HENRY GROUP HOLDINGS LIMITED

鎮科集團控股有限公司

ANNUAL REPORT 2011/12

Gin-za-i-za-tion

[noun] UK 'gēn-zä .aɪ'zeɪ.ʃən

Definition

The rising trend of retail businesses to operate from above the ground-floor level of buildings to maintain an effective presence in the CBD of a city

Contents

Corporate Information

BOARD OF DIRECTORS

Executive directors

Mr. Ng Chun For, Henry *(Chairman)*
Mr. Ng Ian
(Deputy Chairman and Chief Executive Officer)
Mr. Lee Kwan Yee, Herrick

Non-executive director

Mr. Mak Wah Chi

Independent non-executive directors

Mr. Li Kit Chee
Mr. Chu Tak Sum
Mr. Chan Kam Man

COMPANY SECRETARY

Mr. Lee Pui Lam

AUTHORISED REPRESENTATIVES

Mr. Lee Kwan Yee, Herrick
Mr. Lee Pui Lam

AUDIT COMMITTEE

Mr. Li Kit Chee *(Committee Chairman)*
Mr. Mak Wah Chi
Mr. Chan Kam Man

NOMINATION COMMITTEE

Mr. Chan Kam Man *(Committee Chairman)*
Mr. Mak Wah Chi
Mr. Chu Tak Sum

REMUNERATION COMMITTEE

Mr. Li Kit Chee *(Committee Chairman)*
Mr. Mak Wah Chi
Mr. Chu Tak Sum

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

AUDITORS

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

PRINCIPAL PLACE OF BUSINESS

Suite 1711 Tower 2
Times Square 1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL BANKERS

Hong Kong

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

Mainland China

Bank of Shanghai

LEGAL ADVISERS

as to Hong Kong law:
Cheung, Tong & Rosa

as to PRC law:
King and Wood

as to Bermuda law:
Conyers Dill & Pearman

FINANCIAL ADVISER

Quam Capital Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Corporate Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

www.henrygroup.hk

INVESTOR AND MEDIA RELATIONS

Strategic Financial Relations Limited

STOCK CODE

859

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)"), I would like to present the annual report of Henry Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 March 2012.

BUSINESS REVIEW

Gin-za-i-sa-tion — Causeway Bay, Hong Kong

While urbanisation describes the process by which more and more people migrate from countryside to live in cities, "Gin-za-i-sa-tion" (our newly created word) can be defined as a vertical expansion process in which retail businesses migrate to operate above street level to maintain an effective presence in a central business district which attracts an abundance of high spending individuals. The process was first evidenced in Ginza, Toyko and has more intensified within Causeway Bay in Hong Kong recently. Recent rental transactions indicated that Causeway Bay has in fact superseded Ginza to become the third most expensive shopping district in the world. During the year under review, Causeway Bay ranks behind only New York's Fifth Avenue and Paris's Avenue des Champs-Elysees, thanks to the rising spending by cash-rich PRC tourists as well as around approximately 240,000 square feet of office space due to open up at Hysan Place in August 2012. As the biggest addition in Causeway Bay since Times Square's opening in 1994, Hysan Place has been fueling the demand for both prime street level retail shops and the above-ground level retail units in order to meet the shopping and culinary needs of the thousands of new office workers in Causeway Bay. The whole area is going through another positive transformation of businesses and is likely to enjoy robust growth for a long time.

Against this backdrop, the Group as a pioneering leader in operating the Ginza-style vertical business platform in Causeway Bay, recorded a satisfactory performance for the year with revenue growth across its core leasing business in Hong Kong. The Group's turnover for the year was approximately HK$39,330,000 up approximately 17.5% from approximately HK$33,461,000 in the previous financial year. The properties portfolio was virtually fully leased out. The turnover growth was driven by our Focus Leasing Programme which generated clear business benefits through a balanced tenant mix after the Group embarked on its new leasing strategy during the financial year. The Programme enhanced a tenant-business mix on a 50/50 basis for the two mainstream popular and high profit margin segments, namely fine dining as well as health and beauty. The past ratio among the three previous main segments, in that case, fine dining, health and beauty and entertainment, with one-third for each sector, was adjusted.

A remarkable achievement guided by this latest leasing programme was evidenced in the popularity of new tenants for Jardine Center. Around one-third of the tenants of Jardine Center were replaced by the most established beauty salons which are expanding to Causeway Bay from other prime sites in Hong Kong after they have achieved a strong presence and success. Financial growth from leasing to the new tenants is in the range of 20-30% for these new rentals. This magnitude of success has spread to the fine dining segment in Jardine Center and L'hart as seen in the new record agreements signed with our long-term tenants. In line with the success enjoyed by our existing tenants, the management has agreed on an extension of new leases with the current renowned tenants which included international financial institutions and popular apparel retailers.

To promote the concept of Gin-za-i-sa-tion, the Group has reinforced its efforts within several successful marketing programmes to strengthen the market position of its property portfolio in Causeway Bay, for example, *"Happy Valentine @ Jardine Center & L'hart"*.

68 Yu Yuan Road, Shanghai
The Group holds a 30% stake in the joint venture commercial properties under construction ("JV Project")

During the year under review, the PRC's ongoing property purchase restrictions have cooled the real estate market and the ensuing tightening of foreign investment inevitably slowed the construction progress of the JV Project thus impairing the return on investment prospects of the Group. The completion of the JV Project's construction has been postponed until the first quarter of 2013. The Group intends to halt putting resources into Mainland China until there is a reversal of austerity measures in the real estate market there. If the timing is right and opportunities justifiable, the Group might even consider disposing of its 30% interest in the JV Project and redirect the focus of its resources on Causeway Bay.

PROSPECTS

Going forward, the local economy has inevitably been affected by the impact of an increasingly volatile external environment. However, Hong Kong's economic fundamentals are expected to remain sound due to its unique competitive advantages compared to the neighboring countries in terms of quality assurance, taxation and currency difference. In addition, Hong Kong also benefits from the rising number of high-spending visitors from Mainland China spurring a continued strengthening of an investment inflow by overseas luxury fashion brands in Hong Kong. The Hong Kong Tourism Board estimates the number of visitors to Hong Kong to be about approximately 44,000,000 in 2012, which indicates the business opportunities for prime retail areas such as Causeway Bay are bright. Calculating a daily average of approximately 120,000 visitors with 70% of these tourists passing through Causeway Bay (a one-stop shopping and entertainment area on Hong Kong Island), some 84,000 people will stroll around Sogo, Times Square and Hysan Place every day this summer. By applying a very conservative spending figure of HK$1,200 each day per person, the sale turnover generated by these 84,000 visitors will exceed approximately HK$100,000,000.

Over the past two years, the first-tier streets or core shopping locations had been dominated by overseas brand names following their ongoing global expansion. Local and small-scale retailers s relocated their business to second-tier shopping streets where rents are more affordable. Leveraging the high demand and tight supply of the second tier street-level or upper-level retail space in prime shopping location, Henry Group's properties portfolio, all situated in flourishing Causeway Bay, will naturally enjoy great opportunities to continue to develop its niche business of Gin-za-iza-tion (defined as the increasing tendency of retail businesses to operate above the ground-floor of buildings to maintain an effective presence in the central business district of a city). In this light, Henry Group's retail portfolio can look forward to a continuing steady performance. Looking ahead, management will consider adding long-term competitiveness to our portfolio.

In the future, we will devote further efforts to promote the unique brand character of our hub in Causeway Bay, and to strengthen our portfolio's recognition and appeal as a sustainable asset and a location of choice for lifestyle, shopping and entertainment brands and outlets.

APPRECIATION

On behalf of the Board of Directors, I would like to thank fellow directors and all staff for their commitment. I also wish to extend my sincere gratitude to our shareholders, anchor tenants, principal banks and joint venture partners for their valuable support in the past year.

Ng Chun For, Henry
Chairman
Hong Kong, 28 June 2012

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a consolidated turnover of approximately HK$39,330,000, representing an increase of approximately 17.5% as compared with the same of previous year. The increase was primarily contributed from positive rental reversion of its investment properties in Hong Kong.

Finance costs, after capitalisation of approximately HK$72,095,000 (2011: HK$60,011,000) interest expenses and related borrowing costs as part of the construction cost of JV Project under construction were approximately HK$38,103,000 (2011: HK$37,622,000). The slight increase of finance costs was mainly due to the increase in the Group's bank borrowings for working capital.

The profit for the year attributable to owners of the Company amounted to approximately HK$317,233,000 which represented a substantial increase of approximately 114.8% as compared the same with previous year. The substantial increase in profit attributable to owners of the Company was mainly attributable to the significant net gain in fair values of investment properties in Hong Kong after offset against sharing 30% attributable to the Group's loss in fair value of JV Project in aggregate amounted to approximately HK$326,954,000 (net of deferred tax). If the aforesaid net gain in fair value of investment properties (net of deferred tax) were to be excluded, the loss for the year attributable to owners of the Company would be approximately HK$9,721,000 (2011: HK$17,147,000).

The Board does not recommend the payment of a dividend for the year (2011: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group's operation was financed by internal financial resources, loans from shareholders, amounts due to non-controlling shareholders and banking facilities. The Board is of the view that, after taking into account these available resources, the Group has sufficient financial resources to satisfy its commitments, capital expenditure and working capital requirements.

As at 31 March 2012, the Group's bank borrowings amounted to approximately HK$1,563,968,000 (2011: HK$1,256,158,000). Cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$143,337,000 (2011: HK$143,069,000). The increase in bank borrowings was primarily attributable to the payments of construction for JV Project.

Whilst the Group's bank borrowings bear interest at prevailing market floating rates, the Group entered into fixed interest rate swap arrangements with a bank for an aggregate notional amount of HK$240,000,000 (2011: HK$240,000,000) to mitigate the risk of market interest rate upward trends.

The Group's bank borrowings as at 31 March 2012 were summarised as follows:

Currency of bank borrowings	Total HK$ million	Due within one year HK$ million	Due more than one year but not exceeding two years HK$ million	Due more than two years but not exceeding five years HK$ million	Due after five years HK$ million
Renminbi (RMB)	781.1	—	12.9	260.0	508.2
Hong Kong dollar (HK$)	782.8	51.9	41.8	152.6	536.5
	1,563.9	51.9	54.7	412.6	1,044.7

The Group's gearing ratio, expressed as total liabilities over total assets, has been slightly decreased from 66.9% in 2011 to 63.7% in 2012.

As at 31 March 2012, the net assets attributable to owners of the Company amount to approximately HK$1,259,041,000 (2011: HK$858,145,000), representing an increase of approximately HK$400,896,000 or 46% when compared to last year. With the total number of ordinary shares in issue of 716,419,399 as at 31 March 2012, the net assets value per share was approximately HK$1.8 (2011: HK$1.4).

CHARGES ON GROUP ASSETS

At 31 March 2012, the Group has pledged its assets with the following carrying amounts:

a. Investment properties in Hong Kong of approximately HK$1,601,000,000, bank deposit of approximately HK$10,000,000 and assets classified as held for sale of approximately HK$80,000,000 as part of securities pledged for banking facilities granted from several banks in Hong Kong to its certain subsidiaries; and

b. Investment properties under construction in the PRC of approximately HK$2,871,329,000 as security pledged for banking facilities from a bank in the PRC to its subsidiary for meeting their local capital expenditures needs.

CONTINGENT LIABILITIES/FINANCIAL GUARANTEES

As at the end of the reporting period, the Company had given several corporate guarantees limited to the extent of approximately HK$853,500,000 (2011: HK$763,500,000) in favor of several banks in Hong Kong for securing credit facilities granted to its certain wholly-owned subsidiaries. The Company has not recognised any liability in respect of the guarantees given as their fair value cannot be reliably measured.

EVENTS AFTER THE REPORTING PERIOD

a. On 6 April 2012, Shanghai Tian Shun Economy Development Limited (being a non-wholly owned subsidiary indirectly held by the Company) obtained the approval from Shanghai Municipal Commission of Commerce to increase its registered capital from US$74,400,000 to US$104,150,000; and

b. On 12 April 2012, the Company has granted 21,000,000 share options (the "Options") under the share option scheme of the Company adopted on 3 September 2003. Among the 21,000,000 Options granted, 14,000,000 Options were granted to two executive Directors, Mr. Ng Chun For Henry and Mr. Ng Ian. Each Option entitles the holder to subscribe for one ordinary share of HK$0.1 each in the capital of the Company.

CAPITAL COMMITMENTS

Capital commitments outstanding at the end of reporting period not provided for in the consolidated financial statements were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Construction cost of investment properties under development		
Contracted for	**236,415**	182,589

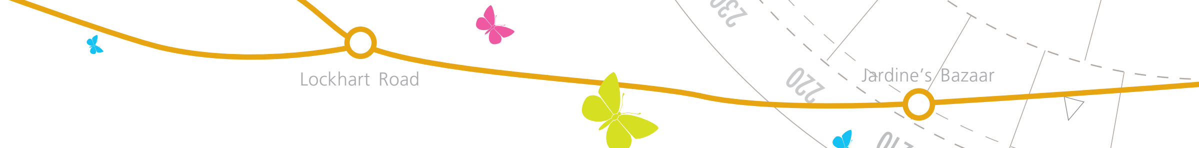
Save as aforesaid, the Group did not have any material commitment at the end of reporting period.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Apart from the investment properties as set out in note 15 to the consolidated financial statements, the Group did not have any significant investments, material acquisitions or disposals during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Group had about 24 employees based in Hong Kong and Mainland China. The remuneration of each staff member was determined on the basis of his/her qualification, performance and experience. The Group also provides other benefits including medical insurance and contributions to Mandatory Provident Fund Schemes. A share option scheme was adopted by the Company on 3 September 2003 to enable the Directors to grant share options to staff, eligible persons and Directors as incentive.



Our Major Actions During the Year

JV Project in JingAn

We formed closer relationships with our tenants to promote their business

Report of the Directors

The directors of the Company ("Directors") are pleased to present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements on pages 99 to 101 of this annual report.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 and the state of affairs of the Group and the Company at that date are set out in the consolidated financial statements on pages 30 to 101 of this annual report.

No interim dividend was declared for the year and the Directors do not recommend the payment of a final dividend for the year.

RESERVES

Movements in reserves of the Group and the Company during the year are set out on page 34 and 84 to 85 of this annual report respectively.

INVESTMENT PROPERTIES

The Group's investment properties and investment properties under Construction in the PRC as at 31 March 2012 were revalued by an independent firm of professional properties valuer on an open market value basis. Details of movements in the investment properties of the Group during the year are set out in note 15 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

INTEREST CAPITALISED

Interest of approximately HK$72 million (2011: HK$60 million) was capitalised during the year in respect of the Group's investment properties under construction.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 102 to 103 of this annual report.

DIRECTORS

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

Executive Directors

Mr. Ng Chun For, Henry *(Chairman)*
Mr. Ng Ian *(Deputy Chairman and Chief Executive Officer)*
Mr. Lee Kwan Yee, Herrick

Non-executive Director

Mr. Mak Wah Chi

Independent non-executive Directors

Mr. Li Kit Chee
Mr. Chu Tak Sum
Mr. Chan Kam Man

In accordance with the Company's Bye-laws and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Mr. Ng Ian, Mr. Mak Wah Chi, Mr. Chan Kam Man, Mr. Li Kit Chee and Mr. Chu Tak Sum, who will retire from office at the forthcoming annual general meeting being eligible, will offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management as at the date of this report are set out on pages 20 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

No Director who are 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 OF SIGNIFICANCE

Details of the connected transactions under the Listing Rules and related party transactions under applicable accounting principles are set out on page 12 to 13 and 91 to 93 respectively of this annual report.

Save for the above, no contract of significance to which the Company, its holding company, any of its subsidiaries or fellow subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the following Directors (not being the independent non-executive Directors) are considered to have interests in the business which compete or are likely to compete with the business of the Group ("Competing Business") pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as set out below:

Name/Entity	Competing Entity	Nature of Interest	Competing Business
Mr. Ng Chun For, Henry, Director ("Mr. Ng") and his associates	Certain private companies owned by Mr. Ng and his family	Shareholder/director	Commercial property development and investment
Mr. Ng Ian, Director and his associates	Certain private companies owned by Mr. Ng Ian and his family	Shareholder/director	Commercial property development and investment

As the Board of the Company operates independently of the boards of the competing entities owned by Mr. Ng and Mr. Ng Ian and the independent non-executive Directors of the Company would assist in monitoring the operation of the Group, the Group is therefore capable of carrying on its business independently of, and at an arm's length from the Competing Business.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's five largest customers was approximately 50% of the Group's total turnover and the Group's largest customer accounted for approximately 20% of the Group's total turnover.

The Group had no major suppliers due to the nature of the principal activities of the Group.

None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in major customers or suppliers noted above.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTION

Connected Transactions exempted from reporting, announcement and independent shareholders approval

During the year, the Group had the following connected transactions of the Listing Rules:

a) On 10 August 2011, Mr. Ng Ian being the Director of the Company provided cash advancement of approximately HK$13 million with terms of unsecured, bearing a fixed interest rate of 3.28% per annum and not repayable within the next twelve months ("Advance"). The Advance constitutes a connected transaction under the Rule 14A.65(4) of the Listing Rules which is exempted from reporting, announcement and independent shareholders approval;

b) On 3 February 2012, Henry Group Management Limited being a controlling shareholder holding 55% of equity interest in Uni-Land Property Consultants Limited ("Uni-Land") acquired 45% of equity interest in Uni-Land from its non-controlling shareholder (i.e. Uni-Land Property Group Limited beneficially owned by Mr. Chan Kwok Hung, being a director of Uni-Land) by ways of Uni-Land Property Group Limited transferred of its interests in entire issued shares in Uni-Land and assignment of shareholder's loan of approximately HK$1.1 million at total consideration of HK$3.00 ("Acquisition"). Uni-Land became an indirect wholly owned subsidiary of the Company after completion of the Acquisition.

   The Acquisition constitutes a connected transaction under the Rule 14A.31(2)(a) of the Listing Rules and thus is exempted from reporting, announcement and independent shareholders approval; and

c) On 19 March 2012, Golden Tool International Limited (being a company incorporated in the British Virgin Islands solely owned and controlled by Mr. Ng Ian, the Director of the Company) ("Golden Tool") entered into a loan agreement whereby provided an one-off lump sum loan solely for the purpose of fully repayment and discharge of convertibles notes held by Golden Tool with an aggregate outstanding principal amounts approximately HK$96.7 million. The major terms of the loan agreement, inter alia, bearing a floating interest rate of Hong Kong Inter bank offer rate ("HIBOR") over 2.7% per annum, without security and not repayable within the next twelve months. The loan agreement constitutes a connected transaction under Rule 14A.65(4) of the Listing Rule and thus is exempted from reporting, announcement and independent shareholders approval.

Continuing Connected Transaction subject to reporting, announcement and independent shareholders approval

High Fly Investments Limited ("High Fly"), being a lender, arranged for financing of the development project in Shanghai in form of shareholder's loan to its subsidiary, Grandyear Estate Limited ("Grandyear") as borrower, with annual caps ("Annual Caps") for 7 financial years ending 31 March 2015 of HK$600 million (the "HF Loan"). The HF loan is secured by a share charge given by High Luck International Limited (being an intermediate holding company of Grandyear) to High Fly over all of its interest in Grandyear. On 6 May 2009, High Fly entered into a supplementary agreement with Grandyear pursuant to which High Fly will provide additional shareholder's loan to Grandyear by HK$44.15 million from HK$600 million to HK$644.15 million. As a result, the Company revised the Annual Caps from HK$600 million to HK$650 million ("Revised Annual Caps") which constitutes a continuing connected transaction of the Company required reporting, announcement, independent shareholders' approval and annual review pursuant to the Listing Rules. The Revised Annual Caps was approved by the independent shareholders of the Company at the special general meeting held on 10 June 2009.

The Board engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transaction to assist the Board to evaluate if the continuing connected transaction is in accordance with the requirements of 14A.38 of the Listing Rules. The auditors have reported their factual findings on these procedures to the Board. The Independent Non-executive Directors have reviewed the continuing connected transaction and confirmed that the continuing connected transaction has been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties and on arm's length basis;

(iii) in accordance with the relevant agreement governing them;

(iv) on terms that are fair and reasonable and in the interest of the shareholders as a whole; and

(v) without exceeding the Revised Annual Caps disclosed in previous relevant announcements.

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

As at 31 March 2012, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(I) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company

(a) Long positions in ordinary shares of HK$0.1 each of the Company

Name of Director	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng Chun For, Henry	Personal	33,274,587	4.64%
("Mr. Ng")	Interest of controlled corporations	304,552,533 *(Notes 1 and 2)*	42.51%
Mr. Ng Ian	Interest of a controlled corporation	80,042,689 *(Notes 3)*	11.17%
Mr. Ng Ian	Personal	4,601,227	0.64%

Note 1: Henry Jewellery Holdings Limited ("HJHL"), a company incorporated in the British Virgin Islands, owned 137,356,200 shares of the Company. Mr. Ng is entitled to exercise or control the exercise of 80%, more than one-third, of the voting rights of HJHL so he is deemed to be interested in all shares held by HJHL by virtue of the SFO.

Note 2: Jumbo Step International Limited ("Jumbo Step"), a company incorporated in the British Virgin Islands, owned 167,196,333 shares of the Company, is wholly-owned by Mr. Ng. Mr. Ng is entitled to exercise or control the exercise of 100% of the voting rights of Jumbo Step.

Note 3: On 28 September 2011, Jumbo Step's previously reported entire interest in 172,724,659 shares by virtue of two convertible notes with each of principal amount HK$129,105,609.21 ("CB1") and HK$42,625,000 ("CB2") issued by the Company in June and November 2007 respectively (subject to conversion price adjustment) both have been transferred to Golden Tool International Limited ("Golden Tool") which is a company incorporated in the British Virgin Islands. On 30 September 2011, Golden Tool exercised conversion right attached to the CB1 with a partial amount of HK$75,000,000 out of HK$129,105,609.21 at the conversion price of HK$0.937 per share into 80,042,689 shares ("Conversion"). Mr. Ian Ng is entitled to exercise or control the exercise of 100% of the voting rights of Golden Tool. Subsequently, each of CB1 and CB2 with their respective principal amounts of HK$54,105,609.21 and HK$42,625,000 both were fully repaid on 19 March 2012.

(b) Long positions in underlying shares of the Company

As at 31 March 2012, the Directors had personal interests in share options of the Company granted under the share option scheme adopted on 3 September 2003 as follows:

Name of Director	Option grant date	Exercise period	Exercise price HK$	Number of share options outstanding	Approximate percentage of interest in issued share capital
Mr. Ng	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.28%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.28%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.14%
	24 March 2010	24 March 2010 to 23 March 2020	0.45	6,300,000	0.88%
	30 March 2011	30 March 2011 to 29 March 2021	0.56	6,300,000	0.88%
Mr. Ng Ian	28 October 2005	28 October 2005 to 27 October 2015	0.676	2,000,000	0.28%
	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.28%
	31 August 2007	31 August 2007 to 30 August 2017	1.156	1,000,000	0.14%
	24 March 2010	24 March 2010 to 23 March 2020	0.45	6,300,000	0.88%
	30 March 2011	30 March 2011 to 29 March 2021	0.56	6,300,000	0.88%
Mr. Lee Kwan Yee, Herrick	13 April 2010	13 April 2010 to 12 April 2020	0.48	4,770,000	0.66%
	18 April 2011	18 April 2016 to 17 April 2021	0.66	3,280,000	0.46%
Mr. Mak Wah Chi	2 April 2007	2 April 2007 to 1 April 2017	0.686	2,000,000	0.28%
				45,250,000	6.32%

(II) Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Associated Corporations of the Company

Long positions in the shares of the associated corporation of the Company:

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of issued ordinary shares held	Approximately percentage of issued share capital of the associated corporation
Mr. Ng	HJHL *(Note 1)*	Personal beneficial owner	80	80%
Mr. Ng Ian	HJHL *(Note 1)*	Personal beneficial owner	10	10%
Mr. Ng	Jumbo Step *(Note 2)*	Personal beneficial owner	1	100%
Mr. Ng Ian	Golden Tool *(Note 3)*	Personal beneficial owner	1	100%

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executives of the Company and their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

So far as is known to any Directors or chief executives of the Company, as at 31 March 2012, shareholders who had interests or short positions 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 or had otherwise notified to the Company and the Stock Exchange were as follows:

Long positions in ordinary shares of HK$0.1 each of the Company

Name of shareholder	Capacity and nature of interest	Number of issued ordinary shares held	Approximate percentage of issued share capital of the Company
Mr. Ng	Personal beneficial owner *(Note 4)*	50,874,587	7.10%
Mr. Ng	Interest of controlled corporations *(Notes 1 and 2)*	304,552,533	42.51%
HJHL	Beneficial owner *(Note 1)*	137,356,200	19.17%
Jumbo Step	Beneficial owner *(Note 2)*	167,196,333	23.33%
Mr. Ng Ian	Interest of a controlled corporation *(Note 3)*	80,042,689	11.17%
Golden Tool	Beneficial owner *(Note 3)*	80,042,689	11.17%
Premium Assets Development Limited ("Premium Assets")	Interest of controlled corporations *(Note 5)*	87,656,441	12.24%
Well Garden Limited	Beneficial owner *(Note 5)*	58,322,141	8.14%
Mr. Chung Toi Chiu, Steven	Interest of controlled corporations *(Note 5)*	87,656,441	12.24%
Euphoria Limited	Beneficial owner	51,600,000	7.20%
Inchigo Group Holdings Co., Ltd.	Interest of a controlled corporation	51,600,000	7.20%
Inchigo Asset Management International, Pte. Ltd.	Interest of a controlled corporation	51,600,000	7.20%

Note 4: Please refer to section regarding interest and short positions in shares, underlying shares and debentures of the Company on pages 14 to 16.

Note 5: Premium Assets Development Limited ("Premium Assets"), a company incorporated in the British Virgin Islands, indirectly owned 87,656,441 shares of the Company through its six wholly owned subsidiaries, inter alia, 58,322,141 shares of the Company held by Well Garden Limited which were represented 8.14% of the issued share capital of the company and the rest of 29,334,300 shares of the Company were separately held by its five wholly owned subsidiaries each of which does not hold more than 5% of the issued share capital of the Company. Mr. Chung Toi Chiu Steven ("Mr. Chung") is entitled to exercise or control of the exercise of 62.19% indirectly through his controlled corporations, more than one third, of the voting rights of Premium Assets so he is deemed to be interested in all shares held by Premium Assets by virtue of the SFO.

Save as disclosed above, as at 31 March 2012, the Company had not been notified by any person who had an 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 or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

Particulars of the Company's share option schemes are set out in note 30 to the consolidated financial statements.

The following table discloses details of share options outstanding under the Company's 2003 share option scheme adopted on 3 September 2003 and movement during the year:

				Number of share options				
	Note	Date of grant of share options	Exercise price HK$	Outstanding at beginning of the year	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at end of the year
Name of Grantee								
Mr. Ng Chun For, Henry *(Director)*	(1)	28 October 2005	0.676	2,000,000	—	—	—	2,000,000
	(2)	2 April 2007	0.686	2,000,000	—	—	—	2,000,000
	(3)	31 August 2007	1.156	1,000,000	—	—	—	1,000,000
	(4)	24 March 2010	0.45	6,300,000	—	—	—	6,300,000
	(6)	30 March 2011	0.56	6,300,000	—	—	—	6,300,000
Mr. Ng Ian *(Director)*	(1)	28 October 2005	0.676	2,000,000	—	—	—	2,000,000
	(2)	2 April 2007	0.686	2,000,000	—	—	—	2,000,000
	(3)	31 August 2007	1.156	1,000,000	—	—	—	1,000,000
	(4)	24 March 2010	0.45	6,300,000	—	—	—	6,300,000
	(6)	30 March 2011	0.56	6,300,000	—	—	—	6,300,000
Mr. Lee Kwan Yee, Herrick *(Director)*	(5)	13 April 2010	0.48	4,770,000	—	—	—	4,770,000
	(7)	18 April 2011	0.66	—	3,280,000	—	—	3,280,000
Mr. Mak Wah Chi *(Director)*	(2)	2 April 2007	0.686	2,000,000	—	—	—	2,000,000
Eligible persons	(1)	28 October 2005	0.676	640,000	—	—	—	640,000
	(2)	2 April 2007	0.686	2,000,000	—	—	—	2,000,000
	(3)	31 August 2007	1.156	1,000,000	—	—	—	1,000,000
	(4)	24 March 2010	0.45	6,300,000	—	—	—	6,300,000
	(6)	30 March 2011	0.56	6,300,000	—	—	—	6,300,000
Employees	(2)	2 April 2007	0.686	500,000	—	—	—	500,000
	(7)	18 April 2011	0.66	—	3,500,000	—	—	3,500,000
				58,710,000	6,780,000	—	—	65,490,000

Notes:

(1) The exercise period is from 28 October 2005 to 27 October 2015 (both dates inclusive).

(2) The exercise period is from 2 April 2007 to 1 April 2017 (both dates inclusive).

(3) The exercise period is from 31 August 2007 to 30 August 2017 (both dates inclusive).

(4) The exercise period is from 24 March 2010 to 23 March 2020 (both dates inclusive).

(5) The exercise period is from 13 April 2010 to 12 April 2020 (both dates inclusive).

(6) The exercise period is from 30 March 2011 to 29 March 2021 (both dates inclusive).

(7) The exercise period is from 18 April 2016 to 17 April 2021 (both dates inclusive).

Apart from the foregoing, at no time during the year was the Company, its holding Company, or any of its subsidiaries or fellow 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.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would obligate the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float as required under the Listing Rules during the year.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the end of reporting period are set out in note 35 to the consolidated financial statements.

AUDITORS

The accounts for the year 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 auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Ng Ian
Deputy Chairman and Chief Executive Officer
Hong Kong, 28 June 2012

Directors and Senior Management Profile

DIRECTORS

Executive Directors

Ng Chun For, Henry (Aged 75)

Mr. Henry Ng has been appointed as an executive Director of the Company since 30 April 2005 and became the Chairman on 21 May 2005. Mr. Henry Ng founded a high-end jeweler in Hong Kong under the brand name of "Henry Jewelry" in 1976. Mr. Henry Ng has made investments in the real estate market in Hong Kong and Macau Special Administrative Region of the PRC which included sale and purchase and development of real estate properties. Mr. Henry Ng is responsible for the overall strategic planning of the Group.

Ng Ian (Aged 46)

Mr. Ng Ian has been appointed as an executive Director of the Company since 30 April 2005 and became the Chief Executive Officer and Deputy Chairman on 21 May 2005 and 11 July 2005 respectively. Mr. Ng Ian graduated from University of California, Los Angeles in the United States of America with a Bachelor of Arts Degree in Psychology with a specialisation in Business Administration and is a member of American Institute of Certified Public Accountant. Mr. Ng Ian was honored one of the Ten Outstanding Young Persons in 1997 for his personal achievement in the jewelry industry. Mr. Ng Ian is responsible for the supervision of the operation of the Group with focus on the accounting affairs and financial control of the Group.

Lee Kwan Yee, Herrick (Aged 46)

Mr. Lee has been appointed as an executive Director of the Company since 1 April 2010. Mr. Lee is a Chartered Surveyor and has more than 22 years of experience in real estate investments having advised local and international investors on various types of projects. Mr. Lee holds a Professional Diploma of Estate Management from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic). Mr. Lee is also a member of The Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors.

Mr. Lee was the deputy head of group property division of CSI Properties Limited, a company listed in Hong Kong. Mr. Lee was a director of Colliers International in Hong Kong and worked for a number of international surveying firms before joining the Group. Mr. Lee is responsible for implementation of business plans of the Group.

Non-executive Director

Mak Wah Chi (Aged 59)

Mr. Mak has been appointed as a non-executive Director of the Company since 1 May 2005. Mr. Mak is currently in full time practice as Certified Public Accountant in Hong Kong. Mr. Mak is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants and has over 25 years of experience in accounting and finance.

Independent non-executive Directors

Li Kit Chee (Aged 57)

Mr. Li has been appointed as an independent non-executive Director of the Company since 4 April 2007. Mr. Li is a Certified public accountant and has been practising in Hong Kong since 1989. Mr. Li is a fellow member of both the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. Mr. Li is currently the managing director of Arthur Li, Yau & Lee C.P.A. Limited.

Chan Kam Man (Aged 49)

Mr. Chan has been appointed as an independent non-executive Director of the Company since 19 February 2010. Mr. Chan is a certified public accountant and has been practising in Hong Kong since 1995. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants and has over 25 years of experience in accounting and finance. Mr. Chan is currently the managing director of CL Partners CPA Limited and a director of Eastern Empire Investments Limited and Venture Strategic Advisory Limited. Mr. Chan was also an independent non-executive director of Sinobest Technology Holdings Limited from December 2007 to May 2009 whose shares are listed on the Singapore Stock Exchange.

Chu Tak Sum (Aged 65)

Mr. Chu has been appointed as an independent non-executive Director of the Company since 19 February 2010. Mr. Chu is a registered architect in Hong Kong under the provisions of the Architects Registration Ordinance and has been engaged as an architect for about 30 years. Mr. Chu holds a Bachelor degree in Architecture from The University of Hong Kong. He is also a fellow member of the Hong Kong Institute of Architects and holds Class 1 Registered Architect qualification of the People's Republic of China. Mr. Chu is currently the managing director of T.S. Chu Architects Limited.

SENIOR MANAGEMENT

Lee Pui Lam (Aged 41)

Mr. Lee has been the Financial Controller and Company Secretary of the Company since 1 January 2006. Mr. Lee holds a Master Degree in Professional Accounting from The Hong Kong Polytechnic University 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. Prior to joining the Company, Mr. Lee worked for a number of main board and GEM board listed companies in Hong Kong and has extensive professional experience in auditing, accounting and financial management. Mr. Lee has been promoted to Chief Financial Officer since 1 April 2011.

Yang Ki Kit (Aged 33)

Mr. Yang joined the Company since 30 December 2008 and promoted to Senior Accounting Manager in September 2010. Mr. Yang holds a Master Degree in Corporate Governance from The Hong Kong Polytechnic University. Mr. Yang is a fellow member of The Association of Chartered Certified Accountants and an associate member of The Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Prior to joining the Company, Mr. Yang worked for a number of audit firms and a listed company and has extensive experience in auditing and accounting.

CORPORATE GOVERNANCE PRACTICES

The Board of Directors of the Company ("Board") is committed to maintaining and achieving the highest standards of corporate governance practices with an emphasis on a quality board, better transparency and effective accountability system in order to safeguard the interests of the shareholders and enhance the performance of the Group.

The "Code on Corporate Governance Practices" (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange will be revised and renamed as the "Corporate Governance Code and Corporate Governance Report" with effect from 1 April 2012. As this Corporate Governance Report covers the year ended 31 March 2012, all the corporate governance principles and code provisions mentioned herein refer to those stated in the Code, not the revised Corporate Governance Code.

The Board considers that during the year ended 31 March 2012, the Company has applied the principles and complied with the code provisions set out in the Code. Key corporate governance principles and practices of the Company are summarised below.

BOARD OF DIRECTORS

The Board oversees the management, business, strategic directions and financial performance of the Group. It has delegated the day-to-day responsibility to the executive Directors and senior management of the Company who perform their duties under the leadership of the Chief Executive Officer. At the time of delegation, the Board gives clear directions to executive Directors as to the matters that must be approved by the Board before decisions can be made on behalf of the Group. The functions reserved to the Board and delegated to the executive Directors and senior management are reviewed by the Board to ensure that such delegation remains appropriate to the needs of the Group. The Board members have accessed to appropriate business documents and information about the Group on a timely basis.

BOARD COMPOSITION

The Board currently comprises seven Directors, including three executive Directors, a non-executive Director and three independent non-executive Directors. The Company has three independent non-executive Directors, representing one-third of the Board. At least one of the independent non-executive Directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the Directors are set out on pages 20 and 21 of this annual report.

The Company has received the annual written confirmations of independence from all the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board is of the view that all the independent non-executive Directors are independent in character and judgement and that they all meet the specific independence criteria as required by the Listing Rules.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

For the year under review, Mr. Henry Ng and Mr. Ng Ian continued to hold the positions as the Group's Chairman and Chief Executive Officer respectively, with a view to maintain an effective segregation of duties in respect of the management of the Board and the day-to-day management of the Group's business.

BOARD MEETINGS

The Board meets at least four times a year at approximately quarterly intervals and additional meetings will be held as and when required. The Board held 13 meetings during the financial year ended 31 March 2012. The record of attendance of each Director is as follows:

Name of Director	Regular Board Meeting Attended/Eligible to Attend[5]	Special Board Meeting Attended/Eligible to Attend[6]
Executive Directors		
Mr. Ng Chun For, Henry *(Chairman)*	4/4	1/1
Mr. Ng Ian *(Deputy Chairman and Chief Executive Officer)*[1][2]	4/4	6/6
Mr. Lee Kwan Yee, Herrick[4]	4/4	8/8
Non-executive Director		
Mr. Mak Wah Chi	4/4	4/4
Independent non-executive Directors		
Mr. Li Kit Chee	4/4	4/4
Mr. Chu Tak Sum[3]	4/4	4/4
Mr. Chan Kam Man[3]	4/4	4/4

Notes:

(1) Appointed as Deputy Chairman on 11 July 2005.

(2) Save as Mr. Ng Ian being son of Mr. Ng Chun For, Henry, there is no relationship, including financial, business, family or other material relevant relationship, among the members of the Board.

(3) Appointed as independent non-executive Director on 19 February 2010.

(4) Appointed as executive Director on 1 April 2010.

(5) Regular Board Meetings are attended by a majority of the Directors in person or through other electronic means of communication.

(6) Special Board Meetings are convened from time to time for the Board to discuss major matters that require the Board's timely attention. Since the Special Board Meetings mainly concern the day-to-day management of the Company which often requires prompt decisions, usually only the executive Directors will attend.

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of items in the agenda. A notice of at least 14 days is given to all Directors for all Board meetings. Relevant information is circulated to all Directors normally three days in advance of the Board meetings.

With the assistance of the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate information in a timely manner to assist them to make informed decisions and discharge their duties as Directors. Upon reasonable request, the Directors and Board committees will have accessed to independent professional advice in appropriate circumstances at the Company's expense. The Company has arranged appropriate insurance cover for its Directors.

Meeting minutes of the Board and Board committees are recorded in appropriate details and draft minutes are circulated to the respective Board members for comments before being approved by the Board and Board committees. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The code provision A.4.2 of the Code requires every director, including those appointed for a specific term, to be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors shall retire from office by rotation at each annual general meeting,

Code provision A.4.1 of the Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Director Mr. Mak Wah Chi and three independent non-executive Directors Mr. Li Kit Chee, Mr. Chu Tak Sum and Mr. Chan Kam Man, at the annual general meeting held on 12 August 2011 ("AGM 2011"), were re-elected to hold office until the conclusion of the next annual general meeting of the Company. As such, since the conclusion of the AGM 2011, all non-executive Directors including the independent non-executive Directors have been appointed for a specific term, and accordingly the Company has been in compliance with the code provision A.4.1.

The names and biographical details of the Directors who will offer themselves for election or re-election at the next annual general meeting are included in the circular to shareholders containing the notice of the forthcoming annual general meeting.

RESPONSIBILITIES OF DIRECTORS

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 March 2012. Every Director is required to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Group. On appointment, new Directors will receive a comprehensive, formal induction on the Group's business and his responsibilities as a Director.

All Directors are also encouraged to attend training courses relevant on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates at the Company's expenses.

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

BOARD COMMITTEES

The Board has established three Board committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee, for overseeing particular aspects of the affairs of the Group. During the year, the Nomination Committee was established in 19 March 2012. All Board committees have been established with defined written terms of reference, which are posted on the Company's website "www.henrygroup.hk" and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. The duties and work done by the foregoing three Board committees for the year ended 31 March 2012 are detailed below.

Remuneration Committee

The Remuneration Committee was established on 20 May 2005 with written terms of reference. The Remuneration Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Chu Tak Sum.

The Remuneration Committee will assist the Board to develop and administer fair and transparent procedures for setting policies on the remuneration of Directors and senior management of the Company and for determining their remuneration packages and it is also responsible for the administration of the share option schemes adopted by the Company.

During the year under review, the Remuneration Committee concurred to approve the remuneration for granting of share options to an executive Director as well as review and approval of remuneration packages of the Chairman and the Chief Executive Officer.

Details of Directors' emoluments on named basis for the year ended 31 March 2012 are set out in note 10 to the consolidated financial statements.

The Remuneration Committee held two meetings during the year under review and the record of attendance of its members is as follows:

Name of member	Attended/Eligible to Attend
Mr. Li Kit Chee *(Independent Non-executive Director and the Chairman of Remuneration Committee)*	2/2
Mr. Mak Wah Chi *(Non-executive Director)*	2/2
Mr. Chu Tak Sum *(Independent Non-executive Director)*	2/2

Audit Committee

The Company has established the Audit Committee and adopted written terms of reference on 23 May 2000 and revised on 25 March 2009 and on 19 March 2012. The Audit Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Li Kit Chee (Committee Chairman) and Mr. Chan Kam Man.

The principal duties of the Audit Committee include, among other things, oversight of the relationship with external auditors, review of the Group's financial information and oversight of the Group's financial reporting system, review of connected transactions of the Company as defined in the Listing Rules, if any and monitoring of the internal control system.

During the year under review, the Audit Committee had met with the external auditors and reviewed the annual report for the year ended 31 March 2011, recommendation of re-appointment of external auditors, approved the amendments to terms of reference in compliance with new Listing Rules effective from 1 April 2012, reviewed internal control report, and reviewed the interim report for the six months ended 30 September 2011.

The Audit Committee held three committee meetings during the year under review and the record of attendance of its members is as follows:

Name of member	Attendance/Number of meetings
Mr. Li Kit Chee *(Independent Non-executive Director and Chairman of Audit Committee)*	3/3
Mr. Mak Wah Chi *(Non-executive Director)*	3/3
Mr. Chan Kam Man *(Independent Non-executive Director)*	3/3

Nomination Committee

The Company has established the Nomination Committee and adopted written terms of reference on 19 March 2012. The Nomination Committee now comprises a non-executive Director and two independent non-executive Directors, namely, Mr. Mak Wah Chi, Mr. Chan Kam Man (Committee Chairman) and Mr. Chu Tak Sum.

The principal duties of the Nomination Committee include, among other things, i) to review the structure, size and composition of the board at least annually; ii) to make recommendations to the Board on the appointment and re-appointment of directors of the Company; and iii) to assess the independence of independent non-executive Directors of the Company.

During the year under review, the Nomination Committee held one meeting for approval of the terms of reference and procedure for shareholders to propose for election as director.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The accounts for the year 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. 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 reporting responsibilities of HLB Hodgson Imply Cheng are stated in the Independent Auditors' Report on pages 28 to 29 of the annual report.

The amount of fees charged by the auditors generally depends on the scope and volume of the auditors' work. For the year under review, the remuneration charged to the Group for audit services and non-audit services provided by the auditors amounted to approximately HK$570,000.

INTERNAL CONTROL

Internal control system, being an integral part of the Group's operations, is a process effected by the Board and management team to provide reasonable assurance on the effectiveness and efficiency of operations in achieving the established corporate objectives, safeguarding assets of the Group, enabling reliable financial reporting, and complying with applicable laws and regulations.

The Board is responsible for making appropriate recommendations on the adequacy of internal controls over financial reporting and the effectiveness of disclosure controls and procedures. Through the Audit Committee, it regularly reviews the effectiveness of the system.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board shall maintain an on-going dialogue with shareholders, investors and other stakeholders of the Company and shall ensure effective and timely dissemination of information to shareholders and encourage their participation at general meetings of the Company.

The Company established a Shareholders' Communication Policy on 19 March 2012. The Company communication channels include the annual general meeting, special general meeting, the annual and interim reports, notices, announcements and circulars, the Company's website (www.henrygroup.hk) and meetings with investors and analysts.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right for proposing resolutions, are contained in the Bye-laws.

All resolutions put forward at shareholders' meeting of listed issuers shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.hkrising.com) after each shareholders' meeting.

Independent Auditors' Report

國衛會計師事務所
HLB Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

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

TO THE SHAREHOLDERS OF
HENRY GROUP HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Henry Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 101, 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, in accordance with Section 90 of the Bermuda Companies Act 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012 and of the Group's 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, 28 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	5	**39,330**	33,461
Other income and gains	7	**5,421**	4,683
Net gain in fair value of investment properties	15, 18	**339,794**	119,985
Staff costs	8	**(12,641)**	(18,610)
Depreciation for property, plant and equipment	14	**(655)**	(613)
Other operating expenses		**(12,957)**	(15,613)
Profit from operations	8	**358,292**	123,293
Finance costs	9	**(38,103)**	(37,622)
Profit before taxation		**320,189**	85,671
Taxation	12	**(56,056)**	(12,921)
Profit for the year		**264,133**	72,750
Other comprehensive income/(loss)			
Recognition of hedge reserve of derivative financial instruments		**(2,087)**	(1,746)
Exchange differences arising on translating foreign operations		**19,990**	21,883
Other comprehensive income for the year, net of tax		**17,903**	20,137
Total comprehensive income for the year		**282,036**	92,887
Profit/(loss) for the year attributable to:			
Owners of the Company		**317,233**	147,709
Non-controlling interests		**(53,100)**	(74,959)
		264,133	72,750
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**321,156**	152,541
Non-controlling interests		**(39,120)**	(59,654)
		282,036	92,887
Earnings per share			
Basic (in HK cents)	13	**46.79**	23.21
Diluted (in HK cents)	13	**46.66**	19.87

The accompanying notes form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,282**	1,617
Investment properties	15	**4,472,329**	3,848,060
Amount due from a non-controlling shareholder	32(a)	**29,664**	25,094
Deferred tax assets	25	**4,969**	5,397
		4,508,244	3,880,168
CURRENT ASSETS			
Trade and other receivables	17	**10,182**	8,556
Available-for-sale financial assets	19	**74**	74
Tax recoverable		**181**	—
Pledged bank deposits		**10,000**	—
Cash and bank balances	20	**143,337**	143,069
		163,774	151,699
Assets classified as held for sale	18	**80,000**	79,000
		243,774	230,699
CURRENT LIABILITIES			
Other payables, rental deposits received and accruals	21	**20,744**	26,301
Bank borrowings, current portion (secured)	22	**51,896**	73,600
Convertible notes	23	**—**	16,759
Amount due to a related party	32(b)	**—**	342
Tax payable		**—**	464
		72,640	117,466
Liabilities directly associated with assets classified as held for sale	18	**276**	323
		72,916	117,789
NET CURRENT ASSETS		**170,858**	112,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,679,102**	3,993,078

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT LIABILITIES			
Other payables and rental deposits received	21	**10,077**	5,656
Bank borrowings, non-current portion (secured)	22	**1,512,072**	1,182,558
Convertible notes, non-current portion	23	**—**	160,533
Derivative financial instruments	24	**15,284**	12,784
Loans from related parties	32(c)	**150,709**	47,625
Amounts due to non-controlling shareholders	32(d)	**555,343**	534,597
Loans from shareholders	32(e)	**161,885**	192,446
Deferred tax liabilities	25	**549,541**	494,464
		2,954,911	2,630,663
NET ASSETS		**1,724,191**	1,362,415
CAPITAL AND RESERVES			
Share capital	26	**71,642**	63,638
Reserves		**1,187,399**	794,507
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**1,259,041**	858,145
Non-controlling interests		**465,150**	504,270
TOTAL EQUITY		**1,724,191**	1,362,415

These consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Ng Ian	**Lee Kwan Yee, Herrick**
Director	*Director*

The accompanying notes form part of these consolidated financial statements.

Yu Yuan Road

Statement of Financial Position

At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	**681,953**	682,760
CURRENT ASSETS			
Other receivables	17	**209**	403
Cash and bank balances	20	**24,223**	1,223
		24,432	1,626
CURRENT LIABILITIES			
Other payables	21	**31**	30
Amounts due to subsidiaries	16	**157,316**	122,780
Convertible notes	23	**—**	16,759
		157,347	139,569
NET CURRENT LIABILITIES		**(132,915)**	(137,943)
TOTAL ASSETS LESS CURRENT LIABILITIES		**549,038**	544,817
NON-CURRENT LIABILITIES			
Amount due to a related party	32(c)	**96,829**	—
Loans from a shareholder	32(e)	**13,275**	—
Convertible notes	23	**—**	160,533
		110,104	160,533
NET ASSETS		**438,934**	384,284
CAPITAL AND RESERVES			
Share capital	26	**71,642**	63,638
Reserves	27	**367,292**	320,646
TOTAL EQUITY		**438,934**	384,284

These financial statements were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Ng Ian	**Lee Kwan Yee, Herrick**
Director	*Director*

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Convertible notes reserve HK$'000 (Note 27(b))	Hedging reserve HK$'000 (note 27(b))	Special reserve HK$'000 (note 27(b))	Capital reserve HK$'000 (note 27(b))	Share-based payment reserve HK$'000 (note 27(b))	Exchange reserve HK$'000 (note 27(b))	Contributions from shareholders HK$'000	Other reserve HK$'000	(Accumulated losses)/ Retained profits HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2010	63,638	442,935	71,163	(8,928)	9,628	926	8,325	512	250,139	—	(139,971)	563,924	1,262,291
Recognition of hedge reserve of derivative financial instruments	—	—	—	(1,746)	—	—	—	—	—	—	—	—	(1,746)
Exchange difference arising from translation of financial statements of overseas subsidiaries	—	—	—	—	—	—	—	6,578	—	—	—	15,305	21,883
Other comprehensive income/(loss) for the year	—	—	—	(1,746)	—	—	—	6,578	—	—	—	15,305	20,137
Profit/(loss) for the year	—	—	—	—	—	—	—	—	—	—	147,709	(74,959)	72,750
Total comprehensive income/(loss) for the year	—	—	—	(1,746)	—	—	—	6,578	—	—	147,709	(59,654)	92,887
Recognition of share-based payment (note 30)	—	—	—	—	—	—	7,237	—	—	—	—	—	7,237
At 31 March 2011 and at 1 April 2011	63,638	442,935	71,163	(10,674)	9,628	926	15,562	7,090	250,139	—	7,738	504,270	1,362,415
Recognition of hedge reserve of derivative financial instruments	—	—	—	(2,087)	—	—	—	—	—	—	—	—	(2,087)
Exchange difference arising from translation of financial statements of overseas subsidiaries	—	—	—	—	—	—	—	6,010	—	—	—	13,980	19,990
Other comprehensive income/(loss) for the year	—	—	—	(2,087)	—	—	—	6,010	—	—	—	13,980	17,903
Profit/(loss) for the year	—	—	—	—	—	—	—	—	—	—	317,233	(53,100)	264,133
Total comprehensive income/(loss) for the year	—	—	—	(2,087)	—	—	—	6,010	—	—	317,233	(39,120)	282,036
Issue of shares upon conversion of convertible notes (note 23(b))	8,004	94,931	(27,761)	—	—	—	—	—	—	—	—	—	75,174
Transferred to retained profits upon convertible notes mature (note 23(a))	—	—	(3,380)	—	—	—	—	—	—	—	3,380	—	—
Transferred to retained profits upon convertible notes redemption (note 23(a)(b)(c))	—	—	(40,022)	—	—	—	—	—	—	—	42,822	—	2,800
Recognition of share-based payment (note 30)	—	—	—	—	—	—	647	—	—	—	—	—	647
Change in ownership interests in subsidiaries	—	—	—	—	—	—	—	—	—	1,119	—	—	1,119
At 31 March 2012	71,642	537,866	—	(12,761)	9,628	926	16,209	13,100	250,139	1,119	371,173	465,150	1,724,191

Yu Yuan Road

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**320,189**	85,671
Adjustments for:			
Depreciation for property, plant and equipment		**655**	613
Impairment loss in respect of trade and other receivables		**260**	1,555
Net gain in fair value changes of investment properties	15, 18	**(339,794)**	(119,985)
Loss on convertible notes redemption		**58**	—
(Gain)/loss on disposal of property, plant and equipment		**(17)**	12
Share-based payment expenses		**647**	7,237
Interest income		**(5,117)**	(2,743)
Interest expenses		**38,103**	37,622
Operating cash flows before movement in working capital		**14,984**	9,982
(Increase)/decrease in trade and other receivables		**(2,058)**	17,789
Decrease in other payables, rental deposits received and accruals		**(1,867)**	(62,645)
CASH GENERATED FROM/(USED IN) OPERATIONS		**11,059**	(34,874)
Interest paid		**(59,732)**	(38,011)
Income tax paid		**(784)**	(182)
NET CASH USED IN OPERATING ACTIVITIES		**(49,457)**	(73,067)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(310)**	(223)
Additions to investment properties		**(169,581)**	(121,777)
Purchase of assets classified as held for sale		**—**	(79,000)
Interest received		**547**	626
NET CASH USED IN INVESTING ACTIVITIES		**(169,344)**	(200,374)
FINANCING ACTIVITIES			
Repayment of bank loans		**(72,181)**	(2,800)
Increase in pledged bank deposits		**(10,000)**	—
Advances from a related party		**96,731**	—
Repayment of convertible notes		**(115,513)**	—
Repayment of advance from non-controlling shareholders		**—**	(386)
New loans raised from a shareholder		**13,000**	—
Repayment of loans from shareholders		**(51,800)**	(43,800)
New bank loans raised		**356,645**	337,882
NET CASH GENERATED FROM FINANCING ACTIVITIES		**216,882**	290,896
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,919)**	17,455
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**2,187**	624
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**143,069**	124,990
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	**143,337**	143,069

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

1. GENERAL

The Company was incorporated in Bermuda on 16 December 1999 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended).

The Company acts as an investment holding company and the principal activities of the Group are property leasing and development, provision of property agency and consultancy services and securities investment.

The Company's shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office and principal place of business of the Company is disclosured in the corporate information section of the annual report.

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

The following new and revised HKFRSs and Interpretations issued by the HKICPA have been applied by the Group in the current year. The application of these new and revised standards, amendments and interpretations (the "new and revised HKFRSs") has had no material impact on the Group's financial performance and positions for the current and prior years.

Amendments to Hong Kong Accounting Standard ("HKAS") 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change (see the consolidated statement of changes in equity).

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Group is not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard.

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

Amendments to HKFRS 3 Business Combinations (as part of Improvements to HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by other Standards. In addition, HKFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with HKFRS 2 Share-based Payment at the acquisition date ("market-based measure").

Amendments to HK (IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement

The Interpretation addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of HKAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

HK (IFRIC)-Int 19 Extinguishing Financial Liabilities with Equity Instruments

The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under HK (IFRIC)-Int 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

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

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

HKFRS 1 (Amendments)	First time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
HKFRS 1 (Amendments)	First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans[2]
HKFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[3]
HKAS 12 (Amendments)	Deferred Tax — Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefit[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities[5]
HK (IFRIC) — Int 20	Stripping Costs in Production Phase of Surface Mine[2]

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

Amendments to HKFRS 7 Disclosures — Transfers of Financial Assets

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 of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors anticipate that the application of the amendments to HKFRS 7 will affect the Group's disclosures regarding transfers of financial assets in the future.

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

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements.

Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 Financial Instruments

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 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

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

HKFRS 9 Financial Instruments (continued)

The directors anticipate that the adoption of HKFRS 9 in the future may have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

New and Revised Standards on Consolidation, Joint Arrangements, Associates and Disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

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.

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.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard 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 five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. The application of these five standards may have no significant impact on the results and financial position of the Group. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

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

HKFRS 13 Fair Value Measurement

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

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

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.

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

Amendments to HKAS 12 Deferred Tax — Recovery of Underlying Assets

The amendments to HKAS 12 provide an exception to the general principles in HKAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. Specifically, under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The amendments to HKAS 12 are effective for annual periods beginning on or after 1 April 2012. The directors anticipate that the application of the amendments to HKAS 12 in future reporting periods may result in adjustments to the amounts of deferred tax liabilities recognised in prior years regarding the Group's investment properties of which the carrying amounts are presumed to be recovered through sale. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application with certain exceptions. The directors anticipate that the amendments to HKAS 19 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the amendments to HKAS 19 may have impact on amounts reported in respect of the Group's defined benefit plans. However, the directors have not yet performed a detailed analysis of the impact of the application of the amendments and hence have not yet quantified the extent of the impact.

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosure required by the Rule Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

(ii) Basis of preparation of financial statements

These consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, available-for-sale financial assets, assets classified as held for sale and certain financial instruments which are measured at fair value.

(iii) Basis of consolidation

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

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

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

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

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

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried 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 as specified by applicable HKFRSs). 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.

(iv) Subsidiaries

Subsidiaries are entities in which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investments in subsidiaries are included in the Company's statement of financial position at cost less any impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(v) 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, except that:

(i) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Business combinations (continued)

(ii) liabilities or equity instruments related to share-based payment transactions of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payments of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

(iii) assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Noncurrent 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.

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, when applicable, on the basis specifies in another standard.

Where the consideration transferred by the Group 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 made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Business combinations (continued)

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.

Business combination achieved in stage were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

(vi) Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(vii) Investment properties

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

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(viii) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

(ix) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any, and is presented.

For the purposes of impairment testing, goodwill is allocated to each of the 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 whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, 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 pro rata on the basis of 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 amount of profit or loss on disposal.

(x) Impairment of assets excluding goodwill

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Impairment of assets excluding goodwill (continued)

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(xi) Financial instruments

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

(a) Financial assets

The Group's financial assets are classified into two categories: loans and receivables or available-for-sale 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial instruments (continued)

(a) Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, cash and bank balances and amount due from a non-controlling shareholder) are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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

For available-for-sale 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 instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each 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 impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that 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

— breach of contract, such as 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 that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial instruments (continued)

(a) Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, 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 the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss. Change in carrying amount of the allowance account are recognized in profit or loss.

When an available-for-sale 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 in which the impairment takes place.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial instruments (continued)

(a) Financial assets (continued)

Derecognition of financial assets

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

(b) Financial liabilities and equity instrument

Financial Liabilities 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 arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. All financial liabilities of the Group are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities (including borrowings and other payables) are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial instruments (continued)

(b) Financial liabilities and equity instrument (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses is recognised on an effective interest basis other than those financial liability classified as at fair value through profit or loss, of which the interest expense is included in net gains or losses.

Convertible notes

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

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

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

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

Derecognition of financial liabilities

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial instruments (continued)

(c) Derivative financial instruments

The Group enters into certain derivative financial instruments to hedge its exposure to interest rate risk. Such derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated statement of comprehensive income as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in the hedging reserve are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in the hedging reserve at that time remains in the hedging reserve and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in hedging reserve is recognised immediately in profit or loss.

(xii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to a known amount of cash and are subject to an in significant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiii) Leases

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the relevant lease.

The Group as lessee

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

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

(xiv) Employees' benefits

(a) Short term benefits

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

(b) Pension obligations

Contributions to the Mandatory Provident Fund scheme as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to profit or loss when incurred. The Group has no further payment obligations once the contribution has been made.

The Group has joined a mandatory central pension scheme organised by the PRC government for certain of its employees located in the PRC, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to profit or loss as they became payable, in accordance with the rules of the scheme. The employer's contributions vest fully once they are made.

(c) Share option granted to certain directors and employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period or recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share-based payment reserve).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xiv) Employees' benefits (continued)

(c) Share option granted to certain directors and employees (continued)

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payment reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will be transferred to retained earnings.

(xv) Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates ("functional currency").

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

Exchange differences 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xv) Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of exchange reserve.

(xvi) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(xvii) Contingent liabilities

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xviii) Taxation

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

(a) Current tax

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

(b) Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xix) Borrowing costs

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

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

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

(xx) Related parties

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

(1) A person or entity that is preparing the financial statements of the Group;

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

(v) The entity is a post-employment benefit plan for the benefit of employees of either the 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.

(vi) The entity is controlled or jointly controlled by a person identified in (2).

(vii) A person identified in (2)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(xxi) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management 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 of class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(xxii) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and returns.

Rental income under operating lease is recognised on a straight line basis over the relevant lease term.

Commission income on provision of agency and consultancy services is recognised when the services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results differ from these estimates.

Key source of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of trade and other receivables

As explained in note 17, the Group makes provision for impairment of trade and other receivables based on an estimate of the recoverability of these receivables. Provisions are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of receivables and provision for impairment losses in the period in which such estimate has been changed.

(c) Assessment of impairment of assets

Management periodically reviews each asset for possible impairment or reversal of previously recognised impairment. Recoverability of assets is measured by a comparison of the carrying amount of an asset to its fair value less costs to sell. If such assets are considered by management to be impaired or no longer be impaired, the impairment or reversal of impairment previously recognised is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets less costs to sell. Management performs their analysis of fair value, based on various assumptions and estimates.

(d) Valuation of share options

As explained in note 30, share option expense is subject to the limitations of the option pricing models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life and the relevant parameters of the share option model be changed, there would be material changes in the amount of share option benefits recognised in the profit or loss and share-based payment reserve.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key source of estimation uncertainty (continued)

(e) Fair value of investment properties

As set out in note 15, investment properties were revalued as at 31 March 2012 on an open market value existing use basis by a firm of independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each of reporting period.

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contract), adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flow.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

(f) Fair value of derivatives and other financial instruments

As explained in note 24, the directors use their judgement in selecting an appropriate valuation technique for financial instrument not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using a discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

(g) Income taxes and deferred taxation

The Group is subject to income taxes in different jurisdictions. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. TURNOVER

The Group's turnover comprises:

	2012 HK$'000	2011 HK$'000
Gross rental income from investment properties	**38,184**	33,461
Gross rental income from assets classified as held for sale	**1,146**	—
	39,330	33,461

6. SEGMENT INFORMATION

The Group has three reportable segments under HKFRS 8, (i) property leasing and development, (ii) provision of property agency and consultancy services for the retail property sale and leasing market and (iii) securities investments. The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly review by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

Segment turnover and results

An analysis of the Group's turnover and results by reportable segment is presented below:

	Property leasing and development		Provision of property agency and consultancy services		Securities investment		Consolidated total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
GROSS PROCEEDS	**39,330**	33,461	**—**	—	**—**	—	**39,330**	33,461
TURNOVER	**39,330**	33,461	**—**	—	**—**	—	**39,330**	33,461
RESULTS								
Segment profit/(loss)	**370,848**	143,247	**73**	(18)	**—**	—	**370,921**	143,229
Unallocated corporate income							**271**	113
Unallocated corporate expenses							**(12,900)**	(20,049)
Profit from operations							**358,292**	123,293
Finance costs							**(38,103)**	(37,622)
Profit before taxation							**320,189**	85,671

6. SEGMENT INFORMATION (continued)

Segment turnover and results (continued)

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

The accounting policies of the reportable segments are the same as the Group's accounting policies, business segment represents the profit/(loss) from each segment without allocation of central operating expenses including staff costs and finance costs. This is the measure reported for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

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

	Property leasing and development		Provision of property agency and consultancy services		Securities investment		Consolidated total	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
ASSETS								
Segment assets	**4,590,400**	4,010,640	**40**	141	**79**	77	**4,590,519**	4,010,858
Unallocated corporate assets							**161,499**	100,009
Consolidated total assets							**4,752,018**	4,110,867
LIABILITIES								
Segment liabilities	**2,367,827**	2,074,597	**34**	1,228	**—**	—	**2,367,861**	2,075,825
Unallocated corporate liabilities							**659,966**	672,627
Consolidated total liabilities							**3,027,827**	2,748,452

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

— all assets are allocated to reportable segments other than corporate assets and assets classified as held for sale.

— all liabilities are allocated to reportable segments other than corporate liabilities, convertible notes, deferred tax liabilities and liabilities directly associated with assets classified as held for sale.

6. SEGMENT INFORMATION (continued)

Other segment information

The following is analysis of the Group's other segment information:

	Property leasing and development		Provision of property agency and consultancy services		Securities investment		Unallocated		Consolidated total	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Capital additions	**169,866**	181,975	**—**	—	**—**	—	**25**	36	**169,891**	182,011
Depreciation for property, plant and equipment	**593**	548	**—**	—	**—**	—	**62**	65	**655**	613
(Gain)/loss on disposal of property, plant and equipment	**—**	—	**—**	2	**—**	—	**(17)**	10	**(17)**	12
Net gain in fair value of investment properties	**(338,794)**	(119,985)	**—**	—	**—**	—	**(1,000)**	—	**(339,794)**	(119,985)
Impairment loss on trade and other receivables	**260**	1,555	**—**	—	**—**	—	**—**	—	**260**	1,555

Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China (the "PRC").

For the year ended 31 March 2012, all of the Group's turnover are derived from Hong Kong. The following is an analysis of the carrying amount of non-current assets and capital additions analysed by the geographical area in which the assets are located:

	Non-current assets*		Capital additions	
	At 31 March 2012 HK$'000	At 31 March 2011 HK$'000	**Year ended 31 March 2012 HK$'000**	Year ended 31 March 2011 HK$'000
The PRC	**2,901,261**	2,637,623	**169,599**	181,851
Hong Kong	**1,602,014**	1,237,148	**292**	160
	4,503,275	3,874,771	**169,891**	182,011

* Non-current assets excluding deferred tax assets.

Information about major customers

Included in turnover arising from property leasing and development of approximately HK$39,330,000 (2011: HK$33,461,000) are turnover of approximately HK$12,689,000 (2011: HK$10,920,000) which arose from turnover to the Group's largest two (2011: two) customers with whom transactions have exceeded 32% of the Group's turnover during the year. No other single customer had exceeded 10% of the Group's turnover arising from provision of property agency and consultancy services and securities investment during the year.

7. OTHER INCOME AND GAINS

	2012 HK$'000	2011 HK$'000
Bank interest income	**547**	626
Imputed interest income (note 32(a))	**4,570**	2,117
Reversal of over-provision of rates	**20**	713
Sundry income	**284**	372
Reversal of impairment loss on trade receivables	**—**	855
	5,421	4,683

8. PROFIT FROM OPERATIONS

	2012 HK$'000	2011 HK$'000
Profit from operations is arrived at after charging/(crediting):		
Directors' remuneration (note 10)	**4,573**	9,156
Other staff costs		
Salaries and allowances	**7,124**	9,038
Retirement benefit scheme contributions (note 31)	**69**	86
Social security contributions (note 31)	**445**	288
Other benefits in kind	**430**	42
	8,068	9,454
Total staff costs	**12,641**	18,610
Net exchange loss	**3**	3
Auditors' remuneration	**570**	550
Depreciation for property, plant and equipment	**655**	613
(Gain)/loss on disposal of property, plant and equipment	**(17)**	12
Impairment loss on trade and other receivables	**260**	1,555
Share-based payment expenses	**647**	7,237
Loss on redemption of convertible notes	**58**	—
Gross rental income from investment properties	**(39,330)**	(33,461)
Less: Direct operating expenses from investment properties that generated rental income during the year	**201**	11
	(39,129)	(33,450)

9. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on bank borrowings		
— wholly repayable within five years	9,114	7,003
— wholly repayable after five years	50,618	31,008
Interest on amounts due to non-controlling shareholders (note 32(d)(ii))	21,597	21,538
Interest on loans from shareholders (note 32(e))	8,239	15,071
Interest on loan from a related party (note 32(c)(ii))	99	—
Imputed interest on convertible notes (note 23)	16,137	19,167
Imputed interest on interest-free loan from a related party (note 32(c)(i))	4,394	3,846
	110,198	97,633
Less: amounts capitalised into investment properties under construction (note 15)	(72,095)	(60,011)
Total	38,103	37,622

The finance costs have been capitalised at the average rate of 5–9% (2011: 5–9%) per annum.

10. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

Year ended 31 March 2012

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000 (note 31)	Quarters' expenses HK$'000	Share options HK$'000 (note 30)	Total HK$'000
Executive directors						
Ng Chun For, Henry	8	67	—	—	—	75
Ng Ian	4	1,636	12	—	—	1,652
Lee Kwan Yee, Herrick (note a)	—	1,781	12	—	313	2,106
	12	3,484	24	—	313	3,833
Non-executive director						
Mak Wah Chi	500	—	—	—	—	500
Independent non-executive directors						
Li Kit Chee	80	—	—	—	—	80
Chan Kam Man	80	—	—	—	—	80
Chu Tak Sum	80	—	—	—	—	80
	240	—	—	—	—	240
Total	752	3,484	24	—	313	4,573

10. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(a) Directors' emoluments (continued)

Year ended 31 March 2011

	Directors' fees HK$'000	Basic salaries, allowances and other benefits HK$'000	Contributions to retirement benefit schemes HK$'000 (note 31)	Quarters' expenses HK$'000	Share options HK$'000 (note 30)	Total HK$'000
Executive directors						
Ng Chun For, Henry	8	67	—	—	2,016	2,091
Ng Ian	4	147	12	1,164	2,016	3,343
Lee Kwan Yee, Herrick (note a)	—	1,781	12	—	1,189	2,982
	12	1,995	24	1,164	5,221	8,416
Non-executive director						
Mak Wah Chi	500	—	—	—	—	500
Independent non-executive directors						
Li Kit Chee	80	—	—	—	—	80
Chan Kam Man	80	—	—	—	—	80
Chu Tak Sum	80	—	—	—	—	80
	240	—	—	—	—	240
Total	752	1,995	24	1,164	5,221	9,156

Notes:

(a) Appointed on 1 April 2010

There were no arrangements under which any director waived or agreed to waive any emoluments in respect of each of the two years ended 31 March 2012 and 2011.

10. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2011: three) are directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2011: two) individuals are as follows:

	2012	2011
	HK$'000	HK$'000
Salaries, allowances and other benefits	**2,668**	2,342
Pension contributions	**24**	15
	2,692	2,357

The emoluments of these individuals are within the following bands:

	2012	2011
	No. of employees	No. of employees
HK$ Nil–HK$1,000,000	**2**	—
HK$1,000,001–HK$1,500,000	**1**	2
	3	2

(c)

No emoluments were paid or payable to any directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2012 and 2011.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of reporting period (2011: Nil).

12. TAXATION

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

	2012 HK$'000	2011 HK$'000
Current tax — Hong Kong		
— Provision for the year	**380**	462
— (Over)/under-provision in prior years	**(242)**	112
	138	574
Deferred taxation		
— Charged to the consolidated statement of comprehensive income	**55,918**	12,347
	56,056	12,921

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the year ended 31 March 2012.

Pursuant to the income tax rules and regulations of the PRC, provision for the PRC Enterprise Income Tax is calculated based on a statutory rate of 25% on the assessable profits of the PRC subsidiary. No provision for the PRC Enterprise Income Tax for the year has been made as the PRC subsidiary incurred a loss during the year (2011: Nil).

12. TAXATION (continued)

(b) The taxation charge for the year can be reconciled to the profit in consolidated statement of comprehensive income as follows:

	2012 HK$'000	2012 %	2011 HK$'000	2011 %
Profit before taxation	**320,189**		85,671	
Tax expense at Hong Kong profits tax rate of 16.5% (2011: 16.5%)	**52,831**	**16.5**	14,136	16.5
Tax effect of expenses not deductible for tax purpose	**17,804**	**5.6**	29,688	34.6
Tax effect of income not taxable for tax purpose	**(12,246)**	**(3.8)**	(23,227)	(27.1)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(2,227)**	**(0.7)**	(9,011)	(10.5)
Tax effect of unused tax losses not recognised	**1,097**	**0.3**	1,626	1.9
(Over)/under-provision in respect of prior years	**(242)**	**(0.1)**	112	0.1
Utilisation of tax losses previously not recognised	**(961)**	**(0.3)**	(403)	(0.4)
Taxation charge for the year	**56,056**	**17.5**	12,921	15.1

13. EARNINGS PER SHARE

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

	2012 HK$'000	2011 HK$'000
Earnings		
Earnings for the purpose of basic earnings per share	**317,233**	147,709
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**—**	16,004
Earnings for the purpose of diluted earnings per share	**317,233**	163,713

	2012 '000	2011 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**678,032**	636,377
Effect of dilutive potential ordinary shares:		
Share options	**1,906**	5,619
Convertible notes	**—**	182,124
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**679,938**	824,120

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
COST				
At 1 April 2010	1,327	1,880	765	3,972
Additions	99	124	—	223
Disposals	—	(36)	—	(36)
Exchange adjustments	—	13	33	46
At 31 March 2011 and 1 April 2011	1,426	1,981	798	4,205
Additions	—	310	—	310
Disposals	—	(84)	—	(84)
Exchange adjustments	—	13	30	43
At 31 March 2012	1,426	2,220	828	4,474
ACCUMULATED DEPRECIATION				
At 1 April 2010	853	799	323	1,975
Provided for the year	129	328	156	613
Eliminated on disposals	—	(24)	—	(24)
Exchange adjustments	—	6	18	24
At 31 March 2011 and 1 April 2011	982	1,109	497	2,588
Provided for the year	142	350	163	655
Eliminated on disposals	—	(79)	—	(79)
Exchange adjustments	—	7	21	28
At 31 March 2012	1,124	1,387	681	3,192
CARRYING VALUE				
At 31 March 2012	302	833	147	1,282
At 31 March 2011	444	872	301	1,617

The above items of property, plant and equipment are depreciated on a straight-line basis at the followings rates per annum:

Leasehold improvements	50% or over the terms of the leases, if higher
Furniture, fixtures and equipment	20% to 25%
Motor Vehicles	20%

15. INVESTMENT PROPERTIES

	The Group 2012 HK$'000	2011 HK$'000
FAIR VALUE:		
Completed investment properties, in Hong Kong	**1,601,000**	1,236,000
Investment properties under construction, in the PRC	**2,871,329**	2,612,060
	4,472,329	3,848,060

	The Group		
	Completed investment properties, in Hong Kong HK$'000	Investment properties under construction, in the PRC HK$'000	Total HK$'000
FAIR VALUE:			
At 1 April 2010	1,010,000	2,494,848	3,504,848
Exchange adjustments	—	41,439	41,439
Construction costs incurred	—	121,777	121,777
Interest capitalised (note 9)	—	60,011	60,011
Net gain/(loss) in fair value changes recognised in statement of comprehensive income	226,000	(106,015)	119,985
At 31 March 2011 and 1 April 2011	1,236,000	2,612,060	3,848,060
Exchange adjustments	—	43,799	43,799
Construction costs incurred	—	169,581	169,581
Interest capitalised (note 9)	—	72,095	72,095
Net gain/(loss) in fair value changes recognised in statement of comprehensive income	365,000	(26,206)	338,794
At 31 March 2012	1,601,000	2,871,329	4,472,329

(a) Valuation of investment properties

The completed investment properties in Hong Kong and investment properties under construction in the PRC amounted of approximately HK$1,601,000,000 and HK$2,871,329,000 respectively of the Group were stated at fair value at 31 March 2012. The fair values were arrived at based on the valuation out at that date by an independent firm of qualified professional valuers, Savills Valuation and Professional Services Limited ("Savills"), who have among their staff members of the Hong Kong Institute of Surveyors with recent experience in the location and category of the properties being valued. The valuations conform to Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors. The completed investment properties, in Hong Kong were using direct comparison approach. The investment properties under construction, in the PRC were valued using direct comparison approach by marking reference to comparable sale transactions as available in the relevant market.

15. INVESTMENT PROPERTIES (continued)

(b) The analysis of the carrying amount of investment properties is as follows:

	2012 HK$'000	2011 HK$'000
In Hong Kong		
— long-term leases	**1,601,000**	1,236,000
In the PRC		
— medium-term leases	**2,871,329**	2,612,060
	4,472,329	3,848,060

(c) Pledge of investment properties

Investment properties with a carrying amount in aggregate of HK$4,472,329,000 (2011: HK$3,848,060,000) are pledged to banks for Group's borrowings, details of which set out in note 22.

16. INTERESTS IN SUBSIDIARIES

	The Company 2012 HK$'000	2011 HK$'000
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**744,118**	744,960
Less: Impairment loss	**(62,165)**	(62,200)
	681,953	682,760
Amounts due to subsidiaries	**157,316**	122,780

Details of the Company's subsidiaries as at 31 March 2012 are set out in note 39.

Amounts due from subsidiaries are unsecured, interest free and have no fixed repayment term. The amounts are not expected to be settled within the next twelve months and in substance represent the Company's investments in the subsidiaries.

The carrying amounts of interests in subsidiaries are reduced to the recoverable amounts which are determined by reference to the value in use.

Amounts due to subsidiaries are unsecured, interest free and have no fixed repayment term.

17. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**2,230**	2,942	**—**	—
Less: Impairment loss on trade receivables	**—**	—	**—**	—
	2,230	2,942	**—**	—
Other receivables	**7,952**	5,614	**209**	403
	10,182	8,556	**209**	403

(i) The movements in impairment loss of trade receivables are as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**—**	2,196
Impairment loss recognised in respect of trade receivables	**260**	—
Reversal of impairment loss on trade receivables	**—**	(855)
Bad debt written off	**(260)**	(1,341)
At 31 March	**—**	—

Rentals and deposits are payable in advance by tenants.

For the year ended 31 March 2012, trade receivables of HK$260,000 (2011: HK$Nil) were individually determined to be impaired and written off as the debtors were in financial difficulty and management assessed that the amount will not be recoverable. The Group did not hold any collateral over these balances.

The Group maintains a defined credit policy to assess the credit quality of each counterparty. The collection is closely monitored to minimise any credit risk associated with these trade receivables. The trade receivables mainly consist of rental receivables. The rental receivables are due for settlement upon the completion of the relevant agreements and payable in advance by tenants.

For the year ended 31 March 2012, other receivables of approximately HK$Nil (2011: HK$1,555,000) have been written off as the debtors were in financial difficulty and management assessed that the amount will not be recoverable.

17. TRADE AND OTHER RECEIVABLES (continued)

(ii) The ageing analysis of trade receivables are as follows:

	2012 HK$'000	2011 HK$'000
Up to 30 days	**2,216**	2,918
31–60 days	**1**	—
61–90 days	**7**	24
More than 90 days	**6**	—
	2,230	2,942

(iii) The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2012 HK$'000	2011 HK$'000
Neither past due nor impaired	**1,579**	2,525
Less than 1 month past due	**637**	393
1 to 3 months past due	**8**	24
More than 3 months past due	**6**	—
	651	417
	2,230	2,942

Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. ASSETS CLASSIFIED AS HELD FOR SALE

	The Group 2012 HK$'000	2011 HK$'000
Investment property	**80,000**	79,000
Liabilities directly associated with assets classified as held for sale	**276**	323

The Group intends to dispose the investment property within the next 12 months.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	The Group 2012 HK$'000	2011 HK$'000
Unlisted Bond	**74**	74

The bond bears interest at 0.25% per annum.

20. CASH AND CASH EQUIVALENTS

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include time deposits and cash and bank balances. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Cash and bank balances	**93,109**	143,069	**24,223**	1,223
Time deposits	**50,228**	—	**—**	—
	143,337	143,069	**24,223**	1,223

At the end of the reporting period, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK$38,217,000 (2011: HK$53,570,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash and bank balances comprise cash held by the Group and bank balances that bear interest at prevailing market rates ranging from 0.01% to 1.49% (2011: 0.01% to 1.21%) per annum and have original maturity of three months or less.

As at 31 March 2012, pledged bank deposits of approximately HK$10,000,000 represents deposits pledged to bank to secure banking facilities granted to the Group.

21. OTHER PAYABLES, RENTAL DEPOSITS RECEIVED AND ACCRUALS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Construction costs payables	**9,922**	14,691	**—**	—
Rental deposits received	**14,568**	11,287	**—**	—
Accruals	**4,708**	4,335	**31**	30
	29,198	30,313	**31**	30
Advanced rental received	**1,899**	1,967	**—**	—
	31,097	32,280	**31**	30
Less: Other payables and rental deposits received				
— non-current portion	**(10,077)**	(5,656)	**—**	—
Other payables, rental deposits received and accruals associated with assets classified as held for sale	**(276)**	(323)	**—**	—
	20,744	26,301	**31**	30

22. BANK BORROWINGS — SECURED

	The Group	
	2012	2011
	HK$'000	HK$'000
Bank loans	**1,563,968**	1,256,158
Less: Current portion	**(51,896)**	(73,600)
Non-current portion	**1,512,072**	1,182,558

The bank borrowings are repayable as follows:

	2012	2011
	HK$'000	HK$'000
On demand or within one year	**51,896**	73,600
After one year but within two years	**54,735**	4,400
After two year but within five years	**412,649**	126,102
After five years	**1,044,688**	1,052,056
	1,512,072	1,182,558
	1,563,968	1,256,158

22. BANK BORROWINGS — SECURED (continued)

Bank borrowings with total principal amounts of approximately HK$782,819,000 out of HK$1,563,968,000 (2011: HK$710,000,000 out of HK$1,256,158,000) bear floating interest rate at HIBOR plus under banking facilities provided by several banks in Hong Kong. These bank borrowings are secured by the Group's investment properties in Hong Kong, rent assignments in respect the investment properties and corporate guarantees to the extent of approximately HK$803,500,000 (2011: HK$713,500,000) plus interest given by the Company.

The remaining bank borrowings approximately HK$781,149,000 bear floating interest at the People's Bank of China ("PBOC") over 5 years benchmark rate discounted by 5%, are secured by the Group's investment properties under construction.

23. CONVERTIBLE NOTES

	The Group and the Company	
	2012	2011
	HK$'000	HK$'000
Liability component at 1 April	**177,292**	158,125
Imputed interest (note 9)	**16,137**	19,167
	193,429	177,292
Conversion of shares	**(75,174)**	—
Early redemption	**(107,441)**	—
Repayment on maturity	**(10,814)**	—
Liability component at 31 March	**—**	177,292
Current portion	**—**	(16,759)
Non-current portion	**—**	160,533

(a) On 17 November 2008, the Company issued two batches of convertible notes in the principal amount of HK$17,860,000 each as part of the consideration for the acquisition of Uptodate Management Limited ("Uptodate"). The convertible notes bear interest at 1.68% per annum with the respective maturity dates on 1 August 2009 and 1 February 2012 or convertible into shares of the Company one month after maturing at the initial conversion price of HK$1.9 per share subject to adjustment to take into account of capital transactions with dilutive effect. There was no conversion during the year. Each batch of convertible notes could be converted to 9,400,000 shares of the Company at the conversion price of HK$1.9 per share. If there is no conversion, they will be repaid on the maturity date with the interest thereof. During the year ended 31 March 2010, principal amount of approximately HK$17,860,000 was fully repaid upon maturity on 1 August 2009.

The convertible notes were split between the liability and equity components of approximately HK$28,424,000 and HK$7,296,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes reserve. The respective effective interest rates of the liability component of the two convertible notes are 14.23% and 15.13% per annum.

23. CONVERTIBLE NOTES (continued)

(a) (continued)

On 7 October 2011, a partial convertible note with the principal amount of HK$7,600,000 out of HK$17,860,000 was early redeemed and the remain outstanding convertible note with the principal amount of HK$10,260,000 was fully repaid upon maturity on 1 February 2012.

(b) On 25 June 2007, the Company issued a convertible note in the principal amount of HK$129,105,609 as part of the consideration for the acquisition of Max Act Enterprises Limited ("Max Act"). The convertible note bears interest at 1.68% per annum with a maturity date of 5 years from the date of issuance and is repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK$0.98 per share subject to adjustment to take into account of capital transactions with dilutive effect. Subsequently, it was adjusted to HK$0.937 to take into account the dilutive effect of the share placement in November 2007. The whole amount of the convertible note could be converted to 137,786,135 shares of the Company at the conversion price of HK$0.937 per share. If there is no conversion, the remaining outstanding balance will be repaid on the maturity date with the interest thereof.

The convertible note was split between the liability and equity components of approximately HK$81,318,000 and HK$47,787,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes reserve. The effective interest rate of the liability component is 11.47% per annum.

On 30 September 2011, a partial convertible note with the principal amount of HK$75,000,000 out of HK$129,105,609 were exercised to convert into 80,042,689 issued shares at the conversion price.

On 19 March 2012, remaining outstanding convertible note in the principal amount of HK$54,105,609 was fully repaid before its maturity.

(c) On 14 November 2007, the Company issued a convertible note in the principal amount of HK$42,625,000 as part of the consideration for the acquisition of Seedtime International Limited ("Seedtime"). The convertible note bears interest at 1.68% per annum with a maturity date of 5 years from the date of issuance and is repayable after 5 years from the date of issuance or convertible into shares of the Company at the initial conversion price of HK$1.25 per share subject to adjustment to take into account of capital transactions with dilutive effect. Subsequently, it was adjusted to HK$1.22 as a result of taking into account the dilutive effect of the share placement in November 2007. The whole amount of the convertible note will be converted to 34,938,524 shares of the Company at the conversion price of HK$1.22 per share. On 19 March 2012, convertible note with the principal amount of HK$42,625,000 was fully repaid before its maturity.

The convertible note was split between the liability and equity components of approximately HK$25,135,000 and HK$17,490,000 respectively upon initial recognition by recognising the liability component at fair value and attributing the residual amount as the equity component. The liability component is subsequently carried at amortised cost and the equity component is recognised in the convertible notes equity reserve. The effective interest rate of the liability component is 12.95% per annum.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2012	2011
	HK$'000	HK$'000
Cash flow hedge — interest rate swaps	**15,284**	12,784

The Group entered into interest rate swaps agreements thereby to minimize the exposure to movements in interest rates fluctuation in relation to its floating rate bank loans by swapping from floating rates to fixed rates. The interest rate swaps are measured and recognised at fair value.

As at 31 March 2012 and 2011, major terms of the interest rate swaps are set out below:

Notional amount	Maturity	Swaps
HK$120,000,000	2013	From HIBOR to a fixed rate 3.12%
HK$120,000,000	2015	From HIBOR to a fixed rate 3.29%

The hedges of interest rate swaps are qualified as effective and a net loss (net of deferred tax) of approximately HK$12,761,000 (2011: HK$10,674,000) is included in the hedging reserve to as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Total fair value loss	**15,284**	12,784
Less: deferred tax on fair value loss	**(2,523)**	(2,110)
	12,761	10,674

The interest rate swaps agreements are secured by a corporate guarantee to the extent of HK$50,000,000 given by the Company.

25. DEFERRED TAX

	The Group	
	2012	2011
	HK$'000	HK$'000
At 1 April	**489,067**	477,067
Arising from hedging credited to equity	**(413)**	(347)
Charged to the consolidated statement of comprehensive income (note 12)	**55,918**	12,347
At 31 March	**544,572**	489,067

25. DEFERRED TAX (continued)

The components of deferred tax (assets)/liabilities recognised in the consolidated statement of financial position and the movements during the year were as follows:

	Deferred tax liabilities		Deferred tax assets		
	Depreciation allowances in excess of the related depreciation HK$'000	Revaluation of investment properties HK$'000	Hedging instruments HK$'000	Tax losses HK$'000	Total HK$'000
THE GROUP					
At 1 April 2010	5,291	477,007	(1,763)	(3,468)	477,067
Charged to the consolidated statement of comprehensive income (note 12)	1,380	10,786	—	181	12,347
Credited to equity	—	—	(347)	—	(347)
At 31 March 2011 and 1 April 2011	6,671	487,793	(2,110)	(3,287)	489,067
Charged to the consolidated statement of comprehensive income (note 12)	1,238	53,839	—	841	55,918
Credited to equity	—	—	(413)	—	(413)
At 31 March 2012	7,909	541,632	(2,523)	(2,446)	544,572

As at 31 March 2012, the Group had unused tax losses of approximately HK$36,794,000 (2011: HK$49,104,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses of approximately HK$21,969,000 (2011: HK$29,183,000) due to the unpredictability of future profit streams.

26. SHARE CAPITAL

	Number of shares		Amount	
	2012 Number '000	2011 Number '000	**2012 HK$'000**	2011 HK$'000
Authorised:				
Ordinary shares of HK$0.10 each				
At 1 April and 31 March	**1,000,000**	1,000,000	**100,000**	100,000
Issued and full paid:				
Ordinary shares of HK$0.10 each				
At 1 April	**636,377**	636,377	**63,638**	63,638
Issue of shares on exercise of convertible notes on 30 September 2011 (note 23(b))	**80,042**	—	**8,004**	—
Ordinary shares of HK$0.10 each at 31 March	**716,419**	636,377	**71,642**	63,638

(a) On 30 September 2011, a partial convertible note with the principal amount of HK$75,000,000 out of HK$129,105,609 were exercised to convert into 80,042,689 issued shares at the conversion price of HK$0.937 per share.

27. RESERVES

(a) Reserves of the Company

	Share premium HK$'000	Share-based payment reserve HK$'000	Convertible notes reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
The Company						
At 1 April 2010	442,935	8,325	71,163	39,258	(214,840)	346,841
Total comprehensive loss for the year	—	—	—	—	(33,432)	(33,432)
Recognition of share-based payments	—	7,237	—	—	—	7,237
At 31 March 2011 and at 1 April 2011	442,935	15,562	71,163	39,258	(248,272)	320,646
Total comprehensive loss for the year	—	—	—	—	(23,971)	(23,971)
Issue of share upon conversion of convertible notes (note 23(b))	94,931	—	(27,761)	—	—	67,170
Transferred to accumulated losses upon convertible notes mature	—	—	(3,380)	—	3,380	—
Transferred to accumulated losses upon convertible notes redemption	—	—	(40,022)	—	42,822	2,800
Recognition of share-based payments	—	647	—	—	—	647
At 31 March 2012	537,866	16,209	—	39,258	(226,041)	367,292

The contributed surplus of the Company represents the difference between the book value of the underlying net assets of the subsidiaries acquired by the Company under the group reorganisation in April 2000 and the nominal value of the Company's shares issued for the acquisition. In addition to retained profits, under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

In the opinion of the directors, the Company had distributable reserve of approximately HK$351,083,000 at the end of the reporting period (2011: HK$233,921,000).

27. RESERVES (continued)

(b) Nature of reserves

Capital reserve

The capital reserve represents capital contribution from a related company, a shareholder, and a non-controlling shareholder in the form of interest free loans. The amounts are estimated by discounting the nominal value of their non-interest bearing loans to the Group at current market interest rate for similar financial instruments.

Special reserve

The special reserve represents the offsetting of the share premium of the subsidiary acquired against the excess of the nominal value of that subsidiary's shares and the nominal value of the shares issued by the Company in exchange thereof under the group reorganisation in April 2000.

Convertible notes reserve

The equity component of convertible notes represents the value of the unexercised equity component of convertible notes issued by the Company recognised in accordance with the accounting policy adopted for convertible notes set out in note 3(xi)(b).

Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors, employees and other eligible person of the Company recognised in accordance with the accounting policy adopted for share based payment set out in note 3(xiv)(c).

Exchange reserve

Exchange reserve represents foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(xv).

Hedging reserve

The hedging reserve represents gains/losses arising on recognising hedging instruments at fair value in a qualifying cash flow hedge. The reserve is dealt with in accordance with accounting policy set out in note 3(xi)(c).

28. COMMITMENTS

Capital commitments outstanding at the end of the reporting period not provided for in the consolidated financial statements were as follows:

	The Group	
	2012	2011
	HK$'000	HK$'000
Construction cost of investment properties, contracted for	**236,415**	182,589

29. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	The Group 2012 HK$'000	2011 HK$'000
Minimum lease payments paid under operating leases for premises recognised in statement of comprehensive income for the year	**2,076**	1,902

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

	The Group 2012 HK$'000	2011 HK$'000
Within one year	**1,961**	1,461
In the second to fifth year inclusive	**892**	988
	2,853	2,449

Operating lease payments represent rentals payable by the Group for certain of its office premises and directors' quarters. Leases are negotiated for an average term of two years and rentals are fixed during the lease period.

The Group as lessor

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

	The Group 2012 HK$'000	2011 HK$'000
Within one year	**37,902**	27,690
In the second to fifth year inclusive	**27,178**	12,312
	65,080	40,002

The properties are expected to generate rental yields of 2.99% (2011: 2.44%) per annum on an ongoing basis. All the properties held have committed tenants for the next year.

30. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme, which will expire on 2 September 2013, was adopted by the Company at the extraordinary general meeting held on 3 September 2003. The primary purpose of the option scheme is to provide incentives or reward the employees and other persons who may have contribution to the Group, and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group.

Under the option scheme, the board of directors of the Company may offer to full time employees, including full time executive directors and non-executive directors, of the Company and/or its subsidiaries to subscribe for shares in the Company in accordance with the terms of the option scheme for the consideration of HK$1 for each lot of share options granted.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the option scheme and any other share option schemes of the Company shall not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of the Company's shares in issue from time to time. The number of shares in respect of which options may be granted to any employee in any 12-month period is not permitted to exceed 1% of the total number of the Company's shares in issue, subject to approval from shareholders of the Company. The Company may seek approval from shareholders of the Company in general meeting to refresh the 10% limit. The scheme mandate limit was refreshed and renewed by an ordinary resolution passed by the shareholders at the annual general meeting held on 12 August 2011 which enabled the grant of further share options to subscribe up to 63,637,671 shares representing 10% of the shares in issue as at the said date.

Options granted must be taken within 28 days of the date of grant or such longer or shorter period as the board of directors of the Company may think fit. An option may be exercised at any time, during a period determined and notified by the Board of Directors by each grantee, to the 10th anniversary of the date of grant. The exercise price is determined by the board of directors of the Company and will be at least the highest of the following:

(a) the closing price of shares at the date of grant of a share option;

(b) the average closing price of the shares for the five business days immediately preceding the date of grant; and

(c) the nominal value of a share.

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price HK$	Number of share options outstanding at 1 April '000	Granted during the year '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	Reclassification during the year '000	Number of share options outstanding at 31 March '000
2012								
Directors	28 October 2005	0.676	4,000	—	—	—	—	4,000
	2 April 2007	0.686	6,000	—	—	—	—	6,000
	31 August 2007	1.156	2,000	—	—	—	—	2,000
	24 March 2010	0.450	12,600	—	—	—	—	12,600
	13 April 2010	0.480	4,770	—	—	—	—	4,770
	30 March 2011	0.560	12,600	—	—	—	—	12,600
	18 April 2011	0.660	—	3,280	—	—	—	3,280
			41,970	3,280	—	—	—	45,250
Eligible persons	28 October 2005	0.676	640	—	—	—	—	640
	2 April 2007	0.686	2,000	—	—	—	—	2,000
	31 August 2007	1.156	1,000	—	—	—	—	1,000
	24 March 2010	0.450	6,300	—	—	—	—	6,300
	30 March 2011	0.560	6,300	—	—	—	—	6,300
			16,240	—	—	—	—	16,240
Employee	2 April 2007	0.686	500	—	—	—	—	500
	18 April 2011	0.660	—	3,500	—	—	—	3,500
			500	3,500	—	—	—	4,000
			58,710	6,780	—	—	—	65,490

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

	Date of grant	Exercise price	Number of share options outstanding at 1 April	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	Reclassifi-cation during the year	Number of share options outstanding at 31 March
		HK$	'000	'000	'000	'000	'000	'000
2011								
Directors	28 October 2005	0.676	4,000	—	—	—	—	4,000
	2 April 2007	0.686	6,000	—	—	—	—	6,000
	31 August 2007	1.156	2,000	—	—	—	—	2,000
	24 March 2010	0.450	12,600	—	—	—	—	12,600
	13 April 2010	0.480	—	4,770	—	—	—	4,770
	30 March 2011	0.560	—	12,600	—	—	—	12,600
			24,600	17,370	—	—	—	41,970
Eligible persons	28 October 2005	0.676	640	—	—	—	—	640
	2 April 2007	0.686	2,000	—	—	—	—	2,000
	31 August 2007	1.156	1,000	—	—	—	—	1,000
	24 March 2010	0.450	6,300	—	—	—	—	6,300
	30 March 2011	0.560	—	6,300	—	—	—	6,300
			9,940	6,300	—	—	—	16,240
Employee	2 April 2007	0.686	500	—	—	—	—	500
			35,040	23,670	—	—	—	58,710

30. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
28 October 2005	Vested upon granted	28 October 2005 to 27 October 2015	HK$0.676
2 April 2007	Vested upon granted	2 April 2007 to 1 April 2017	HK$0.686
31 August 2007	Vested upon granted	31 August 2007 to 30 August 2017	HK$1.156
24 March 2010	Vested upon granted	24 March 2010 to 23 March 2020	HK$0.450
13 April 2010	Vested upon granted	13 April 2010 to 12 April 2020	HK$0.480
30 March 2011	Vested upon granted	30 March 2011 to 29 March 2021	HK$0.560
18 April 2011	Vesting on 18 April 2016	18 April 2016 to 17 April 2021	HK$0.660

During the year ended 31 March 2012, 6,780,000 (2011: 23,670,000) share options were granted. The options outstanding at the end of the year have a weighted average remaining contractual life of 9 years (2011: 10 years).

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

	2012	2011
Weighted average share price	**HK$0.66**	HK$0.48–HK$0.56
Weighted average exercise price	**HK$0.66**	HK$0.48–HK$0.56
Expected volatility	**81.27%**	51.93%–81.36%
Expected life	**10 years**	10 years
Risk free rate	**2.69%**	2.74%–2.83%
Expected dividend yield	**0%**	0%–3.41%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural consideration. Expected dividends are based on historical dividends.

The Group recognised total expenses of approximately HK$647,000 (2011: HK$7,237,000) related to equity-settled share-based payment transactions during the year.

31. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes HK$1,000 or 5% of the relevant payroll costs, whichever is lower for each employee, to the scheme, which contribution is matched by employees.

The employees of the Group's PRC subsidiary are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a certain percentage of its payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the scheme.

The Group's contribution to retirement benefits schemes for the year ended 31 March 2012 amounted to approximately HK$538,000 (2011: HK$398,000).

32. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Amount due from a non-controlling shareholder, Premium Assets Development Limited, is interest free and not repayable within the next twelve months. The amount was stated at fair value as at the end of the reporting period which is estimated by discounting the nominal value of the loan at current market interest rate of similar financial instruments. The imputed interest on the loan for the year amounted to approximately HK$4,570,000 (2011: HK$2,117,000).

(b) Mr. Chan Kwok Hung ("Mr. Chan") is a director of a non wholly-owned subsidiary. The amount is unsecured, interest free and has no fixed repayment term. During the year ended 31 March 2012, Mr. Chan had agreed to sell the debts to a wholly owned subsidiary of the Group at consideration of HK$1.

(c) Loans from related parties consist of the following:

		The Group		The Company	
		2012	2011	**2012**	2011
	Notes	**HK$'000**	HK$'000	**HK$'000**	HK$'000
北京栢宇興業房地產開發有限公司 (Beijing Grand-Pac Ventures Limited) ("BGPV")	(i)	**53,880**	47,625	—	—
Golden Tool International Limited ("Golden Tool")	(ii)	**96,829**	—	**96,829**	—
		150,709	47,625	**96,829**	—

(i) BGPV is a company incorporated in the PRC, in which a director of a non wholly-owned subsidiary has equity interest. The amount due is unsecured, interest free and is not repayable before 14 November 2015. The amount was stated at fair value as of the end of the reporting period which is estimated by discounting the nominal value of the loan of approximately RMB60,186,000 at current market interest rate of similar financial instruments over the repayment period. Imputed interest on the nominal value of the loan for the year amounted to approximately HK$4,394,000 (2011: HK$3,846,000) and was charged to the statement of comprehensive income.

32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) (continued)

(ii) The controlling shareholder, Mr. Ian Ng, has controlling interest in Golden Tool. During the year ended 31 March 2012, Golden Tool provided loans of approximately HK$96,730,000 for full settlement and discharge of the convertible notes which carried interest rate at 2.7% p.a. over HIBOR, the loans are unsecured and are not repayable within the next twelve months. Interest on the loans for the year amounted to approximately HK$99,000 and was charged to the statement of comprehensive income.

(d) Amounts due to non-controlling shareholders comprise the following:

	Notes	**2012 HK$'000**	2011 HK$'000
Uni-Land Property Group Limited ("Uni-Land")	(i)	**—**	851
Best Task Limited	(ii)	**555,343**	533,746
		555,343	534,597

(i) The amount is unsecured, interest free and repayable on 31 October 2012. The amount was stated at fair value as of the end of reporting period which is estimated by discounting the nominal value of the loan at current market interest rate of similar financial instruments. During the year ended 31 March 2012, Uni-Land had agreed to sell the debts to a wholly owned subsidiary of the Group at consideration of HK$1.

(ii) The amount includes a pro rata shareholder's loan of approximately HK$239,317,000 (2011: HK$239,317,000), which carries fixed interest at 9% per annum and interest payable thereon of approximately HK$87,312,000 (2011: HK$65,715,000). The loan and interest payable are unsecured and are not expected to be repayable within the next twelve months. The interest on the loan for the year amounted to approximately HK$21,597,000 (2011: HK$21,538,000). The remaining balance of approximately HK$228,714,000 (2010: HK$228,714,000) is unsecured, interest free and in substance represents pro rata quasi equity investment in the subsidiary from the non-controlling shareholder of a non-wholly owned subsidiary.

(e) Loans from shareholders represent the followings:

	The Group		The Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Mr. Ng Chun For, Henry	**128,915**	174,011	**—**	—
Mr. Ng Ian	**22,849**	8,945	**13,275**	—
Mr. Ng Eric	**9,576**	8,945	**—**	—
Mr. Chan Kwai Ping, Albert	**545**	545	**—**	—
	161,885	192,446	**13,275**	—

The loans from shareholders are unsecured, bearing fixed interest rate at 9% per annum and are not repayable within the next twelve months. Interest on these loans for the year amounted to approximately HK$8,239,000 (2011: HK$15,071,000) was charged to the statement of comprehensive income.

32. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(e) Loans from shareholders represent the followings: (continued)

On 10 August 2011, Mr. Ng Ian, being director of the Company, provided advancement of approximately HK$13 million within terms of unsecured, bearing an interest rate of 3.28% and are not repayable within the next twelve months.

(f) Key management personnel remuneration represents amounts paid to the Company's directors and the highest paid employees as disclosed in note 10.

33. CORPORATE GUARANTEES

As at the end of the reporting period, the Company had given corporate guarantees to the extent of approximately HK$853,500,000 (2011: HK$763,500,000) in favor of several banks for credit facilities granted to its certain subsidiaries.

34. PLEDGED OF ASSETS

At 31 March 2012 and 2011, certain bank deposits (Note 20), investment properties (Note 15) and assets classified as held for sales (Note 18) of the Group were pledged as collateral for certain banking facilities granted from the banks in Hong Kong to the Group.

35. EVENTS AFTER THE REPORTING PERIOD

a. On 6 April 2012, Shanghai Tian Shun Economy Development Limited (Being a non-wholly owned subsidiary indirectly held by the Company) obtained the approval from Shanghai Municipal Commission of Commerce to increase its registered capital from US$74,400,000 to US$104,150,000; and

b. On 12 April 2012, the Company has granted 21,000,000 share options (the "Options") under the share option scheme of the Company adopted on 3 September 2003. Among the 21,000,000 Options granted, 14,000,000 Options were granted to two executive Directors, Mr. Ng Chun For Henry and Mr. Ng Ian. Each Option entitles the holder to subscribe for one ordinary share of HK$0.1 each in the capital of the Company.

36. CAPITAL RISK MANAGEMENT

The Group's objective of managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The capital structure of the Group consists of debts which includes the bank borrowings, convertible notes, amount due to a related party, loans from related parties, amounts due to non-controlling shareholders, loans from shareholders, cash and bank balances and equity attributable to owners of the Company.

The Group's risk management actively and regularly reviews the capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The gearing ratio, expressed as total liabilities over total assets, at the year end was as follows:

	2012 HK$'000	2011 HK$'000
Total asset	**4,752,018**	4,110,867
Total liabilities	**3,027,827**	2,748,452
Gearing ratio	**63.7%**	66.9%

37. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of the Group's business are credit risk, liquidity risk, interest rate risk and currency risk. These risks are limited by the Group's financial management policies and practices described below. Generally, the Group introduces conservative strategies on its risk management.

(i) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing credit evaluation is performed on the financial condition of trade customers.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Further quantitative disclosure of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

The credit risk for cash and bank balances exposed is considered minimal as such amounts are placed with good credit ratings.

Other than concentration of credit risk on liquid fund which are deposited with several banks with high credit ratings, amount due to a non-controlling shareholder and save as disclose elsewhere in the consolidated financial statements, the Group does not have any other significant concentration of credit risk.

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk

The Group and the Company will consistently maintain a prudent financial policy and ensure that it maintains sufficient cash to meet its liquidity requirements.

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority.

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

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Non-derivative financial liabilities						
2012						
Bank borrowings	**1,563,968**	**1,922,173**	**111,003**	**112,959**	**561,068**	**1,137,143**
Other payables, rental deposits received and accruals	**31,097**	**31,097**	**21,020**	**10,077**	**—**	**—**
Loans from related parties	**150,709**	**185,293**	**—**	**—**	**185,293**	**—**
Amounts due to non-controlling shareholders	**555,343**	**587,651**	**—**	**587,651**	**—**	**—**
Loans from shareholders	**161,885**	**173,883**	**—**	**173,883**	**—**	**—**
	2,463,002	**2,900,097**	**132,023**	**884,570**	**746,361**	**1,137,143**
2011						
Bank borrowings	1,256,158	1,563,424	117,453	49,208	307,499	1,089,264
Convertible notes	177,292	189,591	17,860	171,731	—	—
Other payables, rental deposits received and accruals	32,280	32,280	26,624	5,656	—	—
Amount due to a related party	342	342	342	—	—	—
Loans from related parties	47,625	71,459	—	—	71,459	—
Amounts due to non-controlling shareholders	534,597	566,941	—	566,941	—	—
Loans from shareholders	192,446	218,352	—	218,352	—	—
	2,240,740	2,642,389	162,279	1,011,888	378,958	1,089,264

37. FINANCIAL RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

The Group	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Derivative — net settlement						
2012						
Interest rate swaps	**15,284**	**15,284**	**—**	**4,791**	**10,493**	**—**
2011						
Interest rate swaps	12,784	12,784	—	—	12,784	—

The Company	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
2012						
Other payables	**31**	**31**	**31**	**—**	**—**	**—**
Amounts due to a related party	**96,829**	**111,124**	**2,956**	**2,857**	**105,311**	**—**
Amounts due to a shareholder	**13,275**	**14,402**	**—**	**14,402**	**—**	**—**
Amounts due to subsidiaries	**157,316**	**157,316**	**157,316**	**—**	**—**	**—**
	267,451	**282,873**	**160,303**	**17,259**	**105,311**	**—**
2011						
Convertible notes	177,292	189,591	17,860	171,731	—	—
Other payables	30	30	30	—	—	—
Amounts due to subsidiaries	122,780	122,780	122,780	—	—	—
	300,102	312,401	140,670	171,731	—	—

(iii) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings which are at floating rates which expose the Group to cash flow interest rate risk. The Group manages its cash flow risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with counterparties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating rates interest amounts calculated by reference to the agreed notional amounts.

37. FINANCIAL RISK MANAGEMENT (continued)

(iii) Interest rate risk (continued)

The following table details the interest rate profile of the Group's net borrowings at the end of reporting period:

	The Group				The Company			
	2012		2011		2012		2011	
	Effective interest rate	HK$'000	Effective interest rate	HK$'000	Effective interest rate	HK$'000	Effective interest rate	HK$'000
Fixed rate borrowings								
Convertible notes	—	—	12.13%	177,292	—	—	12.13%	177,292
Amounts due to non-controlling shareholders	9%	239,317	9.00%	239,316	—	—	—	—
Loans from shareholders	9%	82,553	9.00%	191,901	—	—	—	—
Loans from a shareholder	3.28%	13,000	—	—	3.28%	13,000	—	—
		334,870		608,509		13,000		177,292
Net variable rate borrowings								
Loans from related parties	(Note 2)	96,731	—	—	(Note 2)	96,731	—	—
Bank borrowings	(Note 1)	1,563,968	(Note 1)	1,256,158	—	—	—	—
Bank balances	1.49%	(153,337)	1.21%	(143,069)	0.01%	(24,223)	0.01%	(1,223)
		1,507,362		1,113,089		72,508		(1,223)
Fixed rate borrowings as a percentage of total net borrowings	18%		35%		15%		101%	

Note 1: Details of the Group's bank borrowings are set out in note 22 to the consolidated financial statements.

Note 2: Details of the loans from related parties are set out in note 32(c)(ii) to the consolidated financial statements.

At 31 March 2012, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after taxation by approximately HK$15,074,000 (2011: decrease/increase profit by approximately HK$11,131,000). Accumulated losses will increase/decrease by the same amount.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2011.

37. FINANCIAL RISK MANAGEMENT (continued)

(iv) Foreign exchange risk

Currency risk to the Group is minimal as most of the Group's transactions are carried out in the respective functional currencies of the Group entities. In particular, all the Group's borrowings are denominated in the functional currency of the entity taking out the loan. As such, management does not expect there will be any significant currency risk associated with the Group's borrowings.

(v) Fair values

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

i) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

ii) the fair value of interest rate swaps is determined based on discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The carrying amount of other financial assets and financial liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 March 2012 and 2011.

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

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

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

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
2012				
Derivative financial instruments				
— interest rate swap	**—**	**15,284**	**—**	**15,284**
2011				
Derivative financial instruments				
— interest rate swap	—	12,784	—	12,784

There were no transfers between level 1 and 2 in the current and prior years.

38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of the Group's financial assets and financial liabilities as recognised at 31 March 2012 and 2011 are categorised as follows:

	The Group 2012 HK$'000	The Group 2011 HK$'000
Financial assets		
Loan and receivables (including cash and bank balances)	**193,183**	176,719
Available-for-sale financial assets	**74**	74
Financial liabilities		
Financial liabilities measured at amortised cost	**2,463,002**	2,240,740
Financial liabilities measured at fair value	**15,284**	12,784

39. SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2012 were as follows:

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company/ Proportion of voting power held Direct	Indirect	Principal activities
Henry Group Asset Management Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	100%	—	Investment holding
New Treasure Group Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	100%	—	Investment holding
Henry Group Holdings Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Gold Matrix Holdings Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	100%	—	Investment holding
Henry Group Property Management Limited	Hong Kong	Ordinary HK$1	—	100%	Securities investment
Henry Group Management Limited	Hong Kong	Ordinary HK$1	100%	—	Provision of administration service to group companies

39. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital/ registered capital	Percentage of equity attributable to the Company/ Proportion of voting power held Direct	Indirect	Principal activities
Uni-Land Property Consultants Limited	Hong Kong	Ordinary HK$100	—	100%	Provision of property agency and consultancy services
Rose City Group Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Max Act Enterprises Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Sharp Wonder Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Top Bright Properties Limited ("Top Bright")	Hong Kong	Ordinary HK$9,999 Deferred share HK$1	—	100% (note)	Property investment
Wingplace Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Smart Land Properties Limited	Hong Kong	Ordinary HK$1	—	100%	Property investment
Seedtime International Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Land Base Limited	Hong Kong	Ordinary HK$2	—	100%	Property investment
Maxwing Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Winning Pride Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
Honeyguide Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$100	—	100%	Investment holding
Uptodate Management Limited	The British Virgin Islands/Hong Kong	Ordinary US$100	—	100%	Investment holding

39. SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ establishment/ operations	Issued and paid-up share capital/registered capital	Percentage of equity attributable to the Company/ Proportion of voting power held Direct	Indirect	Principal activities
High Pitch Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$10,000	—	54.55%	Investment holding
High Fly Investments Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Investment holding
High Luck International Limited	The British Virgin Islands/Hong Kong	Ordinary US$10,000	—	61.11%	Investment holding
Grandyear Estate Limited	Hong Kong	Ordinary HK$100,000	—	100%	Investment holding
Shanghai Tian Shun Economy Development Company Limited	The PRC	Ordinary US$74,400,000	—	90%	Property investment
Grand Fly Enterprises Limited	The British Virgin Islands/Hong Kong	Ordinary US$1	—	100%	Provision of administration service

Note: One non-voting deferred share of Top Bright is held by an outside party. Pursuant to the Article of Association of Top Bright, on a winding up, the holder of the deferred share shall be entitled out of the surplus assets of Top Bright to a return of the capital paid up on the one non-voting share but only after a holder of ordinary share has received in full the return of capital paid on them and, in aggregate, a total sum of HK$100,000,000,000,000.

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

40. CHANGE IN OWNERSHIP INTEREST IN SUBSIDIARIES

During the year ended 31 March 2012, the Group acquired part of its interest in Uni-Land Property Consultants Limited ("Uni-Land").

The Group acquired 45% equity interest in Uni-Land from its non-controlling shareholder for a cash consideration HK$1. The Group then increased its ownership in Uni-Land from 55% to 100%. The Group recognised an increase in other reserve of approximately HK$1,119,000.

Five-Year Financial Summary

For the year ended 31 March 2012

	Year ended 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
CONTINUING OPERATIONS					
Turnover	23,592	25,886	34,023	33,461	**39,330**
Other income and gains	834	2,272	2,267	4,683	**5,421**
Net gain/(loss) in fair value of investment properties	38,900	(94,790)	(47,022)	119,985	**339,794**
Impairment loss of properties under development	—	(18,478)	—	—	**—**
Goodwill written off	(18,634)	—	—	—	**—**
Staff costs	(13,857)	(11,139)	(17,650)	(18,610)	**(12,641)**
Depreciation for property, plant and equipment	(284)	(666)	(754)	(613)	**(655)**
Other operating expenses	(6,172)	(15,699)	(19,473)	(15,613)	**(12,957)**
Profit/(loss) from operations	24,379	(112,614)	(48,609)	123,293	**358,292**
Finance costs	(18,079)	(31,680)	(37,845)	(37,622)	**(38,103)**
Gain on disposal of jointly-controlled entities	—	—	15,592	—	**—**
Share or losses on jointly-controlled entities	—	(14,641)	(12,115)	—	**—**
Profit/(loss) before taxation	6,300	(158,935)	(82,977)	85,671	**320,189**
Taxation	(3,632)	21,335	19,770	(12,921)	**(56,056)**
Profit/(loss) for the year from continuing operations	2,668	(137,600)	(63,207)	72,750	**264,133**
DISCOUNTED OPERATIONS					
Profit/(loss) for the year from discounted operations	6,688	—	—	—	**—**
Profit/(loss) for the year	9,356	(137,600)	(63,207)	72,750	**264,133**
Profit/(loss) for the year attributable to:					
Owners of the Company	9,356	(118,469)	39,695	147,709	**317,233**
Non-controlling interests	—	(19,131)	(102,902)	(74,959)	**(53,100)**
	9,356	(137,600)	(63,207)	72,750	**264,133**
Dividend	—	—	—	—	**—**

Five-Year Financial Summary

For the year ended 31 March 2012

	Year ended 31 March				
	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	**2012 HK$'000**
Earnings/(loss) per share					
FROM CONTINUING AND DISCOUNTED OPERATIONS					
— Basic (in HK cents)	2.53	(21.08)	6.24	23.21	**46.79**
— Diluted (in HK cents)	2.47	(21.08)	6.24	19.87	**46.66**
FROM CONTINUING OPERATIONS					
— Basic (in HK cents)	0.72	(21.08)	6.24	23.21	**46.79**
— Diluted (in HK cents)	0.71	(21.08)	6.24	19.87	**46.66**
ASSETS AND LIABILITIES					
Total assets	1,109,976	3,643,816	3,688,017	4,110,867	**4,752,018**
Total liabilities	630,734	2,327,647	2,425,726	2,748,452	**3,027,827**
	479,242	1,316,169	1,262,291	1,362,415	**1,724,191**

Schedule of Properties Held by the Group

As at 31 March 2012

MAJOR PROPERTIES

Particulars of major properties held by the Group at 31 March 2012 were as follows:

Completed investment properties

Location	Use	Group's interest	Approximate gross area
Jardine Center No. 50 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	58,522 (sq. ft.)
L'hart No 487–489 Lockhart Road, Causeway Bay, Hong Kong	Commercial	100%	33,600 (sq. ft.)

Investment properties under construction

Location	Use	Group's interest	Approximate site area
No. 68 Yuyuan Road, Jingan District, Shanghai, the PRC	Commercial	30%	11,400 (sq. m.)

Assets classified as held for sale

Location	Use	Group's interest	Approximate gross area
Ground Floor and Cockloft Floor, No. 38 Jardine's Bazaar, Causeway Bay, Hong Kong	Commercial	100%	1,400 (sq. ft.)