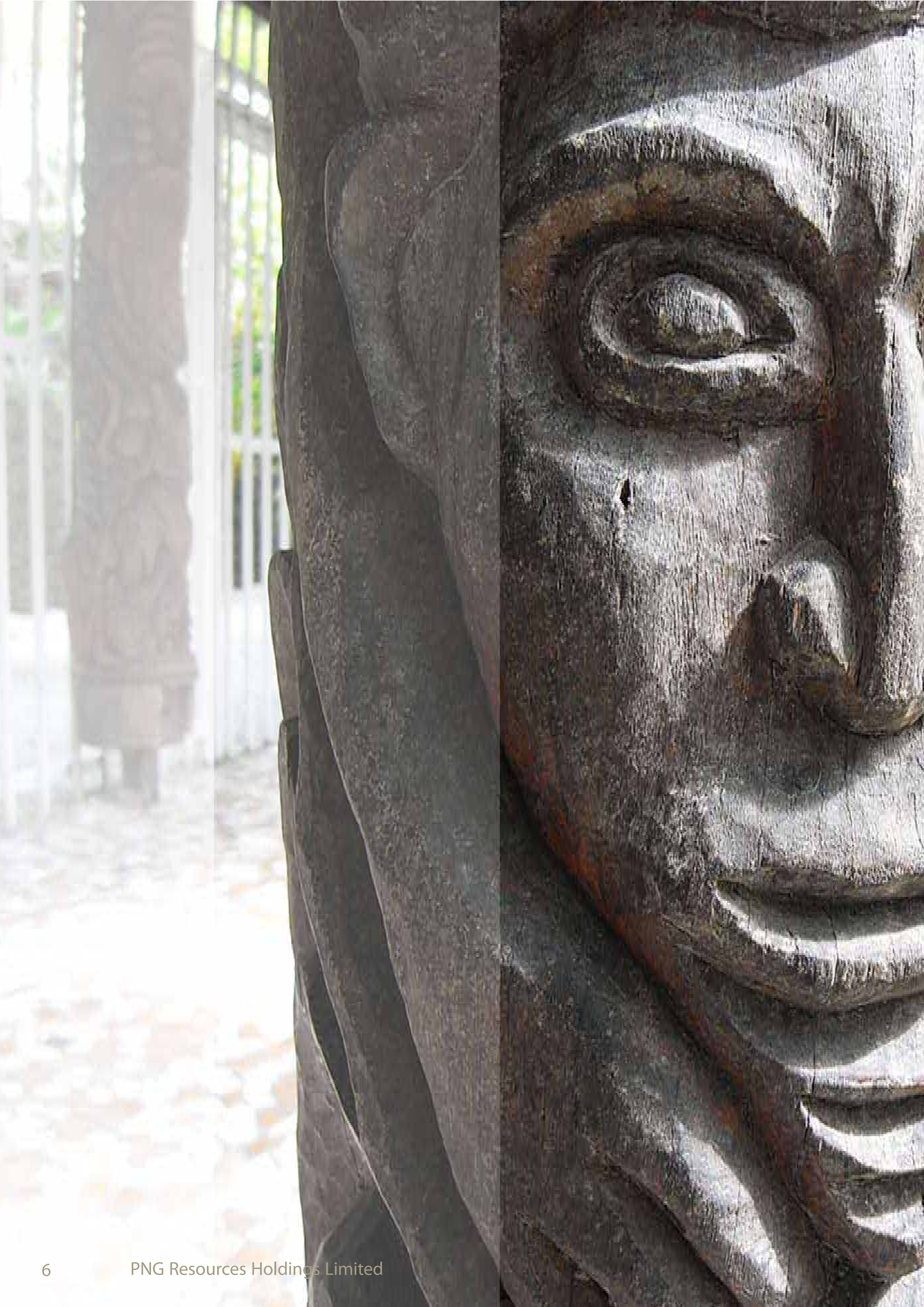
Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

HOMEPAGE

www.pngresources.com

STOCK CODE

221



Chairman's Statement

Dear Shareholders,

The majority business of PNG Resources Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") performed well during the year and delivered good returns. With the Group achieving a growth momentum again and leveraging on our strategy of pursuing sustainable development, I believe that the Group's performance will reach even further as we march into 2012.

On behalf of the board of directors (the "**Board**" or "**Directors**") of the Company, I am pleased to present to you, the audited consolidated financial results of the Group for the year ended 31 March 2012. Our revenue rose approximately 323.4% to approximately HK$273.5 million (2011: approximately HK$64.6 million) as compared to last year, which is mainly due to the sale of property in the Fuzhou project. Despite the satisfactory results from the businesses of the Company, the net profit after tax attributable to owners of the Company was approximately HK$3.8 million (2011: net profit of approximately HK$41.8 million) which was mainly attributable to the unrealised losses on investments held for trading following the global economic uncertainty and difficult market conditions and lack of exceptional gains on reversal of impairment of prepaid lease payments available last year.

BUSINESS DEVELOPMENT OVERVIEW

As 2011 rolled out, the world economy had displayed an obvious slowdown in growth following the prevailing global financial crisis. In the face of a changing and sophisticated global landscape and economic environment, the Group continued to grow steadily in 2011 and the property development sector provided the main thrust to the growth in the Group's overall earning, primarily due to completion of the first phase of the property development project in Fuzhou of Jiangxi Province.

Property Development

Business Description

With a view to capitalise on the urbanisation trend in the People's Republic of China (the "**PRC**"), the Group set up residential cum commercial property development projects in Fuzhou of Jiangxi Province and Dongguan of Guangdong Province to tap into the rapid development in second–tier cities.

The first phase of the development project in Fuzhou was completed in late 2011 which unveiled the completion of 342 residential units within the compound with a total saleable area of approximately 500,000 square feet. Handover of units to their purchasers for intake commenced in January 2012.

As of the date of this result, a total of 470 units of the first and second phases of the Dongguan project were sold during its pre-sale, representing 78% of the residential units put up for sale. The construction of the first and second phases of the project, with a total saleable area of approximately 800,000 square feet, is expected to be completed in late 2012.

Contribution from the property development sector recorded a revenue of approximately HK$205.9 million towards the Group's revenue for the year. The successful pre-sale of these two projects is a reflection of the Group's growing presence in the PRC.

Retail of Fresh Pork Meat and Related Produce

Business Description

The 17 fresh pork meat and related produce stalls owned by the Group in Hong Kong has brought in a steady stream of repeat business and recurring income.

Fresh pork meat and related produce sales remained strong during the year, contributing approximately HK$67.7 million to the Group during the year.

Natural Resources Business in Papua New Guinea

Business Description

The forestry and timber logging project in Maimai, Nuku, in Papua New Guinea ("**PNG**"), covers an area of approximately 238,000 hectares with an estimated volume of saleable timber at approximately 5.9 million cubic metres. The Group is licenced to carry on businesses in timber logging, grain planting and oil palm and teak cultivation, and has been supplying timber for domestic consumption since 2010.

Leveraging on our experience and relationship with government authorities already gained in PNG, the management is confident that this segment will be the Group's key growth driver and will bring satisfactory results to the Group.

PROSPECTS

2012 will be a challenging year ahead with the uncertainty on the global macroeconomic front as the European sovereign debt crisis still remains the key overhang. Economic growth in the Mainland China, being the largest economy in Asia, will remain high by international standards as the "12th Five-Year Plan" unfolded the roadmap for a new phase of growth which will take Chinese economy to a new level. Fueled by accelerated urbanisation under the plan, the property market in the Mainland China has untapped potential. Looking into 2012 and beyond, we foresee that the remaining phases of our Fuzhou and Dongguan projects will make a positive contribution to the Group's revenue. The Group will capitalise on its strengths established in these two cities to execute its property development business in the Mainland China while we actively seek for attractive sites with good development values to ensure sustainable growth. Though the operating environment for the residential sector will be challenging as the PRC government introduced tight regulatory measures on home purchases, the Group reckons such measures will be conducive to a sustainable and healthy market over the medium and long-term prospects. The Group will closely monitor the market and control the pace of its project development and sales appropriately.

Benefiting from buoyant economies in the Mainland China, we expect the economic growth in Hong Kong to be robust and our fresh pork meat retail business in the city will continue to provide the Group with a stable stream of cash flow. Our forestry and logging operations in PNG will be an engine for our growth in the near future upon receiving the licenses granted by the local authorities. In a move towards portfolio optimisation in PNG and the Asia Pacific region, the Group will continue to identify business opportunities of other forestry and minerals projects. Given the nature and the geographical spread of our businesses and their track record, the Group remains optimistic as we embark on our second year as PNG Resources Holdings Limited, and is confident that the results for the coming financial year to be satisfactory, notwithstanding the economic uncertainties in global markets.

APPRECIATION

In closing, on behalf of the Board, I would like to take this opportunity to thank our valued shareholders, institutional investors, customers and business partners for their long-standing trust and steadfast support, and to the management team and all other staff for their outstanding dedication, expertise and contributions which are central to the Group's continuing success. My gratitude also goes to my fellow Directors for their guidance, strong governance and wise counsel to the Group's business development under this adverse market environment.

Chan Chun Hong, Thomas
Chairman and Managing Director
Hong Kong, 20 June 2012

Management Discussion and Analysis

FINANCIAL RESULTS

For the year ended 31 March 2012, the Group recorded a turnover of approximately HK$273.5 million (2011: approximately HK$64.6 million), representing a significant year-on-year growth of approximately 323.4%, of which turnover generated from property sales in the PRC amounted to approximately HK$205.9 million (2011: nil). Gross profit margin, however, decreased from approximately 32% to approximately 19% mainly due to lower gross profit margin of approximately 16% for the property sales in the PRC. There is no significant change in gross margin percentage for the Group's retailing of the fresh pork meat and related produce in Hong Kong.

The Group's net profit after tax attributable to equity holders for the year was approximately HK$3.8 million (2011: approximately HK$41.8 million). This is mainly due to the lack of exceptional gains on reversal of impairment of prepaid lease payments as compared with last year and unrealised loss on fair value changes on financial assets at fair value through profit or loss due to the global financial downturn and economic slowdown.

DIVIDEND

No interim dividend was paid to the shareholders of the Company during the year under review (2011: nil). The Directors do not recommend any final dividend for the year ended 31 March 2012 (2011: nil).

OPERATION AND BUSINESS REVIEW

During the year under review, the Group was principally engaged in the businesses of forestry and logging operations in the PNG, property development in the PRC and retailing of the fresh pork meat and related produce in Hong Kong.

Natural Resources Business in PNG

The Group entered into the natural resources business after completed its acquisition of a forestry project in PNG in October 2009. The Group's project is licensed to carry on business in timber logging, growing cereals and the plantation of oil palm and teak. The project covers an area of approximately 238,000 hectares of land with an estimated saleable 5.9 million cubic metres of timber wood in Nuku district, PNG. According to the valuation report prepared by an international professional expert in forestry consultant, Ata Marie Group Limited ("**Ata Marie**"), the project's site has over 75 tree species, including valuable species, such as pometia pin, celtis, intsia, terminalia spp, canarium ind etc., and the project was valued at approximately HK$493 million (2011: approximately HK$455 million) as at 31 March 2012. Whilst PNG is a major timber producing country, PNG-made furniture has also found appreciative markets in Western Europe, Australia, New Zealand and other countries. The major reconstruction activities in Japan in areas affected by the destructive earthquake and tsunami will be a key impetus for an increase in timber demand and hopefully selling prices. In addition, the PRC's huge population with its rapid urbanisation and rising level of affluence is expected to provide the foundation for the PRC economy to remain relatively robust. In spite of a slowdown in economic activities, the PRC will remain a large importer of timber products globally. These factors give confidence to the Group in the long-term potential of the logging business and the timber trading market. Management expects the contribution from this segment will surge once the remaining relevant licenses are granted by the authorities.

There are ample gold, copper, liquefied natural gas, petroleum and other natural resources in PNG. Apart from the forestry acquisition in 2009, the Group has been proactively looking for other strategic partners and other potential natural resources acquisition targets, in particularly in agriculture, forestry and mining, in PNG. Leveraging on our experience and relationship with government authorities already gained in PNG, management is confident that this segment will be the Group's key growth driver and will bring satisfactory results to the Group.

Property Development

As at 31 March 2012, the Group held approximately 3.1 million square feet sites area of residential and commercial land reserves in two projects in the PRC. As of the date of this report, the details of the Group's two property development projects in the PRC are as follows:

City/Province	Percentage ownership interest	Approximate site area *(square feet)*	Approximate saleable area *(square feet)*	Development plan
Fuzhou, Jiangxi Province	100%	2,400,000	5,600,000	Residential cum commercial complex
Dongguan, Guangdong Province	100%	690,000	1,200,000	Residential cum commercial complex
Total		**3,090,000**	**6,800,000**	

Pre-sale of the first phase of the Fuzhou and Dongguan projects commenced in October 2010 and March 2011, respectively, while pre-sale of the second phase of the Fuzhou project commenced in October 2011. As of the date of this annual report, the Group had sold more than 89% and 78% of residential units which had been put up for sale at the Fuzhou and Dongguan projects, respectively. The construction of the first phase of the Fuzhou project has been completed in early 2012 and the Group's turnover of property sales for the year ended 31 March 2012 was approximately HK$205.9 million. The Group expects the construction of the first and second phase of Dongguan project to be substantially completed in second half of 2012. The Group expects the construction of the second phase of Fuzhou project to be substantially completed in 2013.

Retail of Fresh Pork Meat and Related Produce

The sale of fresh pork meat and related produce in Hong Kong continued to generate steady income and cash flow for the Group during the year under review. The number of stalls operated by the Group remained at 17 as at 31 March 2012. Fresh pork meat and related produce sales will continue to be the Group's main income stream and contribute significant and stable cashflow to the Group.

Liquidity and Financial Resources

The Group's total assets as at 31 March 2012 were approximately HK$2,135.6 million (2011: approximately HK$1,580.8 million) which were financed by total liabilities and total equity of approximately HK$1,363.0 million (2011: approximately HK$849.9 million) and approximately HK$772.6 million (2011: approximately HK$730.9 million), respectively. The current ratio as at 31 March 2012 was approximately 1.2 times (2011: approximately 1.7 times).

As at 31 March 2012, the Group's aggregate bank borrowings amounted to approximately HK$119.8 million (2011: approximately HK$139.7 million). The gearing ratio was approximately 55.0% (2011: approximately 45.6%), calculated by reference to the Group's total borrowings net of cash and cash equivalents and the total equity of the Group. During the year under review, Gain Better Investments Limited ("**Gain Better**"), the substantial shareholder of the Company, had extended the repayment date of a loan of HK$10 million to the Group for three years upon the maturity date and the total outstanding loan remained at HK$215 million.

During the year under review, the Group has drawn down additional loans totaling HK$170 million from Fully Finance Limited ("**Fully Finance**"), a related company of the Group, and the total outstanding loan became HK$305 million.

In June 2012, the Group has drawn down a bank loan amounted to approximately HK$111.0 million. The bank loan is secured by certain PRC land reserves and property under development of the Group, carries interest at 120% of the prevailing market rates quoted by the People's Bank of China and is repayable in or before June 2015.

Exposure to Fluctuation in Exchange Rates

The revenue and bank deposits of the Group are mainly denominated in Hong Kong dollars, Renminbi ("**RMB**") and PNG Kina ("**Kina**") whilst operating costs are mainly denominated in Hong Kong dollars, RMB and Kina. The Group has exposure to the risk of exchange rate fluctuations for RMB on account of its property investments in Mainland China and for Kina on account of its cost of forestry operations in the PNG, but the impact of foreign currency is not material to the Group. The Group has not employed any hedging instruments or derivative products. In order to minimise the exchange rate risk of RMB and Kina, the Group will make use of local bank borrowings in RMB to finance the construction projects in the PRC and utilise the proceeds from the sales of completed units at these residential and commercial projects to repay the RMB bank borrowings. In order to minimise the exchange rate risk of Kina, the Group utilises the proceeds from the sales of timbers denominated in Kina to partially reduce the impact of expenses incurred in PNG.

MATERIAL ACQUISITIONS AND DISPOSALS

Acquisition of interests in China Agri-Products Exchange Limited ("CAP")

In June 2011, CAP, whose shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code 149) and in which the Group had shareholding interests (treated as available-for-sale financial assets), proposed a rights issue on the basis of thirty CAP rights shares for every one CAP share. The Group subscribed for 78,979,524 CAP rights shares to which it was entitled pursuant to the terms of CAP rights issue and, by way of excess application, subscribed for an additional 613,000,000 CAP rights shares. The total consideration amounted to approximately HK$134.9 million and the transaction was completed in September 2011. As a result, the Group's interests in CAP has increased from approximately 3.32% to 28.22%, which became the associate of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Group had a total of 92 employees (2011: 87). The Group's remuneration policy is reviewed periodically by the remuneration committee and the Board and remuneration is determined by reference to market terms, company performance and individual qualifications and performance. The Group operates a Mandatory Provident Fund Scheme for those employees in Hong Kong who are eligible to participate.

The Group has also adopted a performance based reward system to motivate its staff and such system is reviewed on a regular basis. The shareholders of the Company adopted a share option scheme (the "**Share Option Scheme**") on 8 October 2002 in compliance with Chapter 17 of The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). During the year under review, the Board did not grant any share option under the Share Option Scheme to the Directors or eligible employees of the Group to subscribe for shares in the Company and as at 31 March 2012, there was no outstanding share option under the Share Option Scheme.

CONTINGENT LIABILITIES AND CHARGE ON ASSETS

As at 31 March 2012, the Group had no significant contingent liability (31 March 2011: Nil). The PRC land reserves and property under development with a carrying value of approximately HK$299 million (31 March 2011: approximately HK$344.6 million) and approximately HK$10.5 million (31 March 2011: approximately HK$6.4 million), respectively, were pledged to secure the Group's banking facilities.

As at 31 March 2012, shares of several subsidiaries of the Group were pledged to secure a loan facility from Fully Finance.

CAPITAL COMMITMENT

The Group's capital commitment as at 31 March 2012 amounted to approximately HK$372.4 million (2011: approximately HK$284.8 million).

FUTURE PLANS AND PROSPECTS

Looking forward, it is expected that foreign trade will pose downside risk to the Mainland China in 2012 while inflation has gradually been tamed. It is also expected that the PRC government will continue to adopt a proactive fiscal policy and prudent monetary policy. The Reserve Requirement Ratio ("**RRR**") has been reduced since December 2011 and it is expected that the credit liquidity will be appropriately further eased during 2012 mainly through further reductions in the RRR and even interest rates as appropriate. Though there have recently been slight signs of relaxation of the tightening measures for the property market, the tough restrictive policies will likely remain in place for some time. It is expected that when economic growth is clearly slowing, inflation is under control and the development of the property sector has become more rational, the stringent tightening measures on property markets will gradually be eased. Despite the short-term cyclical fluctuation in PRC property market, rapid ongoing urbanisation and industrialisation will continue to drive the property market for some time. The Group is still fully confident about the long-term development of the PRC property market and will follow closely the changes in the trend of the macro economy and the regulatory environment and will address such changes effectively and in a timely manner. The Board remains cautious and continues to look for potential projects to replenish our land reserves in the PRC to increase the growth momentum for the Group.

The stable economic environment of the forestry industry in PNG will help invigorate our business. Management is also studying the re-plantation of crops, including oil palm, jathropa, cocoa, rubber and teak, on our forestry land that we will harvest in order to maximise the utilisation of this land. We will focus our resources on streamlining and refining our operations in order to improve the project's efficiency and will continue to explore potential agriculture, forestry and mining acquisition opportunities in PNG and the Asia Pacific region. The Directors believe that the Group's diversification into the natural resources sector will deliver long-term benefits to shareholders and will continue to identify other strategic business expansion opportunities.

Board of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chan Chun Hong, Thomas, aged 48, joined the Group as the managing Director in January 2007 and is also appointed to take up the role of the chairman of the Company in June 2008. He is also the chairman of the executive committee and the investment committee and a member of the remuneration committee and the nomination committee of the Company. He is responsible for overall strategy formulation, policy making, managing the corporate matters and overall operations of the Group. He is also the managing director of Wang On Group Limited ("**WOG**"), Wai Yuen Tong Medicine Holdings Limited ("**WYT**"), the chairman and chief executive officer of CAP and an independent non-executive director of Shanghai Prime Machinery Company Limited, all companies are listed on the main board of the Stock Exchange. He graduated from the Hong Kong Polytechnic University with a bachelor degree in accountancy and is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants.

Mr. Cheung Wai Kai, aged 56, was appointed as an executive Director in January 2007. He is also a member of the executive committee, the remuneration committee, the nomination committee and the investment committee of the Company. Mr. Cheung is responsible for general management and business management of the Group in which he has extensive experience.

Mr. Wong Yiu Hung, Gary, aged 55, was appointed as an executive Director in February 2008. He is also a member of the executive committee of the Company. He has over 30 years of experience in property development, leasing, sales and marketing. Prior to joining the Group, Mr. Wong was a general manager of the property development division of WOG, a company listed on the main board of the Stock Exchange. Mr. Wong previously held various senior positions in several local property development companies, including a renowned listed property developer in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Ka Man, aged 45, joined the Company as an independent non-executive Director in January 2007. He is the chairman of the audit committee of the Company and a member of the remuneration committee and the nomination committee of the Company. He has over 20 years of professional experience in auditing, accounting and financial management for both private and listed corporations. Mr. Sin is a certified public accountant of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a certified practising accountant of the CPA Australia. Mr. Sin holds a bachelor degree in Social Sciences from the University of Hong Kong, a master degree in Finance from the University of Strathclyde, the United Kingdom and a master degree in accounting from Curtin University of Technology, Australia. Mr. Sin is also an independent non-executive director of Chinese People Holdings Company Limited, Xtep International Holdings Limited, China Motion Telecom International Limited, Sino Haijing Holdings Limited and Fornton Group Limited, all companies are listed on the main board of the Stock Exchange.

Mr. Yuen Kam Ho, George, *FHKIoD*, aged 68, joined the Company as an independent non-executive Director in March 2007. He is a member of the audit committee and the remuneration committee of the Company and the chairman of the nomination committee of the Company. Mr. Yuen is an independent non-executive director of Industrial and Commercial Bank of China (Asia) Limited, which has been privatised since 21 December 2010. Also, he has been an independent non-executive director of Tradelink Electronic Commerce Limited, a Hong Kong listed company, since November 2006 and retired in May 2011. He graduated from The University of Hong Kong with a Bachelor's Degree (Honors) in Economics and Political Science. Mr. Yuen has attended post-graduate studies in marketing management at the International Marketing Institute, Cambridge, Massachusetts, U.S.A. and has completed the Hong Kong Administrators Course (commissioned by the Hong Kong Government) in public administration and international relations at Oxford University, the United Kingdom, and the International Executive Program in INSEAD, France respectively. In June 2003, Mr. Yuen was admitted to the

Leadership in Development Program organised by Kennedy School of Government, Harvard University. In June 2004, Standford University, California, U.S.A. had also invited Mr. Yuen to participate in its "Corporate Governance" forum and in early 2006 the University awarded a fellowship to Mr. Yuen as a non-profit leader at its Centre for Social Innovation. Mr. Yuen is a Standing Committee Member of Convocation and Member of the Court of the University of Hong Kong. He had been Chief Executive of The Better Hong Kong Foundation for nine years since September 1997. Prior to his joining the Foundation, he was the Assistant Director/Acting Deputy Director of the Information Services Department of the Hong Kong Government. Mr. Yuen plays an active role in organising international business conferences in Hong Kong and also takes part in numerous government and community activities, including being a Special Adviser of the China National Committee for Pacific Economic Cooperation (PECC China). Mr. Yuen was the Panel member of the Central Policy Unit of the HKSAR Government on the Pan-Pearl River Delta between 2003 and 2007. Mr. Yuen is currently a member of The Chinese People's Political Consultative Conference, Guangxi Autonomous Region, China, an adviser of the Institute of Finance and Trade Economics, Chinese Academy of Social Sciences, an adviser of The Shanghai Academy of Social Sciences, China, an adviser of The Board of International Investment of Guangzhou Municipality, China. Mr. Yuen is a Fellow of the Hong Kong Institute of Directors, a member of the British Institute of Management and the Institute of Marketing, United Kingdom, and was also commended by the U.S. President, George W. Bush for his efforts in support of coalition's campaign against global terrorism.

Mr. Cheung Sau Wah, Joseph, *PMSM*, aged 60, joined the Company as an independent non-executive Director in March 2007. He is a member of the audit committee, the nomination committee and the investment committee of the Company and the chairman of the remuneration committee of the Company. Mr. Cheung served in Hong Kong Police Force over 35 years and retired in November 2006 as a Senior Superintendent of Police. He was awarded a Police Meritorious Service Medal (PMSM) in 2003 by the Chief Executive of the Hong Kong SAR for his consistent outstanding performance in the Hong Kong Police Force.

SENIOR MANAGEMENT

Mr. Chan Yee Yuk, Stanley is the Financial Controller of the Group. He holds a Bachelor degree of Business Administration (Accounting) from the Hong Kong University of Science and Technology. Mr. Chan is a fellow member of The Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, he has over 10 years of experience in auditing and accounting sector from an international accounting firm.

Mr. Pang Mo Chiu, Chris is the Assistant General Manager of Resources Department of the Group. He holds a Master Degree of Management (Logistics & Operations Management) from Macquarie University – Australia and a Bachelor Degree in Business Administration in RMIT University – Australia respectively. Mr. Pang had over 17 years of experience in retail operation and management in Hong Kong and the PRC.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining a high standard of corporate governance. The Board recognises that such commitment is essential in upholding accountability and transparency and to achieve a balance of interests between the shareholders, customers, creditors, employees as well as other stakeholders.

To ensure compliance with the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 to the Listing Rules, the Board periodically reviews and proposes necessary amendments so as to maintain the high standard of corporate governance. The Company had complied with the code provisions set out in the CG Code throughout the year ended 31 March 2012 except for the following deviation:

Code provision A.2.1

Under code provision A.2.1, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual.

With effect on 2 June 2008, Mr. Chan Chun Hong, Thomas has been taken up the role of chairman and he also remains as the managing Director. Mr. Chan is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. The Company does not propose to comply with code provision A.2.1 for the time being but will continue to review such non-compliance to enhance best interest of the Company and its shareholders as a whole.

Details of such non-compliance are set out below in the section headed "Roles of Chairman and Managing Director" of this report.

CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

To comply with code provision A.5.4 of the CG Code, the Company also adopted a code of conduct regarding securities transactions on no less exacting terms than the Model Code by the relevant employees of the Company or any of its subsidiaries who are considered likely to be in possession of unpublished price sensitive information in relation to the Company or its securities.

BOARD OF DIRECTORS

As at the date of this report, the Board currently comprises three executive Directors and three independent non-executive Directors. The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Chan Chun Hong, Thomas
Chairman and Managing Director
Mr. Cheung Wai Kai
Mr. Wong Yiu Hung, Gary

Independent Non-executive Directors:
Mr. Sin Ka Man
Mr. Yuen Kam Ho, George
Mr. Cheung Sau Wah, Joseph

The biographical details of the Directors are set out on pages 21 to 23 of this annual report.

The Board possesses a balance of skills and experience which are appropriate for the continuous development of the businesses of the Company. The opinions raised by the independent non-executive Directors at Board meetings facilitate the maintenance of good corporate governance practices. At least one of the independent non-executive Directors has the appropriate professional qualification and/or accounting and audit experience expertise as required by Rules 3.10(1) and (2) of the Listing Rules. A balanced composition of executive and non-executive Directors also generates a strong independent element on the Board, which allows for an independent and objective decision making process for the best interests of the Company. The Company will review the composition of the Board regularly to ensure the Board possesses the appropriate and necessary expertise, skills and experience to meet the needs of growth of the Group's businesses.

All independent non-executive Directors are appointed with specific term and subject to retirement by rotation and, being eligible, offer themselves for re-election at the annual general meetings in accordance with the articles of association of the Company.

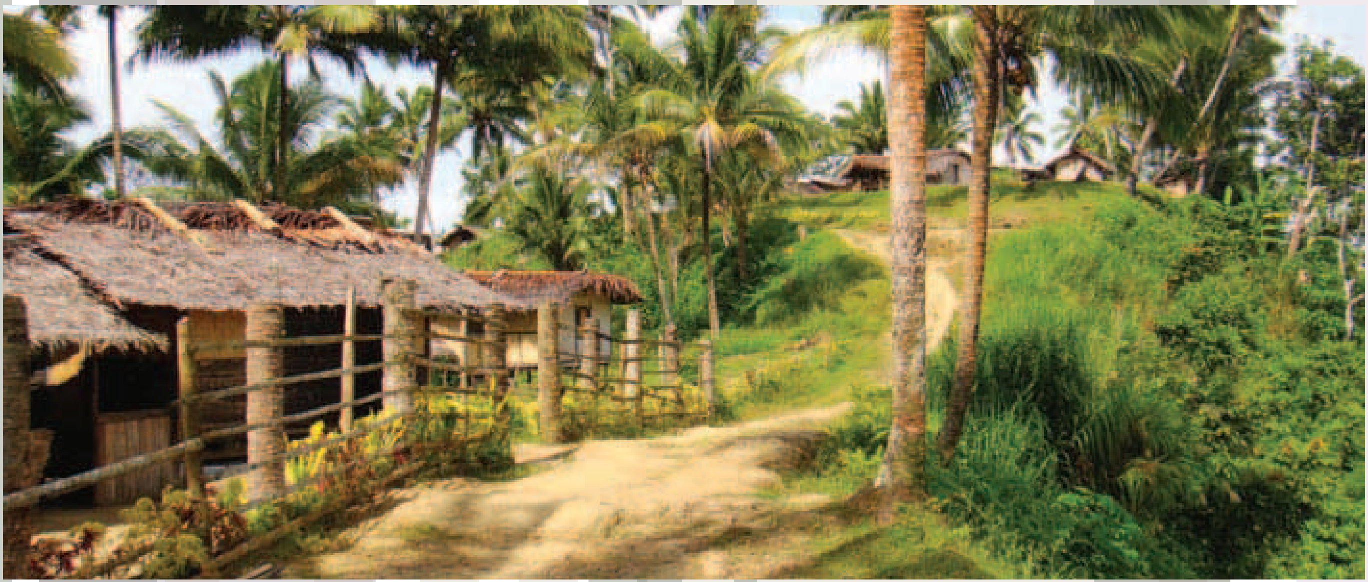
All existing independent non-executive Directors are free from any business or other relationship with the Company. The Company has received from each of the existing independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company continues to consider the three independent non-executive Directors to be independent.

The Board's primary functions are to set corporate policy and overall strategy for the Group and to provide effective oversight of the management of the Group's businesses and affairs. Apart from its statutory responsibilities, the Board also approves, among others, strategic plans, key operational issues, investments and loans, reviews the financial performance of the Group and evaluates the performance and compensation of senior management. These functions are either carried out directly by the Board or indirectly through committees established by the Board.

The Board, which meets at least four times a year with additional meetings arranged when necessary, has a schedule of matters reserved for its approval. The specific responsibility reserved for the Board includes matters in relation to the strategy and overall management of the Group, including but not limited to capital, corporate and control structures, financial reporting and controls, internal control, major capital projects and contracts, communication with the shareholders of the Company and the Group's overall corporate governance arrangements. Some other specific duties are delegated to respective committees. At least 14 days notice for each regular meeting is given to all Directors. Agendas and accompanying Board papers are sent to all Directors before the date of a Board meeting to ensure that Directors are given sufficient time to review the same. All such minutes of Board meetings and committee meetings are kept by the company secretary of the Company and are open for inspection at any reasonable time on reasonable notice by any Director.

During the year, four Board meetings were held and the attendance of each Director is set out below:

Directors	**Attendance**
Mr. Chan Chun Hong, Thomas	4/4
Mr. Cheung Wai Kai	4/4
Mr. Wong Yiu Hung, Gary	4/4
Mr. Sin Ka Man	4/4
Mr. Yuen Kam Ho, George	4/4
Mr. Cheung Sau Wah, Joseph	4/4



ROLES OF CHAIRMAN AND MANAGING DIRECTOR

Mr. Chan Chun Hong, Thomas has been appointed as managing Director since January 2007. With effect on 2 June 2008, Mr. Chan has been taken up the role of chairman and he remains as managing Director. Mr. Chan is responsible for overall corporate planning, strategic policy making and managing of day-to-day operations of the Group. Mr. Chan has extensive experience in the industry which is of great value to overall development of the Group. The Company does not propose to comply with code provision A.2.1 for the time being as the Board considers that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals with a balance of skills and experience appropriate for the development of the Group. The current structure also allows flexibility and enhances the efficiency of decision making process in response to the constantly changing competitive environment.

The Board will continue to review and recommend such proposals, as appropriate, in the aspect of such non-compliance or other aspects in order to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate the greatest returns for the shareholders of the Company.

BOARD COMMITTEE

The Board has established various committees, including audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), each of which has the specific written terms of reference. Copies of minutes of all meetings and resolutions of the committees, which are kept by the company secretary of the Company, are circulated to all Board members. Each committee is required to report to the Board on its decision and recommendations where appropriate.

Audit Committee

The Audit Committee was established on 8 October 2002 with specific written terms of reference in accordance with the scope of duties stated in the provisions of the CG Code for the purposes of reviewing the Group's financial reporting, internal control and making relevant recommendations to the Board.

The principal duties of the Audit Committee include making recommendations to the Board in relation to the appointment, re-appointment of the external auditors and its independence; reviewing the interim and annual financial statements and reports and considering any significant or unusual items raised by the external auditors before submission to the Board; and reviewing the effectiveness of the Company's financial reporting system, internal control system and its associated procedures.

In addition to the above, the Audit Committee has also reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. It is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary during the year.

During the year under review, the Audit Committee comprises three independent non-executive Directors, namely Mr. Sin Ka Man (Chairman), Mr. Yuen Kam Ho, George and Mr. Cheung Sau Wah, Joseph who together have substantial experiences in the fields of accounting, business, regulatory affairs and corporate governance.

The Audit Committee shall meet at least twice a year. Two Audit Committee meetings were held during the year and the attendance of each member is set out as follows:

Members of the Audit Committee	Attendance
Mr. Sin Ka Man *(Chairman)*	2/2
Mr. Yuen Kam Ho, George	2/2
Mr. Cheung Sau Wah, Joseph	2/2

The existing members of the Audit Committee had reviewed with the management and the external auditors the audited consolidated financial statements for the year ended 31 March 2012.

Remuneration Committee

The Board set up the Remuneration Committee in July 2005 with specific written terms of reference which deal with its authority and duties. It currently consists of five members, including Mr. Cheung Sau Wah, Joseph (Chairman), Mr. Yuen Kam Ho, George, Mr. Sin Ka Man, Mr. Chan Chun Hong, Thomas and Mr. Cheung Wai Kai, a majority of whom are independent non-executive Directors.

The Remuneration Committee's role is to make recommendation to the Board on the remuneration policy and structure for Directors and senior management and to ensure that they are fairly rewarded for their respective contributions to the Group's overall performance while due having regard to the interests of the shareholders of the Company. The principal duties of the Remuneration Committee include determining the specific remuneration packages of all executive Directors and senior management as well as reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. No Director or any of his associates may be involved in making any decisions as to his own remuneration.

The Remuneration Committee shall meet at least once a year. During the year, one Remuneration Committee meeting was held to review the remuneration packages of all Directors and senior management and the attendance of each member is set out as follows:

Members of the Remuneration Committee	Attendance
Mr. Cheung Sau Wah, Joseph *(Chairman)*	1/1
Mr. Yuen Kam Ho, George	1/1
Mr. Sin Ka Man	1/1
Mr. Chan Chun Hong, Thomas	1/1
Mr. Cheung Wai Kai	1/1

The remuneration payable to the Directors will depend on their respective contractual terms under their employment contracts or service contracts and the same were reviewed by the Remuneration Committee. Details of the Directors' remuneration are set out in Note 10 to the consolidated financial statements.

Nomination Committee

The Nomination Committee was established in October 2007 and currently consists of five members, including Mr. Yuen Kam Ho, George (Chairman), Mr. Cheung Sau Wah, Joseph, Mr. Sin Ka Man, Mr. Chan Chun Hong, Thomas and Mr. Cheung Wai Kai, a majority of whom are independent non-executive Directors.

The Nomination Committee has adopted a written terms of reference stipulating criteria for the selection and recommendations to the Board on the appointment of Directors, evaluation of board composition and the management of board succession with reference to certain guidelines as endorsed by the Committee. These guidelines include appropriate professional knowledge and industry experience, personal ethics, integrity and personal skills, and time commitments of members. The Nomination Committee carries out the process of selecting and recommending candidates for directorship including the consideration of referrals and engagement of external recruitment professionals when necessary.

During the year, the Nomination Committee did not hold any meeting.

EXTERNAL AUDITORS' REMUNERATION

During the year, the Company engaged HLB Hodgson Impey Cheng ("**HLB**") as the external auditors whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB was reorganised as HLB Hodgson Impey Cheng Limited. The audit committee has recommended to the Board that, HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting. The remuneration paid/payable to the Company's external auditors, HLB, in respect of audit services and non-audit services are set out as follows:

Services rendered for the Group	**Approximate fees paid/ payable to HLB** *HK$'000*
Audit services:	
– annual financial statements	950
Non-audit services:	
– other professional services	227
Total	1,177

COMMUNICATION WITH SHAREHOLDERS

The Company adopted its shareholders communication policy on 28 March 2012 and always adheres to high standard with respect to the disclosure of its financial positions.

The Company uses a number of formal communication channels to disseminate to shareholders regarding the performance of the Company in a timely manner. These include the publication of annual reports, interim reports, periodic company announcements and circulars through websites of the Stock Exchange, as well as the Company. In order to provide effective and timely disclosure to investors and potential investors, information considered to be of a price sensitive nature is released by way of formal public announcements as required by the Listing Rules.

The Company also acknowledges that general meetings including annual general meeting, are valuable forums for the Board to communicate with the shareholders of the Company directly and members of the Board and committees are encouraged to attend and answer questions at the general meetings.

INTERNAL CONTROL

Internal control systems have been designed to allow the Board to monitor the Group's overall financial position, to protect its assets and to assure against material financial misstatement or loss. It is the responsibility of the Board to maintain the internal control systems of the Group. During the year, the Board has conducted a review of the effectiveness of internal control systems of the Group which has covered the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programmes and budget. The Board satisfied that they were in compliance with the Group's policies.

RESPONSIBILITY FOR PREPARATION AND REPORTING OF ACCOUNTS

The Directors acknowledge their responsibilities for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards. A statement by the auditors about their reporting responsibilities is set out on pages 41 to 42 of this annual report.

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries comprise the forestry and logging operations in PNG, the property development in the PRC and retailing of fresh pork meat and related produce in Hong Kong.

RESULTS

The results of the Group for the 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 consolidated financial statements on pages 43 to 113.

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

SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 March 2012 are set out in Note 23 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION

Details of movements in the share capital and share option of the Company during the year, together with the reasons therefor, are set out in Notes 38 and 39 to the consolidated financial statements, respectively.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from the Company's audited consolidated financial statements and reclassified as appropriate, prepared on the basis set out therein is set out on pages 114 to 115 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROPERTY UNDER DEVELOPMENT AND PREPAID LEASE PAYMENTS

The Group's prepaid lease payments as at 31 March 2012 were revalued by an independent professional valuers on an open market value basis.

Details of movements in property under development and prepaid lease payments of the Group during the year ended 31 March 2012 are set out in Notes 17 and 18 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 16 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 40 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for distribution to shareholders amounting to approximately HK$406.4 million (2011: approximately HK$448.7 million) and calculated in accordance with the Companies Law (revised) of the Cayman Islands and the articles of association of the Company.

DIRECTORS

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

Executive Directors:

Chan Chun Hong, Thomas
Cheung Wai Kai
Wong Yiu Hung, Gary

Independent Non-executive Directors:

Sin Ka Man
Yuen Kam Ho, George
Cheung Sau Wah, Joseph

In accordance with article 87 of the articles of association of the Company, Mr. Cheung Wai Kai and Mr. Yuen Kam Ho, George shall retire at the forthcoming annual general meeting by rotation and, being eligible, offer themselves for re-election.

All of the independent non-executive Directors are appointed for specific terms and are subject to retirement by rotation in accordance with the Company's articles of association. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive Directors to be independent as at the date of this report.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 21 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director 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

None of the Directors had a material interest, either direct or indirect, 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 year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2012, none of the Directors, chief executives of the Company, nor their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SHARE OPTION SCHEME

On 8 October 2002, the Company adopted a share option scheme (the "**Share Option Scheme**") for the primary purpose of providing incentives to eligible participants who contribute to the success of the Group. The Share Option Scheme became effective on 8 October 2002 which will remain in force for a period of 10 years from the date of its adoption. During the year under review, no share options remained outstanding and no share options were granted, exercised, lapsed and cancelled.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 769,150,000, representing 10% of the total issued share capital of the Company.

At no time during the year was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Other details of the Share Option Scheme are set out in Note 39 to the consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" as set out above and in Note 39 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

Save as disclosed below and to the best of the Directors' knowledge, as at 31 March 2012, no person (other than the Directors or chief executives of the Company) had, or were deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to section 336 of the SFO or, who had notified the Company of relevant interests or short positions in the shares and underlying shares of the Company.

Long positions in the shares of the Company:

Name of shareholder	**Number of shares**	**Approximate percentage of the Company's total issued share capital** *(Note 2)* %
Gain Better *(Note 1)*	3,813,835,000	49.59
WYT *(Note 1)*	3,813,835,000	49.59

Notes:

(1) Gain Better is an indirect wholly-owned subsidiary of WYT.

(2) The percentage represented the number of shares over the total issued share capital of the Company as at 31 March 2012 of 7,691,500,000 shares.

Save as disclosed above, as at 31 March 2012, there were no other persons (other than the Directors or chief executives of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

EMOLUMENT POLICY

The employees are remunerated based on their work performance, work and professional experiences and the prevailing industry practice. The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme.

The Company has also adopted the Share Option Scheme as an incentive to Directors and eligible employees, details of the Share Option Scheme are set out in Note 39 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the years ended 31 March 2011 and 2012, no revenue from a single customer accounted for 10% or more of the Group's revenue. During the year under review, sales to the Group's five largest customers accounted for less than 1% of the total revenue for the year. In addition, the Group made approximately 35% of its total purchases from its largest supplier.

At no time during the year did a Director or any of their associates or any shareholder of the Company, which to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers and suppliers.

DONATIONS

During the year, the Group made charitable and other donations totalling HK$0.07 million (2011: HK$0.6 million).

PRE-EMPTIVE RIGHTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, no Director was considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group (as defined in the Listing Rules), other than those businesses of which the Directors were appointed as Directors to represent the interests of the Company and/or the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on corporate governance principles and practices adopted by the Company and any deviation to the code provisions of the CG Code during the year under review is set out in the Corporate Governance Report on pages 25 to 32 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of the total issued share capital of the Company as required under the Listing Rules throughout the year ended 31 March 2012 and up to the date of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events of the Group occurring after the balance sheet date are set out in Note 49 to the consolidated financial statements.

AUDITORS

The financial statements for the year ended 31 March 2012 were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Chun Hong, Thomas
Chairman and Managing Director

Hong Kong, 20 June 2012

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PNG RESOURCES HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of PNG Resources Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 43 to 113, which comprise the consolidated and company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 Group and the Company as at 31 March 2012 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 20 June 2012

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	6	**273,539**	64,565
Cost of sales		**(220,343)**	(43,982)
Gross profit		**53,196**	20,583
Other revenue	6	**2,673**	4,114
Selling and distribution expenses		**(25,460)**	(22,137)
Administrative expenses		**(46,747)**	(46,271)
Finance costs	9	**(37,230)**	(26,363)
Reversal of impairment of prepaid lease payments	18	**–**	84,429
Changes in fair value of plantation assets less costs to sell	19	**38,243**	37,768
Share of results of an associate	22	**74,677**	–
Net loss on financial assets at fair value through profit or loss	8	**(22,829)**	(1,504)
Net gain on disposal of available-for-sale financial assets		**–**	35,008
Impairment of available-for-sale financial assets		**(9,827)**	(20,403)
Profit before taxation		**26,696**	65,224
Taxation	12	**(13,099)**	(14,646)
Profit for the year	7	**13,597**	50,578
Other comprehensive income/(loss)			
Reclassification relating to disposal of available-for-sale financial assets		**–**	(55,855)
Share of changes in other comprehensive income in an associate	22	**7,367**	–
Exchange differences on translation of financial statements of overseas subsidiaries		**25,042**	24,585
Other comprehensive income/(loss) for the year, net of tax		**32,409**	(31,270)
Total comprehensive income for the year		**46,006**	19,308
Profit for the year attributable to:			
– Owners of the Company		**3,790**	41,818
– Non-controlling interests		**9,807**	8,760
		13,597	50,578
Total comprehensive income attributable to:			
– Owners of the Company		**35,390**	10,513
– Non-controlling interests		**10,616**	8,795
		46,006	19,308
Earnings per share attributable to owners of the Company for the year			
– Basic and diluted	15	**HK0.05 cents**	HK0.54 cents

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	16	**5,319**	3,888
Property under development	17	**149,048**	63,728
Prepaid lease payments	18	**372,682**	416,662
Plantation assets	19	**492,983**	454,740
Concession rights	20	**12,418**	12,679
Interest in an associate	22	**213,312**	–
Available-for-sale financial assets	24	**–**	10,399
		1,245,762	962,096
Current assets			
Stock of properties	25	**575,311**	363,313
Inventories	26	**200**	179
Trade receivables	27	**20**	19
Prepayments, deposits and other receivables	28	**83,408**	59,690
Financial assets at fair value through profit or loss	29	**15,951**	38,780
Time deposits		**7,941**	17,270
Cash and bank balances	30	**207,013**	139,431
		889,844	618,682
Less: Current liabilities			
Trade payables	31	**–**	1,319
Deposits received, accruals and other payables	32	**74,090**	37,591
Receipts in advance		**486,202**	172,124
Amounts due to related companies	33	**5,740**	4,401
Tax payable		**5,322**	4,436
Interest-bearing bank loans	36	**119,797**	139,690
Interest-bearing loans from an immediate holding company	35	**–**	10,000
Interest-bearing loans from a related company	34	**65,000**	–
		756,151	369,561
Net current assets		**133,693**	249,121
Total assets less current liabilities		**1,379,455**	1,211,217

	Notes	**2012**	2011
		HK$'000	HK$'000
Less: Non-current liabilities			
Interest-bearing loans from a related company	34	**240,000**	135,000
Interest-bearing loans from an immediate holding company	35	**215,000**	205,000
Deferred taxation	37	**151,813**	140,341
		606,813	480,341
Net assets		**772,642**	730,876
Capital and reserves			
Share capital	38	**76,915**	76,915
Reserves	40(a)	**530,477**	499,327
Equity attributable to owners of the Company		**607,392**	576,242
Non-controlling interests		**165,250**	154,634
Total equity		**772,642**	730,876

Approved by the Board of Directors on 20 June 2012 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Cheung Wai Kai
Director

The accompanying notes form an integral part of these consolidated financial statements.

Statement of Financial Position

at 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current asset			
Interests in subsidiaries	23	**–**	–
Current assets			
Prepayments, deposits and other receivables		**834**	1,767
Amounts due from subsidiaries	23	**1,045,866**	891,438
Time deposits		**7,568**	8,466
Cash and bank balances		**3,361**	794
		1,057,629	902,465
Less: Current liabilities			
Accruals and other payables		**33,143**	16,402
Amounts due to subsidiaries	23	**21,177**	10,454
Interest-bearing loans from an immediate holding company	35	**–**	10,000
Interest-bearing loans from a related company	34	**65,000**	–
		119,320	36,856
Net current assets		**938,309**	865,609
Total assets less current liabilities		**938,309**	865,609
Less: Non-current liabilities			
Interest-bearing loans from a related company	34	**240,000**	135,000
Interest-bearing loans from an immediate holding company	35	**215,000**	205,000
		455,000	340,000
Net assets		**483,309**	525,609
Capital and reserves			
Share capital	38	**76,915**	76,915
Reserves	40(b)	**406,394**	448,694
Total equity		**483,309**	525,609

Approved by the Board of Directors on 20 June 2012 and signed on its behalf by:

Chan Chun Hong, Thomas
Director

Cheung Wai Kai
Director

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 March 2012

	Share capital HK$'000	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Available-for-sale financial assets revaluation reserve HK$'000	Other reserve (Note) HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2010	76,915	647,146	21,627	55,855	–	(235,814)	565,729	145,839	711,568
Profit for the year	–	–	–	–	–	41,818	41,818	8,760	50,578
Other comprehensive income/(loss) for the year	–	–	24,550	(55,855)	–	–	(31,305)	35	(31,270)
Total comprehensive income/(loss) for the year	–	–	24,550	(55,855)	–	41,818	10,513	8,795	19,308
At 31 March 2011 and 1 April 2011	76,915	647,146	46,177	–	–	(193,996)	576,242	154,634	730,876
Profit for the year	–	–	–	–	–	3,790	3,790	9,807	13,597
Other comprehensive income for the year	–	–	31,600	–	–	–	31,600	809	32,409
Total comprehensive income for the year	–	–	31,600	–	–	3,790	35,390	10,616	46,006
Share of other reserve in an associate	–	–	–	–	(4,240)	–	(4,240)	–	(4,240)
At 31 March 2012	**76,915**	**647,146**	**77,777**	**–**	**(4,240)**	**(190,206)**	**607,392**	**165,250**	**772,642**

Note:

Other reserve represents the share of the changes in the associate's ownership interests in its subsidiaries that do not result in loss of control during the year.

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**26,696**	65,224
Adjustments for:			
Depreciation of property, plant and equipment	7	**1,241**	1,207
Amortisation of concession rights	7	**261**	261
Net loss on disposal of property, plant and equipment	7	**12**	267
Share of results of an associate	22	**(74,677)**	–
Interest income	6	**(1,129)**	(220)
Dividend income	6	**(667)**	(135)
Finance costs	9	**37,230**	26,363
Net loss on financial assets at fair value through profit or loss	8	**22,829**	1,504
Net gain on disposal of available-for-sale financial assets		**–**	(35,008)
Reversal of impairment of prepaid lease payments		**–**	(84,429)
Impairment of available-for-sale financial assets		**9,827**	20,403
Changes in fair value of plantation assets less costs to sell	19	**(38,243)**	(37,768)
Operating loss before working capital changes		**(16,620)**	(42,331)
Increase in inventories		**(21)**	–
Decrease in stock of properties		**145,811**	–
(Increase)/decrease in trade receivables		**(1)**	27
Increase in prepayments, deposits and other receivables		**(21,753)**	(29,857)
(Decrease)/increase in trade payables		**(1,319)**	1,028
Increase in deposits received, accruals and other payables		**20,150**	2,365
Increase in receipts in advance		**307,417**	172,124
Increase in amounts due to related companies		**1,339**	2,091
Cash generated from operations		**435,003**	105,447
The People's Republic of China enterprise income tax paid		**(1,490)**	–
Hong Kong profits tax refunded/(paid)		**154**	(352)
Net cash generated from operating activities		**433,667**	105,095

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,129**	220
Dividend received		**667**	135
Purchase of property, plant and equipment		**(2,329)**	(2,985)
Property under development paid		**(361,763)**	(183,878)
Investment in an associate	22	**(134,936)**	–
Proceeds from disposal of property, plant and equipment		**–**	344
Proceeds from disposal of available-for-sale financial assets		**–**	39,537
Purchase of financial assets at fair value through profit or loss		**–**	(20,537)
Proceeds from disposal of financial assets at fair value through profit or loss		**–**	3,730
Net cash used in investing activities		**(497,232)**	(163,434)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(28,955)**	(23,987)
Interest-bearing loans from a related company		**170,000**	–
Interest-bearing bank loans		**–**	142,625
Interest-bearing loan from an immediate holding company		**–**	15,000
Repayment of interest-bearing bank loans		**(24,947)**	(2,935)
Net cash generated from financing activities		**116,098**	130,703
Net increase in cash and cash equivalents		**52,533**	72,364
Cash and cash equivalents at the beginning of the year		**156,701**	82,636
Effects of exchange rate changes on the balance of cash held in foreign currencies		**5,720**	1,701
Cash and cash equivalents at the end of the year		**214,954**	156,701
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**207,013**	139,431
Time deposits		**7,941**	17,270
		214,954	156,701

The accompanying notes form an integral part of these consolidated financial statements.

1. CORPORATE INFORMATION

PNG Resources Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal place of business of the Company in Hong Kong is located at 5th Floor, Wai Yuen Tong Medicine Building, 9 Wang Kwong Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the forestry and logging operations, the property development business and the sale of fresh pork meat and related produce.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and applicable disclosure requirements of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). These consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 3 to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and revised HKFRSs

In the current year, the Group has applied for the first time, the following new and revised standards, amendments and interpretations (the "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 April 2011.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new HKFRSs had no material effect on the results and financial positions of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new HKFRSs that have been issued but are not yet effective.

HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities[5]
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	Government Loans[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
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]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and revised HKFRSs *(continued)*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

HKFRS 9 will be effective from 1 January 2015, with earlier application permitted.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level continuing exposure in the asset. The amendments also require disclosures when transfers of financial assets are not evenly distributed throughout the period.

HKFRS 7 will be effective from 1 July 2011, with earlier application permitted.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and revised HKFRSs *(continued)*

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

HKFRS 12 is a standard for disclosure and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These three standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these standards are applied early with HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011) at the same time

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 will be effective for the annual periods beginning on or after 1 January 2013, with earlier application permitted.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Application of new and revised HKFRSs *(continued)*

A summary of significant accounting policies adopted by the Group in the preparation of the consolidated financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost convention except for plantation assets, available-for-sale financial assets and financial assets at fair value through profit or loss which have been carried at fair value as explained below.

The consolidated financial statements are presented in HK$ which is the same as the functional currency of the Company.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) for the year ended 31 March 2012. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries *(continued)*

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

Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

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

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

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

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Interest in associates

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business or jointly-controlled entity at the date of the acquisition. Such goodwill is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

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

Plantation assets

Plantation assets comprise forest timber in Papua New Guinea. Plantation assets are stated at fair value less costs to sell at the end of each reporting period and the gain or loss from changes in the fair value less costs to sell of the plantation assets is recognised in the period in which it arises. Costs to sell include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

The fair value of plantation assets is determined independently by professional valuers.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the assets to its location and working condition for its intended use. Expenses incurred after item of property, plant and equipment have been put into operation, such as repair and maintenance, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situation where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that assets or as a replacement.

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 lives and after taking into account their estimated residual values. The principal annual rates used for this purpose are as follows:

Furniture, fixtures and equipment	10-33$^1/_3$%
Leasehold improvements	Over the lease terms
Motor vehicles	10-33$^1/_3$%
Machineries	20-33$^1/_3$%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

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 depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment 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 consolidated statement of comprehensive income in the year the asset is derecognised is the difference between the net proceeds and the carrying amount of the relevant assets.

Construction in progress represents the direct costs of construction incurred of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until such time the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Properties under development

Properties under development are classified as non-current assets when the construction of the relevant properties commences and the construction period of relevant property development project is expected to complete beyond normal operating cycle.

Development cost of properties under development comprise leasehold land, construction costs and interest costs capitalised for qualifying assets and professional fees incurred during the development period, less any write downs to net realisable value.

The leasehold land and buildings are in the course of development, the leasehold land component is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of properties under development.

When the construction of relevant property development project is expected to complete within one year, the properties under development are transferred to stock of properties.

Interest in leasehold land

Interest in leasehold land represents prepaid lease payment made for leasehold land. Interest in leasehold land is stated at cost less subsequent accumulated amortisation and any accumulated impairment losses. The cost of interest in leasehold land are amortised on a straight-line basis over the shorter of relevant interest in leasehold land or the operation period of the relevant company.

Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets (other than goodwill) *(continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Stock of properties

Stock of properties comprise of properties under development and completed properties held for sale, which are held for trading is stated at the lower of cost and net realisable value. On completion, the properties under development are transferred to completed properties held for sale.

Net realisable value is determined by reference to sale proceeds of properties sold in the ordinary course of business less applicable variable selling expenses, or by management estimates based on the prevailing market condition.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

The Group's financial assets are classified into the following specified categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS") financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

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

Loans and receivables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

AFS financial assets

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

AFS financial assets are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve until the financial asset is disposed of or determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

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

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

Other financial liabilities (including trade payables, accruals and other payables, amounts due to related companies, interest bearing bank loans, interest-bearing loans from an immediate holding company, interest bearing loans from a related company and amounts due to subsidiaries) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all cost of purchase and, where applicable, other cost those has been incurred in bringing the inventories to their present location and condition, is determined on a first-in-first-out basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

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 which are readily convertible into known amounts of cash and which 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 consolidated statement of financial position, cash and bank balances comprise cash on hand and at banks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Provisions and contingent liabilities

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.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Income tax

Income tax for the year comprises current tax and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income or in equity if it relates to items that are recognised in the same or a different period 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.

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:

- where the deferred tax liability arises from goodwill or 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 interests in joint ventures, where 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, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where 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 interests in joint ventures, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

- 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.

- dividend income from investments is recognised when the shareholder's right to receive payment has been established.

- revenue from sale of completed properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included in the consolidated statement of financial position as receipt in advance under current liabilities.

Leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. No accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward as the amount is immaterial.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the 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 consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Share options scheme

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting periods, taking into account the probability that the options will vest.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Share options scheme *(continued)*

During the vesting periods, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the consolidated statement of comprehensive income for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to achieving conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

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

Other borrowing costs are expensed in the consolidated statement of comprehensive income in the period in which they are incurred.

Related parties transactions

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

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

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

(b) has significant influence over the Group; or

(c) is a member of the key management personnel of the Group or of a parent of the reporting entity.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties transactions *(continued)*

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

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

(g) A person identified in (i)(a) 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).

Close family members of an individual are those family members who may be expected to influence, or be inflecting by, that person in their dealings with the entity.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Current assets and current liabilities

Current assets are expected to be realised within twelve months of the date of the reporting period or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the date of the reporting period or in the normal course of the Group's operating cycle.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

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

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

Concession rights

Forest concession rights are stated at fair value at the date of acquisition. Thereafter, they are subject to amortisation and impairment losses. Concession rights give the Group rights to harvest and plant trees in the allocated concession forests in designated areas in Papua New Guinea.

Amortisation is calculated on straight-line basis to write off the cost over its contractual useful lives of 50 years.

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

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

Financial guarantee contracts

Financial guarantee liabilities are recognised in respect of the financial guarantee provided by the Group to the banks for property purchasers and to certain subsidiaries of the Company.

Financial guarantee liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the issue of the financial guarantee liabilities. After initial recognition, such liabilities are measured at the higher of the present value of the best estimate of the expenditure required to settle the present obligation and the amount initially recognised less cumulative amortisation of fees recognized in accordance with HKAS18.

Financial guarantee liabilities are derecognised from the consolidated statement of financial position when, and only when, the obligation specified in the contract is discharged or cancelled or expired.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The estimates and assumptions that have a significant risk in causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income tax

The Group is subject to income taxes in Hong Kong, mainland China and Papua New Guinea. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Impairment of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid. The Group tests annually whether the assets have suffered any impairment. The recoverable amount of an asset or a cash-generating unit is determined based on value in use calculations which require the use of assumptions and estimates.

Impairment of trade receivables

The aged debt profile of trade debtors is reviewed on a regular basis to ensure that the trade debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However from time to time, the Group may experience delays in collection. Where recoverability of trade debtor balances are called into doubts, specific provisions for trade receivable are made based on credit status of the customers, the aged analysis of the trade receivable balances and write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivable to the consolidated statement of comprehensive income. Changes in the collectability of trade receivables for which provision are not made could affect the results of operations.

Fair value of other financial instruments

The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are primarily based on market conditions existing at the end of each reporting period.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Fair value of plantation assets

The Group's plantation assets are valued at fair value less costs to sell. In determining the fair value of the plantation assets, the professional valuers have applied the net present value approach which requires a number of key assumptions and estimates to be made such as discount rate, log price, harvest profile, plantation costs, growth, harvesting and establishment. Any change in the estimates may affect the fair value of the plantation assets significantly. The professional valuers and management review the assumptions and estimates periodically to identify any significant change in the fair value of plantation assets.

Impairment of concession rights

The Group reviews the carrying amounts of the concession rights at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, the Group prepares discounted future cash flow to assess the differences between the carrying amounts and value in use and provide for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of the impairment loss and affect the Group's net profit and net asset value in future years.

Estimates for net realisable value of properties under development and properties held for sale

The Group assesses the carrying amounts of properties under development and properties held for sale according to their net realisable value based on the reliability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land cost). Net realisable value for properties held for sale is determined by reference to management's estimates of the selling price based on prevailing market condition, less applicable variable selling expenses. Based on management's best estimates, there is no material impairment for properties under development and properties held for sale at 31 March 2012.

PRC land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

The Group is subject to land appreciation taxes in the PRC. However, the implementation and settlement of these taxes varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised its land appreciation taxes calculation and payments with any local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount of the land appreciation taxes. The Group recognised these land appreciation taxes based on management's best estimates according to the interpretation of the tax rules. The final tax outcome could be different from the amounts that were initially recorded, and these differences will impact the income tax expense and tax provisions in the periods in which such taxes have been finalised with local tax authorities.

Revenue recognition

The Group has recognised revenue from the sale of stock of properties as disclosed in Note 6 to the consolidated financial statements. The assessment of when an entity has transferred the significant risks and rewards of ownership to buyers requires the examination of the circumstances of the transaction. In most cases, the transfer of risks and rewards of ownership coincides with the date when the equitable interest in the property vests with the buyer upon release of the respective property to the buyer.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Revenue recognition *(continued)*

As disclosed in Note 45 to the consolidated financial statements, the Group provided guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. These guarantees will normally be discharged upon issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties. In order to obtain mortgages, the purchasers would have settled no less than 30% of the total contract amount in accordance with related PRC regulations upon signing the sales contract. The directors of the Company are of the opinion that such settlements provide sufficient evidence of the purchasers' commitment to honour contractual obligation of the bank loans. Accordingly, the directors believe that significant risks and rewards associated to the ownership of the properties have been transferred to the purchasers.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The Group

	2012	2011
	HK$'000	HK$'000
Financial assets:		
Fair value through profit or loss		
– Held for trading	**15,951**	38,780
Available-for-sale financial assets	**–**	10,399
Loans and receivables (including cash and cash equivalents)	**223,628**	167,853
Financial liabilities:		
Amortised cost	**719,477**	532,734

The Company

	2012	2011
	HK$'000	HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**1,057,135**	901,973
Financial liabilities:		
Amortised cost	**574,320**	376,856

(b) Financial risk management objectives and policies

The main risks arising from the Group's financial instruments are market risk (including interest rate risk, foreign exchange risk and other price risk), credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Market risk exposures are measured by sensitivity analysis.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

Interest rate risk management

The Group's interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Group's cash flow interest rate risk relates primarily to floating rate bank loans. It is the Group's policy to keep its bank borrowings at floating rate of interest so as to minimise the fair value interest rate risk. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's Hong Kong dollars denominated borrowings and prevailing market rates quoted by the People's Bank of China arising from the Group's Renminbi denominated borrowings.

Sensitivity analysis on floating rate bank loans

The sensitivity analysis below have been determined based on the exposure to interest rates for floating rate bank balances and borrowings at the end of the reporting period. The analysis is prepared assuming the bank balances and borrowings outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- net profit for the year ended 31 March 2012 would decrease/increase by approximately HK$465,000 (2011: decrease/increase by approximately HK$56,000). This is mainly attributable to the Group's exposure to interest rates on its floating rate bank balances and borrowings.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Foreign exchange risk management

The Group operates in Hong Kong, mainland China and Papua New Guinea and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US dollars, Renminbi and Kina. Foreign exchange risk arises from the foreign currency denomination of commercial transactions, assets and liabilities. The Group has no significant direct exposure to foreign currencies as most of the commercial transactions, assets and liabilities are denominated in a currency same as the functional currency of each entity of the Group.

Other price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in sales of printing products, artists management, production and distribution of music albums and movies, provision of health care services, trading of health care products and development, production and sale of silicon based thin-film solar photovoltaic modules in The Stock Exchange of Hong Kong Limited.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Other price risk *(continued)*

Sensitivity analysis on other price risk

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of the reporting period. For sensitivity analysis purpose, the sensitivity rate is increased to 10% in the current year as a result of the volatile financial market.

If equity prices had been 10% higher/lower:

- net profit for the year ended 31 March 2012 would increase/decrease by approximately HK$1,595,000 (2011: approximately HK$3,878,000). This is mainly due to the changes in fair value of held-for-trading investments; and

- no effect on other equity reserves (2011: increase/decrease by approximately HK$1,040,000) as a result of the changes in fair value of AFS investments.

The Group is also exposed to financial risks arising from changes in timber prices, which are constantly affected by both demand and supply cycles of the timber industry. As a result, the movements of the prices would have significant impact on the Group's earnings and valuation of plantations assets as well as cash flows and liquidity. There can be no assurance that the Group will be fully shielded from negative effects resulting from cyclical movements of timber prices.

Credit risk

As at 31 March 2012, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs period credit evaluations of its customers. In addition, the Group reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group's liquidity risk management includes diversifying the funding sources. Internally generated cash flow, interest-bearing loans from a related company, interest-bearing loans from an immediate holding company and interest-bearing bank loans during the year are the general source of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities which are included in the maturity analysis provided internally to the key management personnel for the purpose of managing liquidity risk. For non-derivative financial liabilities, the table reflects the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

The Group

At 31 March 2012

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	–	(73,940)	–	(73,940)	(73,940)
Amounts due to related companies	–	(5,740)	–	(5,740)	(5,740)
Interest-bearing loans from a related company	8.00	(69,297)	(288,181)	(357,478)	(305,000)
Interest-bearing loans from an immediate holding company	8.00	(12,365)	(232,968)	(245,333)	(215,000)
Interest-bearing bank loans	5.91	(119,797)	–	(119,797)	(119,797)
		(281,139)	(521,149)	(802,288)	(719,477)

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

At 31 March 2011

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities					
Trade and other payables	–	(38,643)	–	(38,643)	(38,643)
Amounts due to related companies	–	(4,401)	–	(4,401)	(4,401)
Interest-bearing loans from a related company	7.95	(827)	(164,010)	(164,837)	(135,000)
Interest-bearing loans from an immediate holding company	8.00	(23,137)	(240,128)	(263,265)	(215,000)
Interest-bearing bank loans	5.63	(139,690)	–	(139,690)	(139,690)
		(206,698)	(404,138)	(610,836)	(532,734)

The Company

At 31 March 2012

	Weighted average effective interest rate %	**Within 1 year HK$'000**	**2 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Non-derivative financial liabilities					
Other payables	–	**(33,143)**	–	**(33,143)**	**(33,143)**
Amounts due to subsidiaries	–	**(21,177)**	–	**(21,177)**	**(21,177)**
Interest-bearing loans from a related company	**8.00**	**(69,297)**	**(288,181)**	**(357,478)**	**(305,000)**
Interest-bearing loans from an immediate holding company	**8.00**	**(12,365)**	**(232,968)**	**(245,333)**	**(215,000)**
		(135,982)	**(521,149)**	**(657,131)**	**(574,320)**

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

At 31 March 2011

	Weighted average effective interest rate %	Within 1 year HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Non-derivative financial liabilities					
Other payables	–	(16,402)	–	(16,402)	(16,402)
Amounts due to subsidiaries	–	(10,454)	–	(10,454)	(10,454)
Interest-bearing loans from a related company	7.95	(827)	(164,010)	(164,837)	(135,000)
Interest-bearing loans from an immediate holding company	8.00	(23,137)	(240,128)	(263,265)	(215,000)
		(50,820)	(404,138)	(454,958)	(376,856)

Other then those mentioned above, the Group has arranged bank financing for certain purchasers of property units and provided guarantees to secure obligations of such purchasers for repayments. Detailed disclosure of these guarantees is made in Note 45 to the consolidated financial statements.

(c) Fair value of financial instruments

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

(i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid and ask prices respectively;

(ii) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models (e.g. discounted cash flow analysis using observable and/or unobservable inputs); and

(iii) the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(c) Fair value of financial instruments *(continued)*

- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 March 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial assets				
Fair value through profit or loss				
Held for trading				
– listed equity securities	**12,514**	**–**	**–**	**12,514**
– unlisted bond fund	**3,437**	**–**	**–**	**3,437**
Total	**15,951**	**–**	**–**	**15,951**

	31 March 2011			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading				
– listed equity securities	35,423	–	–	35,423
– unlisted bond fund	3,357	–	–	3,357
Available-for-sale financial assets				
– listed equity securities	10,399	–	–	10,399
Total	49,179	–	–	49,179

There were no transfers between Level 1 and 2 in both years.

(d) Capital risk management

The Group's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt (which includes interest-bearing loans from a related company, interest-bearing loans from an immediate holding company and interest-bearing bank loans) and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated losses.

4. FINANCIAL INSTRUMENTS AND CAPITAL RISK MANAGEMENT *(continued)*

(d) Capital risk management *(continued)*

Gearing ratio

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The ratio is calculated based on net debt and total equity. The increase in gearing ratio was due to increase in the borrowing of interest-bearing loans from a related party during the year.

The gearing ratio at the end of the reporting period was as follows:

	2012	2011
	HK$'000	HK$'000
Total debt #	**639,797**	489,690
Less: Time deposits	**(7,941)**	(17,270)
Cash and bank balances	**(207,013)**	(139,431)
Net debt	**424,843**	332,989
Total equity	**772,642**	730,876
Gearing ratio	**54.99%**	45.56%

\# Total debt comprises interest-bearing loans from a related company, interest-bearing loans from an immediate holding company and interest-bearing bank loans, as detailed in Notes 34, 35 and 36 to the consolidated financial statements respectively.

5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group operating and reportable segment under HKFRS 8 are therefore as follows:

– Forestry and logging operation

– Sales of fresh pork meat and related produce operation

– Property development operation

5. SEGMENT INFORMATION *(continued)*

Segment revenue and results

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

2012

	Forestry and logging operation HK$'000	Sales of fresh pork meat and related produce operation HK$'000	Property development operation HK$'000	Total HK$'000
Segment revenue	**–**	**67,671**	**205,868**	**273,539**
Segment results	**28,793**	**1,459**	**319**	**30,571**
Unallocated interest income and gains				**981**
Corporate and other unallocated expenses				**(9,647)**
Finance costs				**(37,230)**
Net loss on financial assets at fair value through profit or loss				**(22,829)**
Share of results of an associate				**74,677**
Impairment of available-for-sale financial assets				**(9,827)**
Profit before taxation				**26,696**

2011

	Forestry and logging operation HK$'000	Sales of fresh pork meat and related produce operation HK$'000	Property development operation HK$'000	Total HK$'000
Segment revenue	583	63,982	–	64,565
Segment results	28,195	(484)	63,238	90,949
Unallocated interest income and gains				324
Corporate and other unallocated expenses				(12,787)
Finance costs				(26,363)
Net loss on financial assets at fair value through profit or loss				(1,504)
Net gain on disposal of available-for-sale financial assets				35,008
Impairment of available-for-sale financial assets				(20,403)
Profit before taxation				65,224

5. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the year (2011: Nil).

Segment profit represents the profit earned by each segment without allocation of corporate expenses including directors' salaries, finance costs, impairment of available-for-sale financial assets, share of results of an associate, net loss on financial assets at fair value through profit or loss and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

	2012	2011
	HK$'000	HK$'000
Segment assets		
Forestry and logging	**514,717**	472,771
Sale of fresh pork meat and related produce	**5,100**	4,179
Property development	**1,371,864**	1,033,107
Total segment assets	**1,891,681**	1,510,057
Unallocated	**243,925**	70,721
Consolidated assets	**2,135,606**	1,580,778
Segment liabilities		
Forestry and logging	**16,594**	16,248
Sale of fresh pork meat and related produce	**6,503**	12,544
Property development	**630,529**	310,107
Total segment liabilities	**653,626**	338,899
Unallocated	**709,338**	511,003
Consolidated liabilities	**1,362,964**	849,902

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

- all assets are allocated to reportable segments other than interest in an associate, available-for-sale financial assets, financial assets at fair value through profit or loss and other financial assets.

- all liabilities are allocated to reportable segments other than interest-bearing loans from a related company, interest-bearing loans from an immediate holding company, other financial liabilities and deferred tax liabilities.

5. SEGMENT INFORMATION *(continued)*

Other segment information

	Depreciation and amortisation Year ended		Additions to non-current assets As at	
	31 March 2012 HK$'000	31 March 2011 HK$'000	**31 March 2012 HK$'000**	31 March 2011 HK$'000
Forestry and logging	**388**	344	**39,453**	38,917
Sales of fresh pork meat and related produce	**382**	544	**85**	471
Property development	**717**	571	**371,229**	188,765
	1,487	1,459	**410,767**	228,153

Reversal of impairment of prepaid lease payments of approximately HK$84,429,000 was recognised for the year ended 31 March 2011. This reversal of impairment was attributable to property development operation segment.

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	2012 HK$'000	2011 HK$'000
Segment revenue		
Forestry and logging	**–**	583
Sale of fresh pork meat and related produce	**67,671**	63,982
Property development	**205,868**	–
	273,539	64,565

Geographical information

The Group operates in three principal geographical areas – mainland China, Hong Kong and Papua New Guinea.

5. SEGMENT INFORMATION *(continued)*

Geographical information *(continued)*

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

	Revenue from external customers Year ended		Non-current assets* As at	
	31 March 2012 HK$'000	31 March 2011 HK$'000	**31 March 2012 HK$'000**	31 March 2011 HK$'000
Mainland China	**205,868**	–	**523,436**	482,182
Hong Kong	**67,671**	63,982	**971**	833
Papua New Guinea	**–**	583	**508,043**	468,682
	273,539	64,565	**1,032,450**	951,697

* Non-current assets excluding available-for-sale financial assets and interest in an associate.

Information about major customers

During the years ended 31 March 2012 and 2011, no single customer of the Group contributed 10% or more to the Group's revenue.

6. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of fresh pork meat and related produce, and agricultural produce and stock of properties sold, after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and other revenue for the year is as follows:

	The Group	
	2012 HK$'000	2011 HK$'000
Turnover		
Sale of fresh pork meat and related produce	**67,671**	63,982
Sale of agricultural produce	**–**	583
Sale of stock of properties	**205,868**	–
	273,539	64,565
Other revenue		
Interest income on bank deposits	**1,129**	220
Dividends from equity securities	**667**	135
Rental income	**–**	2,270
Sundry income	**877**	1,489
	2,673	4,114

6. TURNOVER AND OTHER REVENUE *(continued)*

Other revenue from financial assets are analysed as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Financial assets classified as held-for-trading	**667**	135
Loans and receivables (including cash and bank balances)	**1,129**	220
	1,796	355

7. PROFIT FOR THE YEAR

Operating profit is stated at after charging/(crediting):

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost of inventories sold	**42,866**	39,453
Cost of completed properties sold	**161,955**	–
Business taxes and other levies	**11,631**	–
Depreciation of owned property, plant and equipment	**1,241**	1,207
Amortisation of concession rights	**261**	261
Auditors' remuneration		
– audit services	**950**	950
– other services	**227**	24
Exchange losses	**4**	579
Minimum lease payments under operating lease for land and buildings	**7,552**	9,076
Net loss on disposal of property, plant and equipment	**12**	267
Reversal of impairment of trade receivables	**(5)**	–
Impairment of trade receivables	**–**	42
Impairment of other receivables	**–**	812

	The Group	
	2012	2011
	HK$'000	HK$'000
Salaries and other short-term employee benefits (excluding directors' remuneration – Note 10)	**23,674**	22,888
Retirement benefits scheme contributions	**1,011**	661
	24,685	23,549

8. NET LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2012	2011
	HK$'000	HK$'000
Net realised gain on financial assets at fair value through profit or loss	**–**	128
Unrealised loss on financial assets at fair value through profit or loss	**(22,829)**	(1,632)
	(22,829)	(1,504)

9. FINANCE COSTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Interest on interest-bearing loans from an immediate holding company wholly repayable within five years	**17,204**	16,766
Interest on interest-bearing bank loans wholly repayable within five years	**8,574**	3,689
Interest on interest-bearing loans from a related company wholly repayable within five years	**19,884**	9,435
	45,662	29,890
Less: Amounts capitalised in the cost of property under developments	**(8,432)**	(3,527)
	37,230	26,363

The weighted average capitalisation rate on funds borrowed generally is 6.82% per annum (2011: 5.88%).

10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

The remuneration of every director for the years ended 31 March 2012 and 2011 are set out below:

Name of director	Salaries and other benefits HK$'000	Director's fee HK$'000	Mandatory Provident Fund contributions HK$'000	Total HK$'000
2012:				
Executive directors				
Mr. Chan Chun Hong, Thomas	**1,482**	**–**	**12**	**1,494**
Mr. Cheung Wai Kai	**139**	**–**	**7**	**146**
Mr. Wong Yiu Hung, Gary	**2,090**	**–**	**12**	**2,102**
Independent non-executive directors				
Mr. Sin Ka Man	**–**	**140**	**–**	**140**
Mr. Yuen Kam Ho, George	**–**	**140**	**–**	**140**
Mr. Cheung Sau Wah, Joseph	**–**	**140**	**–**	**140**
	3,711	**420**	**31**	**4,162**
2011:				
Executive directors				
Mr. Chan Chun Hong, Thomas	1,425	–	12	1,437
Mr. Cheung Wai Kai	133	–	7	140
Mr. Wong Yiu Hung, Gary	2,110	–	12	2,122
Independent non-executive directors				
Mr. Sin Ka Man	–	140	–	140
Mr. Yuen Kam Ho, George	–	140	–	140
Mr. Cheung Sau Wah, Joseph	–	140	–	140
	3,668	420	31	4,119

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2011: Nil). None of the directors has waived any emoluments during the year (2011: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The aggregate emoluments of the five highest paid individuals included two (2011: two) executive directors of the Company, whose emoluments are included in Note 10 above. The aggregate emoluments of the remaining three (2011: three) highest paid individuals are as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Basic salaries and allowances	**2,600**	2,105
Retirement benefits scheme contributions	**36**	48
	2,636	2,153

The emoluments fell within the following bands:

	2012	2011
Nil to HK$1,000,000	**3**	3

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2011: Nil).

12. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The People's Republic of China (the "PRC") enterprise income tax has been provide at the rate of 25% on the estimated assessable profits arising in the PRC during the year (2011: Nil). No provision for Papua New Guinea profit tax has been made during the year as the subsidiaries operated in Papua New Guinea had no assessable profit for the year (2011: Nil).

	2012	2011
	HK$'000	HK$'000
The Group:		
Current taxation:		
– Hong Kong	**137**	3,315
– the mainland China	**1,490**	–
	1,627	3,315
Deferred tax (Note 37):		
– Plantation assets	**11,472**	11,331
Total tax charge for the year	**13,099**	14,646

12. TAXATION *(continued)*

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

2012

	Hong Kong HK$'000	%	Mainland China HK$'000 (Note 1)	%	Papua New Guinea HK$'000 (Note 2)	%	Total HK$'000	%
Profit/(loss) before taxation:	(17,014)		11,631		32,079		26,696	
Tax at the applicable income tax rate	(2,807)	(16.5%)	2,908	25.0%	9,624	30.0%	9,725	36.4%
Tax effect of income and expenses not taxable or deductible for tax purposes	(2,179)	(12.8%)	–	–	78	0.2%	(2,101)	(7.8%)
Tax effect of unrecognised temporary differences	36	0.2%	–	–	–	–	36	0.1%
Tax effect of tax losses utilised	(47)	(0.3%)	(3,689)	(31.7%)	–	–	(3,736)	(14.0%)
Tax effect of tax losses not recognised	5,134	30.2%	2,271	19.5%	1,770	5.5%	9,175	34.3%
Tax charge at the effective tax rate for the year	137	0.8%	1,490	12.8%	11,472	35.7%	13,099	49.0%

2011

	Hong Kong HK$'000	%	Mainland China HK$'000 (Note 1)	%	Papua New Guinea HK$'000 (Note 2)	%	Total HK$'000	%
Profit/(loss) before taxation:	(39,337)		73,515		31,046		65,224	
Tax at the applicable income tax rate	(6,491)	(16.5%)	18,379	25.0%	9,314	30.0%	21,202	32.5%
Tax effect of income and expenses not taxable or deductible for tax purposes	7,627	19.4%	(20,948)	(28.5%)	156	0.5%	(13,165)	(20.2%)
Tax effect of unrecognised temporary differences	148	0.4%	–	–	–	–	148	0.2%
Tax effect of tax losses not recognised	2,031	5.2%	2,569	3.5%	1,861	6.0%	6,461	9.9%
Tax charge at the effective tax rate for the year	3,315	8.5%	–	–	11,331	36.5%	14,646	22.4%

12. TAXATION *(continued)*

Notes:

1. Subsidiaries in mainland China are subject to PRC enterprise income tax at 25% for the years ended 31 March 2012 and 2011.
2. The standard Papua New Guinea profit tax rate is 30% for the years ended 31 March 2012 and 2011.

13. LOSS FOR THE YEAR

The net loss for the year dealt with in the financial statements of the Company amounted to approximately HK$42,300,000 (2011: approximately HK$34,564,000).

14. DIVIDEND

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

15. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2012	2011
	HK$'000	HK$'000
Profit		
Profit for the purpose of basic earnings per share (profit for the year attributable to the owners of the Company)	**3,790**	41,818

	2012	2011
	'000	'000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**7,691,500**	7,691,500

Diluted earnings per share for the years ended 31 March 2012 and 31 March 2011 was the same as the basic earnings per share. There was no dilutive event existed during both years.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Machineries HK$'000	Construction in progress HK$'000	Total HK$'000
Cost						
At 1 April 2010	1,327	5,801	962	243	–	8,333
Additions	1,255	151	603	60	916	2,985
Disposals	(212)	(516)	(107)	(60)	–	(895)
Exchange realignment	25	13	51	–	–	89
At 31 March 2011 and 1 April 2011	2,395	5,449	1,509	243	916	10,512
Additions	201	85	960	–	1,083	2,329
Disposals	(142)	(60)	–	–	–	(202)
Exchange realignment	66	8	145	–	223	442
At 31 March 2012	**2,520**	**5,482**	**2,614**	**243**	**2,222**	**13,081**
Accumulated depreciation and impairment						
At 1 April 2010	672	4,636	241	107	–	5,656
Charge for the year	388	432	344	43	–	1,207
Written back on disposals	(138)	(128)	(5)	(13)	–	(284)
Exchange realignment	15	9	21	–	–	45
At 31 March 2011 and 1 April 2011	937	4,949	601	137	–	6,624
Charge for the year	418	286	494	43	–	1,241
Written back on disposals	(142)	(48)	–	–	–	(190)
Exchange realignment	25	5	57	–	–	87
At 31 March 2012	**1,238**	**5,192**	**1,152**	**180**	**–**	**7,762**
Net book value						
At 31 March 2012	**1,282**	**290**	**1,462**	**63**	**2,222**	**5,319**
At 31 March 2011	1,458	500	908	106	916	3,888

17. PROPERTY UNDER DEVELOPMENT

	The Group
	HK$'000
At 1 April 2010	56,418
Additions	194,874
Transfer to stock of properties	(189,036)
Exchange realignment	1,472
At 31 March 2011 and 1 April 2011	63,728
Additions	379,309
Transfer to stock of properties	(302,798)
Exchange realignment	8,809
At 31 March 2012	**149,048**
At 31 March 2011	63,728

Analysis of property under development:

	2012	2011
	HK$'000	HK$'000
Amortisation of prepaid lease payments	**19,861**	15,964
Construction costs	**129,187**	47,764
	149,048	63,728

18. PREPAID LEASE PAYMENTS

	The Group HK$'000
Cost	
At 1 April 2010	601,461
Transfer to stock of properties	(181,293)
Exchange realignment	20,975
At 31 March 2011 and 1 April 2011	441,143
Transfer to stock of properties	(61,146)
Exchange realignment	20,728
At 31 March 2012	**400,725**
Accumulated amortisation and impairment	
At 1 April 2010	101,846
Charge for the year	7,469
Reversal of impairment of prepaid lease payments	(84,429)
Transfer to stock of properties	(7,016)
Exchange realignment	272
At 31 March 2011 and 1 April 2011	18,142
Charge for the year	9,115
Transfer to stock of properties	(6,135)
Exchange realignment	1,163
At 31 March 2012	**22,285**
Net book value	
At 31 March 2012	**378,440**
At 31 March 2011	423,001

The prepaid lease payments comprise of leasehold land situated in mainland China held under long-term leases.

Amortisation expense on prepaid lease payments of approximately HK$9,115,000 (2011: approximately HK$7,469,000) has been capitalised to properties under development for the year.

No reversal of impairment loss (2011: approximately HK$84,429,000) in respect of prepaid lease payments was recognised during the year ended 31 March 2012 by reference to the valuation report issued by Savills Valuation and Professional Services Limited, an independent qualified professional valuers at 31 March 2011 and 2012 which valued the assets on market value basis. The reversal of impairment in 2011 was due to rebound of mainland China property market.

18. PREPAID LEASE PAYMENTS *(continued)*

Analysed for reporting purposes as:

	2012 HK$'000	2011 HK$'000
Current assets (included in prepayments, deposits and other receivables)	**5,758**	6,339
Non-current assets	**372,682**	416,662
	378,440	423,001

19. PLANTATION ASSETS

	The Group	
	2012 **HK$'000**	2011 HK$'000
At the beginning of the year	**454,740**	416,972
Changes in fair value less costs to sell	**38,243**	37,768
At the end of the year	**492,983**	454,740

The Group acquired a forest concession in Papua New Guinea through acquisition of subsidiaries, which provides the Group with the right to exploit and harvest trees in approximately 238,000 hectares of forest area, the operable area is approximately 105,000 hectares and to carry out plantation activities in the concession area for 50 years.

During the years ended 31 March 2012 and 2011, the Group did not harvest any logs.

The change in fair value of plantation assets less costs to sell and other reconciling items amount reported for the years represents the net adjustments required to account for the differences between the opening and closing carrying value of plantation assets for the year ended 31 March 2011 and 2012 as estimated by the directors to the best of the information available to them concerning the extent and nature of the Group's plantation assets and with the assistance of professional valuers, as disclosed below.

The Group's plantation assets in Papua New Guinea are regarded as biological assets which are measured at fair value less costs to sell at the end of each reporting period in accordance with HKAS 41 *Agriculture*. These assets were independently valued by ATA Marie Group Limited ("Ata Marie") (2011: PT Pöyry Forest Industry Pte) as at 31 March 2012.

Ata Marie has applied the net present value approach which requires a number of key assumptions and estimates in determining the fair value of the plantation assets. Ata Marie and directors of the Company review these assumptions and estimates periodically to identify any significant change in the fair value.

During the year ended 31 March 2012, the professional valuers and the Group revised the estimated yield of the plantation assets based on the recent harvest information and latest forest survey data. The revision in estimated yield results in an estimated higher woodflow from the plantation assets in future periods and an increase in the fair value of plantation assets as at 31 March 2012 of approximately HK$38,243,000 (2011: approximately HK$37,768,000).

19. PLANTATION ASSETS *(continued)*

The Group's plantation assets in Papua New Guinea were independently valued by Ata Marie. Ata Marie is a specialist forest consulting firm. In view of the non-availability of market value for trees in Papua New Guinea, Ata Marie has applied the net present value approach whereby projected future net cash flows, based on its assessment of current timber log prices, were discounted at the rate of 14% (2011: 14%) plantation assets for the year applied to pre-tax cash flows to provide a current market value of the plantation assets.

The principal valuation methodology and assumptions adopted are as follows:

– stands are scheduled to be harvested at or near their optimum economic age;

– the cash flows are those arising from the current rotation of trees only. No account was taken of revenues or costs from re-establishment following harvest, or of land not yet planted;

– the cash flows do not take into account income taxation and finance costs;

– the cash flows have been prepared in real terms and have not therefore included inflationary effects;

– the impact of any planned future activity of the business that may impact the pricing of the logs harvested from the forest is not take into account;

– costs are current average costs. No allowance has been made for cost improvements in future operations;

– prices have been determined from independent market information;

– the logs are free from encumbrances, restrictions and outgoings of an onerous nature which could affect its value; and

– the factors of natural defects in the wood such as physical defects, rots and directions of grains have been allowed for reasonable recovery rate for the valuation.

Pursuant to the sale and purchase agreement of Skywalker Global Resources Company Limited ("Skywalker") during the year ended 31 March 2010, the Group was granted options to require the vendors to buy back the shares in Skywalker at the consideration paid plus an amount representing interest at the rate of 5% per annum if certain conditions are satisfied. The options will expire on or before 28 February 2014.

Natural risk

The Group's revenue depends significantly on the ability to harvest timber at adequate levels. The ability to harvest timber and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting, or otherwise impede the Group's timber logging operations or the growth of the trees in the forests.

20. CONCESSION RIGHTS

The Group acquired concession rights to the forest located in Papua New Guinea through acquisition of the subsidiaries for a period of 50 years. The amortisation charge is included in cost of sales in the consolidated statement of comprehensive income.

	The Group
	HK$'000
Cost	
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	**13,063**
Accumulated amortisation	
At 1 April 2010	123
Charge for the year	261
At 31 March 2011 and 1 April 2011	384
Charge for the year	261
At 31 March 2012	**645**
Net book value	
At 31 March 2012	**12,418**
At 31 March 2011	12,679

21. GOODWILL

	The Group
	HK$'000
Cost	
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	6,966
Impairment	
At 1 April 2010, 31 March 2011, 1 April 2011 and 31 March 2012	(6,966)
Net book value	
At 31 March 2012	**–**
At 31 March 2011	–

For the purpose of impairment testing, goodwill has been allocated to the cash-generating units: sales of fresh pork meat and related produce unit and property development unit. In prior years, impairment losses on goodwill of approximately HK$6,567,000 and HK$399,000 on sales of fresh pork meat and related produce unit and property development unit have been made respectively.

22. INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	HK$'000	HK$'000
Cost of investment in an associate		
– listed in Hong Kong	**135,508**	–
Share of results	**74,677**	–
Share of other comprehensive income	**7,367**	–
Share of other reserve	**(4,240)**	–
	213,312	–

In June 2011, China Agri-Products Exchange Limited ("CAP"), whose shares are listed on The Stock Exchange of Hong Kong Limited (stock code 149) and in which the Group had shareholding interests (classified as available-for-sale financial assets), proposed a rights issue on the basis of thirty CAP rights shares for every one CAP share. The Group has subscribed for 78,979,524 CAP rights shares to which it was entitled pursuant to the terms of CAP rights issue; and, by way of excess application, subscribed for an additional 613,000,000 CAP rights shares. The total consideration amounted to approximately HK$134,936,000 and the transaction was completed in September 2011. As a result, the Group's interests in CAP has increased from approximately 3.32% to 28.22%, which became an associate of the Group.

Details of the Group's associate which is held indirectly by the Company at 31 March 2012 are as follows:

Name of associate	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held	Proportion of voting power held	Principal activities
CAP	Limited company	Bermuda	HK and the PRC	Ordinary	28.22%	28.22%	Property rental and sale

The financial year end date for CAP is 31 December. For the purpose of applying the equity method of accounting, the consolidated financial statements of CAP for the year ended 31 December 2011 have been used.

Included in share of results of an associate of HK$74,677,000, amount of approximately HK$20,440,000 is the gain on acquisition of an associate which is calculated as is the excess of the Group's share of the estimated net asset value of CAP's identifiable assets and liabilities over the cost of investment.

22. INTEREST IN AN ASSOCIATE *(continued)*

The summarised financial information in respect of the Group's interest in associates is set out below:

	2012	2011
	HK$'000	HK$'000
Revenue for the period	**135,868**	–
Profit for the period attributable to the owners of the associate	**192,161**	–
Profit attributable to the Group	**74,677**	–
Other comprehensive income attributable to the Group	**7,367**	–
Total assets	**2,927,943**	–
Total liabilities	**(1,892,592)**	–
Net assets	**1,035,351**	–
Non-controlling interests	**(279,594)**	–
Total equity attributable to the owners of the associate	**755,757**	–
Net assets attributable to the Group	**213,312**	–
Market value of interest in an associate	**368,144**	–

23. INTERESTS IN SUBSIDIARIES

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at costs	**–**	–
Amounts due from subsidiaries	**1,045,866**	891,438
Amounts due to subsidiaries	**21,177**	10,454

23. INTERESTS IN SUBSIDIARIES *(continued)*

The amounts due from/(to) subsidiaries included in the Company's current assets and current liabilities are unsecured, interest-free and recoverable/repayable on demand.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation and operation	Nominal value of issued share capital/paid up registered capital	Percentage of equity and voting power attributable to the Company	Principal activities
Directly held				
Loyal Fame International Limited	BVI	US$1	100%	Investment holding
Indirectly held				
Billion Trader Investments Limited	BVI	US$1	100%	Securities investment
Fuzhou Wang On Property Development Co., Limited	PRC	RMB371,119,590	100%	Property development
Golden Maker Investment Limited	Hong Kong	HK$10,000	100%	Investment holding
Golden Maker (Dongguan) Property Development Co., Limited	PRC	RMB182,989,970	100%	Property development
Greatest Wealth Limited	Hong Kong	HK$100	100%	Operation of retail stalls selling fresh pork meat and related produce
Imopil Limited	Papua New Guinea	Kina 200	100%	Timber logging, forest operation and management
PNG Resources Corporate Management Services Limited	Hong Kong	HK$1	100%	Provision of administrative services
Onger Investments Limited	BVI	US$1	100%	Investment

23. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation and operation	Nominal value of issued share capital/paid up registered capital	Percentage of equity and voting power attributable to the Company	Principal activities
Skywalker Global Resources Company Limited	Hong Kong	HK$2,800,000	51%	Investment holding
Skywalker Global Resources Company (PNG) Limited	Papua New Guinea	Kina100	51%	Forestry business
Vast Time Limited	Hong Kong	HK$1,000	100%	Investment holding

None of the subsidiaries issued debt securities during the year or at the year end.

The above table lists the subsidiaries of the Group, which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive lengths.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group	
	2012	2011
	HK$'000	HK$'000
Equity securities listed in Hong Kong	**–**	10,399

The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

25. STOCK OF PROPERTIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Completed properties	**54,733**	–
Properties under development	**520,578**	363,313
	575,311	363,313

At 31 March 2012, approximately HK$302,798,000 and HK$55,011,000 (2011: approximately HK$189,036,000 and HK$174,277,000) was transferred from property under development and prepaid lease payments respectively because the property under development was scheduled to be completed in the coming twelve months.

26. INVENTORIES

	The Group	
	2012	2011
	HK$'000	HK$'000
Fresh pork meat and related produce	**200**	179

27. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit terms are generally for a period of 30 days for sales of fresh pork meat and related produce operation segment. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. No trade receivable is past due at the reporting date. The Group does not hold any collateral over these balances.

	The Group	
	2012	2011
	HK$'000	HK$'000
Trade receivables	**57**	61
Less: Impairment loss	**(37)**	(42)
	20	19

The aged analysis of the trade receivables as at the end of the reporting period, based on invoice date, net of impairment is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 30 days	**20**	19

Movements of impairment loss on trade receivables:

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**42**	–
Impairment loss (reversed)/recognised	**(5)**	42
At the end of the year	**37**	42

As at 31 March 2012, the Group's trade receivables of approximately HK$37,000 (2011: approximately HK$42,000) were individually determined to be impaired. The individual impaired receivables related to customers that were in financial difficulties and directors assessed that the receivables were not expected to be recovered. The impairment loss has been included in the administrative expenses in the consolidated statement of comprehensive income for the year ended 31 March 2011.

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Rental and other deposits (Note i)	**6,284**	2,809
Other prepayments and other receivables (Note ii)	**26,492**	14,221
Prepayments for the PRC taxes	**41,155**	15,402
Prepayments for construction	**4,531**	21,731
Prepaid lease payments	**5,758**	6,339
	84,220	60,502
Less: Impairment loss	**(812)**	(812)
	83,408	59,690

Movements of impairment loss recognised on other receivables:

	The Group	
	2012	2011
	HK$'000	HK$'000
At the beginning of the year	**812**	–
Impairment loss recognised	**–**	812
At the end of the year	**812**	812

As at 31 March 2012, the Group's other receivables of approximately HK$812,000 (2011: approximately HK$812,000) were individually determined to be impaired. The individual impaired receivables related to individuals that were in financial difficulties and directors assessed that the receivables were not expected to be recovered. The impairment loss has been included in the administrative expenses in the consolidated statement of comprehensive income in prior year.

Note:

i) Other deposits mainly represent deposit guarantee for certain purchasers of the Group properties which would be refundable upon issuance of the real estate ownership certificate which are generally be available for the purchasers.

ii) Other prepayments mainly represent sales agency commission of properties held for pre-sale and the prepayments of levies to certain government department of properties held for pre-sale. Other receivables mainly represent payments to certain government department which would be refundable upon completion of development project.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	The Group	
	2012	2011
	HK$'000	HK$'000
Current assets:		
Held for trading:		
– Equity securities listed in Hong Kong (Note i)	**12,514**	35,423
– Unlisted bond fund (Note ii)	**3,437**	3,357
	15,951	38,780

Notes:

(i) The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.

(ii) The unlisted bond fund is denominated in US dollar. The fair value of unlisted bond fund is reference to the indicative market price.

30. CASH AND BANK BALANCES

At the end of the reporting period, the cash and bank balances of the Group included currencies denominated in RMB amounted to approximately HK$197,601,000 (2011: approximately HK$134,685,000) which is not freely convertible into other currencies.

In accordance with certain PRC regulations, property development companies of the Group are required to place the proceeds received from pre-sale of properties as guarantee deposits for construction of properties. As the end of reporting period, the deposit of approximately HK$135,558,000 (2011: approximately HK$126,435,000) can only be used to pay for relevant property development projects. The restriction will be released upon the construction is completed or real estate ownership certificate of the pre-sold properties is issued, whichever is earlier.

31. TRADE PAYABLES

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Within 90 days	**–**	1,319

32. DEPOSITS RECEIVED, ACCRUALS AND OTHER PAYABLES

	The Group	
	2012	2011
	HK$'000	HK$'000
Accruals	**4,413**	4,645
Deposits received	**150**	267
Interest payables	**32,001**	15,294
Other payables (Note)	**18,393**	16,236
Other payables for construction	**16,859**	–
Other tax payables	**2,274**	1,149
	74,090	37,591

Note:

Other payables mainly represent the consideration in acquisition of Skywalker Global Resources Company Limited at the amount of HK$15,300,000 which is payable upon certain conditions would be met.

33. AMOUNTS DUE TO RELATED COMPANIES

The Group

The amounts due to related companies are unsecured, interest-free and repayable on demand.

34. INTEREST-BEARING LOANS FROM A RELATED COMPANY

The Group and the Company

As at 31 March 2012

The Group obtained a loan with principal amount of HK$35,000,000 from Fully Finance Limited ("Fully Finance") is an indirect wholly owned subsidiary of Wang On Group Limited ("WOG") which held 23.26% of shareholding interests in Wai Yuen Tong Medicine Holdings Limited ("WYT"), which held 49.59% of shareholding interests in the Company. The loan is unsecured and carries an interest rate of 8% per annum and repayable on 12 April 2014.

On 7 June 2011, Fully Finance entered into a loan agreement with the Company pursuant to which Fully Finance agreed to grant to the Company a loan facility of not exceeding HK$135,000,000. The loan facility is secured by pledge of shares of several subsidiaries of the Group and carries an interest rate of 8% per annum. The Company obtained HK$135,000,000 on 23 August 2011. The loan facility is exclusively for the purpose of subscription of new shares of CAP pursuant to the rights issue. The loan is repayable on 22 August 2014.

The Group obtained loans with principal amount of HK$20,000,000, HK$10,000,000, and HK$40,000,000 from Fully Finance. The loans are unsecured, carry interest at 8% per annum and repayable on 15 June 2014, 3 November 2014 and 15 March 2014 respectively. A loan with principal amount of HK$65,000,000 is unsecured, carry interest at 8% per annum and repayable on 14 January 2013 is classified under current liabilities.

34. INTEREST-BEARING LOANS FROM A RELATED COMPANY *(continued)*

The Group and the Company *(continued)*

As at 31 March 2011

The Group obtained loans with principal amount of HK$20,000,000, HK$10,000,000 and HK$65,000,000 from Fully Finance. The loans are unsecured, carry interest at 6%-8% per annum and repayable on 15 June 2011, 3 November 2011 and 14 January 2013 respectively. On 11 March 2011, the Company and Fully Finance entered into the supplemental agreements to the loans with principal amount of HK$20,000,000 and HK$10,000,000, to extend the repayment date by three years from 15 June 2011 and 3 November 2011 respectively and to increase the interest rate from 6% to 8% per annum.

The loan with a principal amount of HK$40,000,000 obtained from Fully Finance during the year ended 31 March 2009, is unsecured, carries interest at 6% per annum and is repayable on 28 January 2011. On 14 January 2011 and 11 March 2011, the Company and Fully Finance have entered into the supplemental agreement, to extend the repayment to 15 March 2014 and to increase the interest rate from 6% to 8% per annum.

35. INTEREST-BEARING LOANS FROM AN IMMEDIATE HOLDING COMPANY

The Group and the Company

As at 31 March 2012

The loan with a principal amount of HK$10,000,000 during the year ended 31 March 2010, is unsecured, carries interest at 8% per annum and is repayable on 9 July 2011. On 11 July 2011, the Company and Gain Better Investments Limited ("Gain Better"), an indirectly wholly owned subsidiary of WYT, have entered into the supplemental agreement to extend the repayment date to 9 July 2014.

The loan with a principal amount of HK$190,000,000 from Gain Better, is unsecured, carries interest at 8% per annum and is repayable on 12 November 2013. The loan was granted to the Company by Gain Better for early redemption of convertible notes with a principal amount of HK$190,000,000.

The Group obtained loan with principal amount of HK$15,000,000 from Gain Better, the loan is unsecured, carries interest at 8% per annum and is repayable on 10 August 2013.

As at 31 March 2011

The loan with a principal amount of HK$10,000,000 from an immediate holding company, Gain Better is unsecured, carries interest at 8% per annum and is repayable on 9 July 2011. The loan is classified as current liabilities in the statements of financial position due to its short-term maturity date.

The loan with a principal amount of HK$190,000,000 from Gain Better, is unsecured, carries interest at 8% per annum and is repayable on 12 November 2013. The loan was granted to the Company by Gain Better for early redemption of convertible notes with a principal amount of HK$190,000,000.

The Group obtained new loan with principal amount of HK$15,000,000 from Gain Better, the loan is unsecured, carries interest at 8% per annum and is repayable on 10 August 2013.

36. INTEREST-BEARING BANK LOANS

The carrying amount of the bank loans are denominated in the following currencies:

	The Group	
	2012	2011
	HK$'000	HK$'000
Hong Kong dollars	**5,086**	9,065
Renminbi	**114,711**	130,625
	119,797	139,690

Carrying amount repayable:

	The Group	
	2012	2011
	HK$'000	HK$'000
On demand or within one year	**119,797**	139,690

Interest-bearing bank loans at:

	The Group	
	2012	2011
	HK$'000	HK$'000
Floating interest rate	**119,797**	139,690

The ranges of effective interest rates (which equal to contracted interest rates) on the Group's borrowings are as follows:

	The Group	
	2012	2011
Floating interest rate loans	**2.0%-7.3%**	2.0%-5.94%

The bank loans denominated in RMB bear interest at the prevailing market rates quoted by the People's Bank of China. The loans are secured by pledge of the Group's prepaid lease payments and property under development of approximately HK$299,072,000 and HK$10,462,000 (2011: approximately HK$344,551,000 and HK$6,398,000) respectively.

The bank loan denominated in Hong Kong dollars is at the prevailing market rates reference to 1-month HIBOR+1.75%. The loan is secured by corporate guarantees from the Company and a subsidiary of the Group.

37. DEFERRED TAXATION

The followings are the major deferred tax balances recognised and movements thereon during the years ended 31 March 2012 and 2011:

Deferred tax liabilities

The Group:

	Plantation assets HK$'000
At 1 April 2010	129,010
Charge to consolidated statement of comprehensive income for the year (Note 12)	11,331
At 31 March 2011 and 1 April 2011	140,341
Charge to consolidated statement of comprehensive income for the year (Note 12)	11,472
At 31 March 2012	**151,813**

As at 31 March 2012 and 2011, the Group has estimated tax losses arising of approximately HK$125,997,000 (2011: approximately HK$94,940,000). Tax losses arising in Hong Kong are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Tax losses arising in mainland China and Papua New Guinea may be carried forward for a maximum for five and twenty years respectively. No deferred tax assets have been recognised due to the unpredictability of future profits streams.

38. SHARE CAPITAL

	Number of shares		**Share capital**	
	2012	2011	**2012**	2011
	'000	'000	**HK$'000**	HK$'000
Authorised:				
At the beginning of the year, ordinary shares of HK$0.01 each	**20,000,000**	20,000,000	**200,000**	200,000
At the end of the year, ordinary shares of HK$0.01 each	**20,000,000**	20,000,000	**200,000**	200,000
Issued and fully paid:				
At the beginning of the year, ordinary shares of HK$0.01 each	**7,691,500**	7,691,500	**76,915**	76,915
At the end of the year, ordinary shares of HK$0.01 each	**7,691,500**	7,691,500	**76,915**	76,915

Share option scheme

Details of the Company's share option scheme are included in Note 39 to the consolidated financial statements.

39. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, and customers of the Group. The Scheme became effective on 8 October 2002 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 Scheme is an amount equivalent, upon their exercise, to 30% 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 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 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.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the nominal value of a share of the Company; (ii) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (iii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share options.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

As at the date of this report, the total number of shares available for issue under the Scheme is 769,150,000 shares, representing 10% of the share capital of the Company in issue as at the date of this report.

Up to the date of this report, no share options have been granted by the Company under the Scheme.

40. RESERVES

(a) The Group

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

The share premium of the Group includes shares issued in premium.

(b) The Company

	Share premium HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 April 2010	696,251	(212,993)	483,258
Net loss for the year	–	(34,564)	(34,564)
At 31 March 2011 and 1 April 2011	696,251	(247,557)	448,694
Net loss for the year	–	(42,300)	(42,300)
At 31 March 2012	**696,251**	**(289,857)**	**406,394**

Note:

The share premium account of the Company includes (i) share issued at a premium; and (ii) the excess of the combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor pursuant to the group reorganisation upon the listing of the Company.

Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to its shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

At 31 March 2012, the Company's reserves available for distribution to shareholders amounting to approximately HK$406,394,000 (2011: approximately HK$448,694,000) and calculated in accordance with the Companies Law (revised) of the Cayman Islands and the articles of association of the Company.

41. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises and pork stalls under operating lease arrangements which are negotiated for lease terms of from one to three years.

At 31 March 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**6,676**	6,829
In the second to fifth years, inclusive	**3,703**	8,632
	10,379	15,461

The Company has no material operating lease commitments as at 31 March 2012 (2011: Nil).

42. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, during the years ended 31 March 2012 and 2011, the Group had entered into the following transactions with related parties which, in the opinion of the directors, were carried out in the ordinary course of the Group's business.

(i) On 11 March 2011 and 7 June 2011, the Company and Fully Finance entered into loan agreements to obtain loans. Details please refer to Note 34 to the consolidated financial statements.

(ii) On 11 July 2011, the Company and Gain Better entered into supplemental agreements to extend the repayment date of a loan from Gain Better. Details please refer to Note 35 to the consolidated financial statements.

(iii) During the year ended 31 March 2012, a wholly-owned subsidiary received a loan interest income from CAP at the amount of approximately HK$312,000 (2011: Nil).

(iv) During the year ended 31 March 2012, the leasing of retail stalls from Greatest Wealth (Fresh Food) Limited, which was indirect wholly-owned subsidiary of WOG, to Greatest Wealth for the operation of its sales of fresh pork meat and related produce of approximately HK$5,404,000 (2011: Nil).

(v) During the year ended 31 March 2012, the leasing of office from WYT to PNG Resources Corporate Management Services Limited for head office of approximately HK$500,000 (2011: approximately HK$476,000).

(vi) During the year ended 31 March 2012, the leasing of retail stalls from Wang On Majorluck Limited or Majorluck Limited, which were indirect wholly-owned subsidiaries of WOG, to Greatest Wealth for the operation of its sales of fresh pork meat and related produce of approximately HK$1,174,000 (2011: approximately HK$7,776,000).

42. MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(vii) During the year ended 31 March 2012, a management fee of approximately HK$960,000 (2011: approximately HK$960,000) was paid to WOG for the provision of management service to the Company constitute a connected transaction.

(viii) On 14 January 2011 and 11 March 2011, the Company and Fully Finance entered into the supplemental agreements to extend the repayment dates of loans from Fully Finance and increase the interest rate per annum. Details please refer to Note 34 to the consolidated financial statements.

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in Note 10 to the consolidated financial statements is as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Salaries and other short-term employee benefits	**6,173**	5,639
Employer contribution to pension scheme	**61**	72
	6,234	5,711

43. CAPITAL COMMITMENT

At 31 March 2012, the Group had the following capital commitments:

	2012	2011
	HK$'000	HK$'000
Contracted but not provided for:		
Additions of property under development	**331,691**	249,052
Additions of construction in progress	**40,713**	35,700
	372,404	284,752

The Company has no material capital commitment as at 31 March 2012 (2011: Nil).

44. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing bank loans of the Group as disclosed in Note 36 to the consolidated financial statements is as follows:

	2012	2011
	HK$'000	HK$'000
Prepaid lease payments	**299,072**	344,551
Property under development	**10,462**	6,398
	309,534	350,949

45. FINANCIAL GUARANTEE CONTRACTS

The Group has guarantees in respect of mortgage facilities granted by certain banks relating to the mortgage loans arranged for certain purchasers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. Such guarantees terminate upon earlier of (i) issuance of the real estate ownership certificate which are generally be available within three months after the purchasers take possession of the relevant properties; and (ii) the satisfaction of mortgaged loan by the purchasers of properties.

The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the consolidated financial statements for the guarantees.

46. GUARANTEES

As further disclosed in Note 36 to the consolidated financial statements, the bank loan of approximately HK$5,086,000 (2011: approximately HK$9,065,000) is unconditionally and irrevocably guaranteed by the Company and a subsidiary of the Group.

47. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 31 March 2012 (2011: Nil).

48. COMPARATIVE

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

49. EVENTS AFTER THE REPORTING PERIOD

In June 2012, the Group has drawn down a bank loan amounted to approximately HK$111,000,000. The bank loan is secured by certain PRC land reserves and property under development of the Group, carries interest at 120% of the prevailing market rates quoted by the People's Bank of China and is repayable in or before June 2015.

50. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

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

Five Year Financial Summary

31 March 2012

SUMMARY OF THE RESULTS, ASSETS AND LIABILITIES OF THE GROUP FOR THE LAST FIVE YEARS IS AS FOLLOWS:

	Consolidated year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Continuing operations					
Turnover	**273,539**	64,565	58,987	61,822	44,734
Cost of sales	**(220,343)**	(43,982)	(34,915)	(38,740)	(29,709)
Gross profit	**53,196**	20,583	24,072	23,082	15,025
Other revenue	**2,673**	4,114	1,739	4,587	12,128
Other income	**–**	–	–	896	190
Selling and distribution expenses	**(25,460)**	(22,137)	(18,752)	(16,976)	(12,775)
Administrative expenses	**(46,747)**	(46,271)	(29,205)	(33,774)	(23,543)
Finance costs	**(37,230)**	(26,363)	(17,329)	(10,493)	(7,066)
Impairment of prepaid lease payment	**–**	–	–	(95,517)	(29,617)
Reversal of impairment of prepaid lease payments	**–**	84,429	45,327	–	–
Change in fair value of plantation assets less costs to sell	**38,243**	37,768	24,960	–	–
Impairment of goodwill	**–**	–	–	(1,893)	(3,558)
Impairment of interest in an associate	**–**	–	–	(44,183)	–
Loss on deemed disposal of interest in an associate	**–**	–	(39,631)	(9,127)	–
Share of profit/(loss) of an associate	**74,677**	–	(48,087)	16,559	–
Net gain on available-for-sale financial assets	**–**	35,008	–	–	–
Net (loss)/gain on financial assets at fair value through profit or loss	**(22,829)**	(1,504)	8,844	(19,821)	(2,534)
Impairment of available-for-sale financial assets	**(9,827)**	(20,403)	(8,084)	–	–
Fair value changes on derivative financial instruments	**–**	–	(2,568)	477	(4,034)
Gain on early redemption of convertible notes	**–**	–	6,154	–	–
Excess of acquirer's interest in the net fair value of acquiree's identifiable net assets	**–**	–	104,650	–	–
Impairment of property, plant and equipment	**–**	–	–	–	(40)
Loss on early redemption of a shareholder's loan	**–**	–	–	–	(1,041)
Profit/(loss) before taxation	**26,696**	65,224	52,090	(186,183)	(56,865)
Taxation	**(13,099)**	(14,646)	(7,834)	230	30

SUMMARY OF THE RESULTS, ASSETS AND LIABILITIES OF THE GROUP FOR THE LAST FIVE YEARS IS AS FOLLOWS: *(continued)*

	Consolidated year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(loss) for the year from continuing operations	**13,597**	50,578	44,256	(185,953)	(56,835)
Discontinued operations					
Loss for the year from discontinued operations	**–**	–	–	(20,088)	(2,318)
Profit/(loss) for the year	**13,597**	50,578	44,256	(206,041)	(59,153)
Profit/(loss) for the year attributable to:					
– Owners of the Company	**3,790**	41,818	37,331	(206,041)	(59,153)
– Non-controlling Interests	**9,807**	8,760	6,925	–	–
	13,597	50,578	44,256	(206,041)	(59,153)
Profit/(loss) per share					
– Basic (HK cents)	**0.05**	0.54	0.49	(2.68)	(1.41)
– Diluted (HK cents)	**0.05**	0.54	0.49	(2.42)	(1.41)

	Consolidated as at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**2,135,606**	1,580,778	1,207,815	711,555	869,038
Total liabilities	**(1,362,964)**	(849,902)	(496,247)	(224,720)	(182,432)
	772,642	730,876	711,568	486,835	686,606
Equity attributable to owners of the Company	**607,392**	576,242	565,729	486,835	686,606
Non-controlling interests	**165,250**	154,634	145,839	–	–
	772,642	730,876	711,568	486,835	686,606

Note:

The results of the Group for the years ended 31 March 2012 and 2011 are those set out on page 43 of this annual report.

List of Group Properties

31 March 2012

STOCK OF PROPERTIES

Project	City / Province	Approximate site area (square feet)	Development plan	Approximate saleable area (square feet)	Percentage ownership interest (%)	Stage of completion	Expected year of completion
The Central Park	Fuzhou, Jiangxi	240,000	Residential/ Commercial	500,000	100	Completed	2012
The Central Park	Fuzhou, Jiangxi	330,000	Residential/ Commercial	770,000	100	Construction in progress	2012-2013
Trendy Square	Dongguan, Guangdong	440,000	Residential/ Commercial	800,000	100	Construction in progress	2012

PROPERTIES UNDER DEVELOPMENT

Project	City / Province	Approximate site area (square feet)	Development plan	Approximate saleable area (square feet)	Percentage ownership interest (%)	Stage of completion	Expected year of completion
The Central Park	Fuzhou, Jiangxi	340,000	Residential	630,000	100	Construction in progress	2013-2014
The Central Park	Fuzhou, Jiangxi	1,490,000	Residential/ Commercial	3,700,000	100	Planning in progress	2014-2016
Trendy Square	Dongguan, Guangdong	250,000	Commercial	400,000	100	Planning in progress	2014