COSMOPOLITAN
INTERNATIONAL HOLDINGS LTD
四海國際集團有限公司
(incorporated in the Cayman Islands with limited liability)
(stock code : 120)

COSMOPOLITAN

2012 ANNUAL REPORT

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Cheng Sui Sang

Non-executive Directors

Mr. Bong Shu Ying, Francis
Mr. Ng Kwai Kai, Kenneth
Mr. Leung So Po, Kelvin
Mr. Wong Po Man, Kenneth

Independent Non-executive Directors

Mr. Li Ka Fai, David
Mr. Lee Choy Sang
Ms. Ka Kit

AUDIT COMMITTEE

Mr. Li Ka Fai, David *(Chairman)*
Mr. Lee Choy Sang
Ms. Ka Kit

REMUNERATION COMMITTEE

Mr. Lee Choy Sang *(Chairman)* *
Mr. Bong Shu Yin, Daniel
Mr. Li Ka Fai, David

NOMINATION COMMITTEE **

Mr. Bong Shu Yin, Daniel *(Chairman)*
Mr. Lee Choy Sang
Mr. Li Ka Fai, David

SECRETARY

Mr. Cheng Sui Sang

* appointed on 29th March 2012
** established on 29th March 2012

AUDITORS

SHINEWING (HK) CPA Limited

REGISTERED OFFICE

P.O. Box 309
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 801-802, 8th Floor
68 Yee Wo Street
Causeway Bay
Hong Kong
Website: www.cosmoholdings.com

HONG KONG SHARE REGISTRAR

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

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Industrial and Commercial Bank of China (Asia) Limited
ABN AMRO Bank N.V.
Deutsche Bank A.G.
Standard Chartered Bank (Hong Kong) Limited
The Bank of East Asia Limited

FINANCIAL REVIEW

Cosmopolitan International Holdings Limited (the "Company") together with its subsidiaries (the "Group") recorded a consolidated profit of approximately HK$525,339,000 for the year ended 31 March 2012, as compared with a profit of HK$215,074,000 recorded last year. The consolidated profit achieved for the year under review was attributed mainly to the share of profit recognized in a jointly controlled entity of HK$527,678,000, and the decrease in the derivative financial liabilities of approximately HK$152,558,000 (2011: HK$232,472,000) due to the change in fair value, as valued by an independent professional valuer, of the subscription options ("Subscription Options") granted by the Group in 2008 to the holders to subscribe for additional convertible bonds due 2013 ("CB2013"). Such decrease in the fair value of the derivative financial liabilities was mainly due to the fact that the closing market price of the ordinary shares of the Company as at 31 March 2012 was below that prevailing at 31 March 2011. The net loss in the financial assets at fair value through profit and loss amounted to approximately HK$121,838,000, which were marked to market closing prices as at 31 March 2012.

In compliance with the currently applicable accounting standards, the Subscription Options are being recognized as derivative financial liabilities, and the change in their fair values is reflected as gain or loss in the consolidated statement of comprehensive income. However, such derivative financial liabilities and the related profit or loss are non-cash in nature and will not have any impact on the cashflow of the Group. The Group will in no event be obliged to settle any such liability by incurring any cash payout or otherwise by using any of its assets. In case that the Subscription Options are exercised, the Group will only be obliged to issue to the holders of the Subscription Options the additional CB2013 for cash subscription proceeds of up to HK$200 million.

In order to more fairly reflect the financial results and the underlying net assets value of the Group, management of the Group considers it appropriate to also present, for the purpose of reference, supplementary information on the Group's financial results for the year ended and the net assets position as at 31 March 2012, compiled on an adjusted basis that the profit arising from the change in fair value of the Subscription Options would be excluded and that such derivative financial liabilities would be de-recognized. On such adjusted basis, the Group would record net profit of HK372,832,000 for the year ended 31 March 2012 and net assets value of HK$622,973,000 as at 31 March 2012, as illustrated below:

Adjusted financial results

	For the year ended 31 March 2012 HK$'000
Net profit attributable to owners of the Company	525,390
Adjustment to exclude the gain on change in fair value of the Subscription Options	(152,558)
Unaudited adjusted net profit attributable to owners of the Company	372,832

Adjusted net assets attributable to owners of the Company

	As at 31 March 2012 HK$'000
Net assets attributable to owners of the Company	573,079
Adjustment to de-recognize the derivative financial liabilities attributable to the Subscription Options	49,894
Unaudited adjusted net assets attributable to owners of the Company	622,973

BUSINESS REVIEW

General

The principal activities of the Group during the year under review continue to be property development and investment, securities investments, and other investments. The turnover of the Group for the year under review was HK$78,386,000 as compared to HK$160,229,000 in the previous year. The decrease in turnover was mainly attributed to the reduced activities in securities trading during the year. In the People's Republic of China (the "PRC"), the monetary authority has tightened the money supply since last year to avoid overheating of the economy, in particular on the property sector, but such policy has somewhat eased recently to accommodate a more steady growth and a soft landing in its overall economy. In the Hong Kong property sector, despite facing tightening monetary measures imposed by the government and monetary authority, the price of properties especially those at the higher end continued to remain quite stable during the year under review, possibly due to the demand driven partly as hedging against inflation in the low interest rate environment, and partly due to possible inflow of capital from the PRC and other countries looking for safe shelter. Elsewhere, following the brief recovery from the financial tsunami which struck the global economies since 2008, the European debt crisis has worsened during the year under review, leading to the downgrading of the credit ratings of several European countries and certain related European financial institutions, which created further uncertainty and anxiety in the inter-bank, capital and stock markets worldwide and a more risk-off sentiment. In the U.S., only weak signs of recovery have been observed.

During the year under review, the stock markets in Hong Kong and the PRC have experienced substantial downward adjustments, due to the risk aversion environment which has dampened investment sentiment, and in particular concerns over the weakening economic activities worldwide, especially on the possible credit and investment risk associated with the European debt crisis for which no imminent solution has been drawn up. As a result, uncertainties and mixed expectations on the future direction and development of the world economies continue to dominate the marketplace.

The Group has adopted a pragmatic and cautious approach in pursuing investment proposals. As at 31 March 2012, the cash and bank deposits (excluding pledged bank deposits) and deposits placed with securities brokers within the Group were approximately HK$86,768,000. Since 31 March 2012, the Group has continued to build up more cash liquidity to enable the Group to take up good investment opportunities when they become available.

The Group recorded net current liabilities of HK$136,195,000 as at 31 March 2012. The Group is expecting to receive HK$100,000,000 in July 2012 from the jointly controlled entities for partial repayment of shareholders' loan previously granted by the Group and, if required, could consider converting certain non-current assets into cash to further strengthen the Group's liquidity position. The Board is confident that the Group would have adequate financial resources to satisfy full repayment of the current liabilities as and when they fall due.

Property Investments and Development Projects

Chengdu Project

As mentioned in our 2011 annual report, this development project in Xindu District, Chengdu City, Sichuan Province, the PRC was operating through a jointly controlled entity that is 50% owned by each of the Group and Regal Hotels International Holdings Limited ("Regal"). The 70% interest in this property project was disposed of to P&R Holdings Limited ("P&R Holdings") (formerly known as Flourish Lead Investments Limited) in June 2011 by this jointly controlled entity. The consideration payable by P&R Holdings was based on an agreed value of HK$1,000 million, representing a discount of 12% to the appraised value as at 29 June 2011 of RMB1,350 million for the whole property project, which appraisal was carried out by an independent professional valuer jointly engaged by the jointly controlled entity and P&R Holdings. Details of this transaction were contained in the announcement of the Company dated 30 June 2011.

This project in Chengdu is a mixed use development planned to consist of hotel, commercial, office and residential components. The project has an overall total gross floor area of approximately 5,360,000 square feet and will be developed in stages. The first stage now primarily comprises a five-star hotel and three residential towers, to be constructed on two separate land parcels. The hotel will have 306 hotel rooms and extensive facilities, with total gross floor area above ground of approximately 438,000 square feet. Superstructural works for the hotel development are progressing and the first phase of hotel is presently scheduled to be soft opened in the second quarter of 2013. The three residential towers included in the first stage will have about 340 apartment units with car parks and some ancillary commercial accommodation, commanding total gross floor area of approximately 489,000 square feet. Superstructure works for this part of the development are also in progress, with overall construction works scheduled to be completed in the first quarter of 2013. Presale of the residential units is anticipated to be launched later this year. Development works for the other stages are planned to be carried out progressively.

Xinjiang Project

The Group has 99.72 % interest in this Xinjiang subsidiary involving re-forestation for swap of development land in Urumqi City, Xinjiang Uygur Autonomous Region, the PRC. The Group is negotiating and finalizing the terms with the relevant government authority for the possible swap of development land against the re-forestation area completed by the Xinjiang subsidiary and, in the meantime, keeping proper maintenance of the re-forestation landscape of the project. In addition, the Group is also considering and assessing the feasibility to develop the remaining agricultural land other than those reforestation areas that have been completed by the Group.

Rainbow Lodge

The Group owns ten duplex apartment units plus fourteen carparks in Rainbow Lodge located at No. 9 Ping Shan Lane, Yuen Long, New Territories, Hong Kong. The Group is undergoing renovations of certain units for enhancement of their value and their income generating potentials. Several units have recently been leased out at market rental rates.

Securities Investments

The Group continues to maintain an active investment portfolio of listed securities. Apart from a net loss of approximately HK$646,000 recorded on disposal of financial assets at fair value through profit or loss in the year under review, there was also a net decrease in the fair value of these financial assets of approximately HK$121,838,000, marked to market closing prices as at 31 March 2012.

PROSPECTS

As mentioned earlier in this report, there have been general uncertainties overhanging in the investment and debt markets due to the worsening of the European debt crisis, with diverse views on the consequences and impact on the world economies of the possible exit of certain financially weaker European nations out of the eurozone, if no workable solution in the longer term could be developed in the near future. The public have also to wait to see if the new policies to be introduced by the new government of Hong Kong after July 2012 may have any significant effect on Hong Kong economy in general and the supply and prices of properties. However, the growth in the PRC economy in a number of sectors has been observed to remain steady. Due to globalization, it is likely that any adverse economic changes in Europe or elsewhere may have certain ripple effect on the PRC and Hong Kong. The Group is taking a more positive view on the medium to long term prospects of the property sector in the PRC and is committed to those projects that are being undertaken by the Group. The Group is hopeful that the Xinjiang Project would eventually be proceeded with, thereby reviving the potential viability and prospects of the project as originally envisaged. In the meantime, the Group is also actively reviewing various potential investments in property, environmental protection, and natural resources projects in the PRC as well as in other regions, with a view to achieving for the Group future growth and profitability.

On 30 April 2012, the Company made an announcement of entering into a framework agreement by Shing Hing International Limited, a subsidiary of the Company, with the vendors in respect of an acquisition of 70% interest in a waste resourcization business operating in the PRC. For details please refer to the Company's announcement dated 30 April 2012. As at the date of this report, no definitive agreement has been reached with the vendors.

The Directors are confident that the Group will be able to gradually implement its business expansion plans and to create long term value to the shareholders.

DIRECTORS AND STAFF

Taking this opportunity, I would like to thank my fellow Directors on the Board for their contribution and advice and all the management and staff members for their efforts and dedications over the past year.

Bong Shu Yin, Daniel
Chairman

Hong Kong
28 June 2012

EXECUTIVE DIRECTORS

1. Mr. Bong Shu Yin, Daniel

Mr. Bong Shu Yin, Daniel, aged 73, is a qualified architect and has extensive experience in the property and hotel fields, both in Hong Kong and overseas. Mr. Bong had been involved in the management of several public listed companies in Hong Kong for over 10 years, including Century City International Holdings Limited ("**Century City**") and Paliburg Holdings Limited ("**Paliburg**"). Mr. Bong was the deputy chairman and an executive director of Regal Hotels International Holdings Limited ("**Regal Hotels**") until 1999 when he resigned to pursue his personal interests and investments.

2. Mr. Cheng Sui Sang

Mr. Cheng Sui Sang, aged 68, has extensive experience in banking and finance fields and has held senior management positions in overseas companies, as well as several Hong Kong listed companies. He holds a Bachelor's degree in Economics and a Master's degree in Business Administration, and is also an associate member of the Hong Kong Institute of Certified Public Accountants. Immediately before joining the Company, Mr. Cheng was involved in private consulting work to a number of clients in the PRC and Hong Kong. Mr. Cheng is also the secretary of the Company.

NON-EXECUTIVE DIRECTORS

1. Mr. Bong Shu Ying, Francis

Mr. Bong Shu Ying, Francis, OBE, JP, aged 70, is the brother of Mr. Bong Shu Yin, Daniel. Mr. Bong is currently a Director of AECOM Technology Corporation (a company incorporated in the United States of America listed on the main board of the New York Stock Exchange). Mr. Bong is also an independent non-executive director, member of audit committee, member of remuneration committee and member of nomination committee of China Merchants Holdings (International) Company Limited, a company listed on the main board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Bong holds a Bachelor's degree of Science in Engineering from the University of Hong Kong and is currently the Chairman of the Hong Kong University Engineering Advisory Committee. He is a former president of the Hong Kong Institution of Engineers, a former president of the Hong Kong Academy of Engineering Sciences and a fellow member of the Institution of Civil Engineers and The Institution of Structural Engineers in the United Kingdom.

2. Mr. Ng Kwai Kai, Kenneth

Mr. Ng Kwai Kai, Kenneth, aged 57, is a Chartered Secretary. Mr. Ng is an executive director and the chief operating officer of Century City (together with its subsidiary and associate, the "Century City Group") and an executive director of Paliburg and Regal Hotels. Paliburg is a listed subsidiary of Century City and Regal Hotels is a listed subsidiary of Paliburg. Century City, Paliburg, and Regal Hotels are companies listed on the main board of the Stock Exchange. Mr. Ng is in charge of the corporate finance, company secretarial and administrative functions of the Century City Group.

3. Mr. Leung So Po, Kelvin

Mr. Leung So Po, Kelvin, aged 40, is a member of the American Institute of Certified Public Accountants. Mr. Leung is an executive director of Century City. Mr. Leung holds a Bachelor's degree in Business Administration and a Master of Laws Degree in Chinese Business Law both from The Chinese University of Hong Kong. Mr. Leung has over 16 years of experience in accounting and corporate finance field. Mr. Leung has been with the Century City Group for over 14 years and has been involved in the corporate finance function of the Century City Group.

4. Mr. Wong Po Man, Kenneth

Mr. Wong Po Man, Kenneth, aged 46, is a qualified architect, Mr. Wong graduated from the University of Hong Kong with a Bachelor of Arts degree in Architectural Studies and a Bachelor degree of Architecture. He also holds a Master of Science Degree in Real Estates from the University of Hong Kong. Mr. Wong has over 20 years of experience in architectural design and project management in respect of property development projects. Mr. Wong is also an executive director of Paliburg and he is also a Technical Director of an engineering company which is registered under the Buildings Ordinance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

1. Mr. Li Ka Fai, David

Mr. Li Ka Fai, David, aged 57, is currently the deputy managing partner of Li, Tang, Chen & Co. CPA (Practising). He is also a fellow of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, UK as well as The Institute of Chartered Secretaries and Administrators, UK and an associate member of The Institute of Chartered Accountants in England and Wales. He is currently an independent non-executive director, chairman of audit committee, member of remuneration committee and member of nomination committee of Goldlion Holdings Limited (a company listed on the main board of the Stock Exchange), an independent non-executive director and chairman of audit committee of China-Hongkong Photo Products Holdings Limited (a company listed on the main board of the Stock Exchange), an independent non-executive director, member of audit committee and chairman of remuneration committee of China Merchants Holdings (International) Company Limited (a company listed on the main board of the Stock Exchange) and an independent non-executive director, member of audit committee and member of remuneration committee of AVIC International Holding (HK) Limited (formerly known as CATIC International Holdings Limited, a company listed on the main board of the Stock Exchange). Mr. Li is also an independent non-executive director and chairman of audit committee of Shanghai Industrial Urban Development Group Limited (formerly known as Neo-China Land Group (Holdings) Limited, a company listed on the main board of the Stock Exchange). He is currently the adviser and the former independent director and chairman of audit committee of China Vanke Co., Ltd (a company listed on the Shenzhen Stock Exchange in the PRC) (2005-2011).

2. Mr. Lee Choy Sang

Mr. Lee Choy Sang, aged 75, has been involved in the construction industry for over 40 years. Mr. Lee obtained his Bachelor of Architecture Degree in the University of Hong Kong. Mr. Lee was a member of the Royal Institute of British Architects, the Royal Australian Institute of Architects and the Hong Kong Institute of Architects. He was also a registered architect in Hong Kong. He has been appointed as a member of the Hong Kong Housing Society. Mr. Lee is currently a director of Silver Force (Consultants) Limited and Brilliant Force International China Heating Supply Holdings Company Limited, and is in charge of various projects in respect of the provision of services relating to energy supply and management in different regions, including Hong Kong and the PRC.

3. Ms. Ka Kit

Ms. Ka Kit, aged 60, has extensive experience in the telecommunication industry. Ms. Ka is a director of Sharp Wind Development Limited, Southcom Internet Technology Limited and Southcom Limited, which are principally engaged in telecommunication services.

Report of the Directors

The Directors have pleasure in presenting their report together with the consolidated financial statements of the Group for the year ended 31 March 2012.

(I) PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding company. The principal activities of the subsidiaries are property investment, property development, securities investment and other investments. The principal activities of the principal subsidiaries are set out in note 36 to the consolidated financial statements.

(II) FINANCIAL RESULTS

The results and the statement of affairs of the Group for the year ended 31 March 2012 are set out in the consolidated financial statements on pages 31 to 104.

(III) MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCING

Current assets and current liabilities of the Group as at 31 March 2012 were HK$368,047,000 and HK$504,242,000 respectively (31 March 2011: HK$400,384,000 and HK$403,713,000 respectively). Cash and bank deposit (excluding pledged bank deposits) and deposits placed with securities brokers stood at HK$86,768,000 as at 31 March 2012 in comparison with HK$108,655,000 as at 31 March 2011. There was a marked improvement in net assets attributable to the owners of the Company to HK$573,079,000 due to the share of the profit recognized in a jointly controlled entity and the decrease of derivative financial liabilities included under current liabilities which had been reflected in the consolidated net profit of the Group as mentioned earlier under the section of Financial Review.

The Group's gearing ratio as at 31 March 2012 based on the net borrowings (represented by bank borrowings and convertible bond borrowings net of cash and bank deposits (excluding pledged bank deposits)) as a percentage of the total assets was 34% (31 March 2011: 40%).

CONTINGENT LIABILITY

There is no contingent liability outstanding for the Group as at 31 March 2012.

CAPITAL STRUCTURE

The ordinary shares of the Company are listed on the Stock Exchange.

There was no change in the share capital during the year under review. The total number of outstanding issued and fully paid ordinary shares of the Company as at 31 March 2012 was 11,785,130,951 ordinary shares of HK$0.0002 each.

REMUNERATION POLICY

The Group had 31 full time employees (including executive directors) working in Hong Kong and the PRC. Management considers the overall level of staffing employed and the remuneration cost incurred in connection with the Group's operations to be compatible with market norm.

Remuneration packages are generally structured by reference to market terms and individual merits. Salaries are normally reviewed annually based on performance appraisals and other relevant factors. Staff benefits plans maintained by the Group include a mandatory provident fund scheme as well as medical insurance.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on pages 105 to 106.

(IV) PROPERTY AND EQUIPMENT

The details of movements in the Group's property and equipment during the year are set out in note 18 to the consolidated financial statements.

(V) SHARE CAPITAL

The details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

(VI) RESERVES

The details of movements in the reserves of the Group during the year are set out in the consolidated financial statements on page 35.

(VII) PRE-EMPTIVE RIGHTS

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

(VIII) PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

(IX) ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right.

(X) DISTRIBUTABLE RESERVES

At 31 March 2012, the Company's reserves available for distribution calculated in accordance with the laws of the Cayman Islands amounted to HK$247,149,000 (2011: HK$257,421,000).

(XI) SHARE OPTIONS

The details of the share option scheme ("Share Option Scheme") adopted by the Company on 20 August 2003 are set out in note 31 to the consolidated financial statements.

There were no outstanding options granted over its shares by the Company as at 31 March 2012.

(XII) JOINTLY CONTROLLED ENTITIES

Particulars of the Group's interests in its jointly controlled entities are set out in note 20 to the consolidated financial statements.

(XIII) MAJOR CUSTOMERS AND SUPPLIERS

The Group's turnover during the financial year under review was mainly derived from securities trading, and most of the trading transactions were conducted on the Stock Exchange through securities brokers, and thus the disclosure of the customers and suppliers information would not be meaningful.

(XIV) DIRECTORS

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

Executive Directors

Mr. Bong Shu Yin, Daniel *(Chairman)*

Mr. Cheng Sui Sang

Non-executive Directors

Mr. Wang Baoning *(Vice Chairman)* (resigned on 26 September 2011) *

Mr. Bong Shu Ying, Francis

Mr. Ng Kwai Kai, Kenneth

Mr. Leung So Po, Kelvin

Mr. Wong Po Man, Kenneth

* Mr. Wang Baoning, the former Vice Chairman of the Company had resigned with effect from 26 September 2011.

Independent Non-executive Directors:

Mr. Li Ka Fai, David

Mr. Lee Choy Sang

Ms. Ka Kit

Pursuant to Article 116 of the Articles, Mr. Li Ka Fai, David, Mr. Lee Choy Sang and Ms. Ka Kit, all being the Independent Non-executive Directors of the Company, will retire from office by rotation at the next annual general meeting ("AGM"), and being eligible, they offer themselves for re-election.

All of the above retiring Directors of the Company, being eligible, have offered themselves for re-election at the AGM. Details of these retiring Directors, which are required to be disclosed pursuant to Rules 13.51(2) and 13.74 of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out in the circular of the Company sent to the shareholders together with the 2012 Annual Report, relating to, inter alia, re-election of the retiring Directors.

(XV) DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had any beneficial interests, whether direct or indirect, in any significant contract to which the Company, or any of its subsidiaries was a party at the balance sheet date or at any time during the year.

None of the Directors had any service contract, which is not determinable by the employer within one year without payment of compensation (other than statutory compensation), with the Company or any of its subsidiaries during the year.

Save for the Share Option Scheme under which no options have been granted, at no time during the year was the Company or any of its subsidiaries a party to any arrangement, whose objects are to enable a Director of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate within the Group.

(XVI) DIRECTORS' INTERESTS IN SHARE CAPITAL

According to the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), as at 31 March 2012, none of the Directors nor their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SFO.

(XVII) SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARE CAPITAL

As at 31 March 2012, the following substantial shareholders (not being a Director or chief executive of the Company) had an interest or short position in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Number of shares held	Percentage of the Company's share capital
Giant Sino Group Limited *(Note 1)*	4,403,576,090	37.37%
Winart Investments Limited *(Note 2)*	900,000,000	7.64%
Lendas Investments Limited *(Note 2)*	650,000,000	5.52%
Great Select Holdings Limited *(Note 2)*	466,666,666	3.96%
Fountain Sky Limited *(Note 2)*	334,000,000	2.83%
Culture Landmark Investment Limited *(Note 3)*	1,446,064,745	12.27%
New Asia Media Development Limited *(Note 3)*	1,446,064,745	12.27%
Lam Kwing Wai, Alvin Leslie	828,480,000	7.03%

Save as disclosed herein, there was no other person who, as at 31 March 2012, had an interest or share position in the shares and underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

Notes:

1. Giant Sino Group Limited is a wholly owned subsidiary of Space Capital Investments Limited, which in turn is owned as to 28% by Mr. Bong Shu Yin, Daniel (being the Chairman and an Executive Director of the Company). Space Capital Investments Limited was deemed to be interested in the 4,403,576,090 shares held by Giant Sino Group Limited.

2. Each of Winart Investments Limited, Lendas Investments Limited and Great Select Holdings Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Winart Investments Limited, Lendas Investments Limited and Great Select Holdings Limited. Mr. Leung So Po, Kelvin, a Non-executive Director, is a director of Great Select Holdings Limited.

   Fountain Sky Limited is a wholly owned subsidiary of Regal Hotels (Holdings) Limited, which is in turn a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels was the listed associate of, and was owned as to 49.37% as at 31 March 2012 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Fountain Sky Limited.

   Paliburg is the listed subsidiary of, and was owned as to 60.35% as at 31 March 2012 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and was owned as to 56.64% as at 31 March 2012 by, Mr. Lo Yuk Sui.

   Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the shares held by Winart Investments Limited, Lendas Investments Limited, Great Select Holdings Limited and Fountain Sky Limited under Part XV of the SFO.

3. New Asia Media Development Limited is the beneficial owner of 1,446,064,745 shares of the Company and is a wholly owned subsidiary of Culture Landmark Investment Limited, a company listed on The Stock Exchange of Hong Kong Limited.

*Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 issued by Fancy Gold Limited, a wholly owned subsidiary of the Company ("**Convertible Bonds due 2013-A**") (Note 2)*

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2013-A issued	Adjusted conversion price per share (subject to adjustment)	Further extended conversion period *(Note 2)*	Approximate % of issued share capital of the Company
Valuegood International Limited *(Note 1)*	3,536,250,000	HK$0.04	16 July 2007 to 31 January 2013	30.01%

Notes :

1. Valuegood International Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels was the listed associate of, and was owned as to 49.37% as at 31 March 2012 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.35% as at 31 March 2012 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 56.64% as at 31 March 2012 by, Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013-A held by Valuegood International Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Valuegood International Limited.

2. The Company, Fancy Gold Limited and Valuegood International Limited had entered into an extension agreement to further extend the maturity date of the Convertible Bonds due 2013-A to 14 February 2013, such further extension was approved by independent shareholders of the Company in the extraordinary general meeting of the Company held on 9 June 2011.

*Interests in underlying shares of the Company pursuant to the zero coupon convertible bonds due 2013 that have been issued or may be issued by Apex Team Limited, a wholly-owned subsidiary of the Company ("**Convertible Bonds due 2013**")*

Name	Underlying shares of the Company pursuant to Convertible Bonds due 2013 issued	Adjusted conversion price per share (subject to adjustment)	Conversion period	Approximate % of issued share capital of the Company
Time Crest Investments Limited *(Note 1)*	1,666,666,666	HK$0.06	29 February 2008 to 31 January 2013	14.14%
Well Mount Investments Limited *(Note 1)*	1,666,666,666 *(Note 3)*	HK$0.06	14 days after the date of issue *(Note 3)* to 31 January 2013	14.14%
Jumbo Pearl Investments Limited *(Note 2)*	1,666,666,666	HK$0.06	29 February 2008 to 31 January 2013	14.14%
Sun Joyous Investments Limited *(Note 2)*	1,666,666,666 *(Note 3)*	HK$0.06	14 days after the date of issue *(Note 3)* to 31 January 2013	14.14%

Notes :

1. Each of Time Crest Investments Limited and Well Mount Investments Limited is a wholly owned subsidiary of Regal International (BVI) Holdings Limited, which in turn is a wholly owned subsidiary of Regal Hotels. Regal Hotels was the listed associate of, and was owned as to 49.37% as at 31 March 2012 by, Paliburg Development BVI Holdings Limited. Paliburg Development BVI Holdings Limited is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.35% as at 31 March 2012 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City, which is a listed company controlled by, and was owned as to 56.64% as at 31 March 2012 by Mr. Lo Yuk Sui. Each of Regal International (BVI) Holdings Limited, Regal Hotels, Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Time Crest Investments Limited and Well Mount Investments Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Time Crest Investments Limited and Well Mount Investments Limited.

2. Each of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited is a wholly owned subsidiary of Paliburg Development BVI Holdings Limited, which in turn is a wholly owned subsidiary of Paliburg. Paliburg is the listed subsidiary of, and was owned as to 60.35% as at 31 March 2012 by, Century City BVI Holdings Limited. Century City BVI Holdings Limited is a wholly owned subsidiary of Century City which is a listed company controlled by, and was owned as to 56.64% as at 31 March 2012 by, Mr. Lo Yuk Sui. Each of Paliburg Development BVI Holdings Limited, Paliburg, Century City BVI Holdings Limited, Century City and Mr. Lo Yuk Sui was deemed to be interested in the underlying shares of the Company pursuant to the interests in the Convertible Bonds due 2013 held by Jumbo Pearl Investments Limited and Sun Joyous Investments Limited under Part XV of the SFO. Mr. Ng Kwai Kai, Kenneth, a Non-executive Director, is a director of Jumbo Pearl Investments Limited and Sun Joyous Investments Limited.

3. As at 31 March 2012, Well Mount Investments Limited and Sun Joyous Investments Limited had not exercised their options to subscribe for the relevant Convertible Bonds due 2013.

(XVIII) CHANGE IN INFORMATION OF DIRECTORS

The change in the information of the Directors of the Company since the publication of the interim report of the Company for the six months ended 30 September 2011 required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Name of Director	Details of changes
Executive Directors	
Mr. Bong Shu Yin, Daniel	• Entitled to monthly salary, based on services rendered to the Group, in an amount of HK$182,175 commencing from January 2012.
Mr. Cheng Sui Sang	• Entitled to monthly salary, based on services rendered to the Group, in an amount of HK$70,000 commencing from January 2012.

Notes:

(i) Each Executive Director is also entitled to performance based discretionary bonus, and other related employee benefits and allowances for the executive role in the Group, and normal Director's fee in amount of HK$108,000 per annum in acting as a Director of the Company.

(ii) Details of the remunerations of the Executive Directors for the year ended 31 March, 2012 are disclosed in note 14 to the consolidated financial statements.

Mr. Ng Kwai Kai, Kenneth	•	Appointed on 14 September 2011 and resigned with effect from 5 March 2012 as an executive director and also a member of the remuneration committee of KH Investment Holdings Limited ("**KH Investment**"), a company listed on the Growth Enterprise Market of the Stock Exchange.
Mr. Leung So Po, Kelvin	•	Appointed on 14 September 2011 and resigned with effect from 5 March 2012 as an executive director of KH Investment Holdings Limited ("**KH Investment**"), a company listed on the Growth Enterprise Market of the Stock Exchange.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules. The updated biographical details of the Directors of the Company are set out in the preceding section headed "Directors' Profile".

(XIX) SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules.

(XX) AUDITORS

SHINEWING (HK) CPA Limited retire, and being eligible, offer themselves for re-appointment.

(XXI) DIVIDENDS

The Board of Directors has resolved not to recommend the payment of a final dividend for the year ended 31 March 2012 (2011: Nil).

On behalf of the Board

Bong Shu Yin, Daniel
Chairman

Hong Kong, 28 June 2012

(I) CORPORATE GOVERNANCE PRACTICES

Following the issue of the Corporate Governance Code (the "**Code**"), as set out in Appendix 14 to the Listing Rules, the Company has carefully reviewed and considered the Code, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code.

Throughout the financial year ended 31 March 2012, except for the requirements that (i) the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual and (ii) the Non-executive Directors and the Independent Non-executive Directors should be appointed for specific terms, the Company has complied with all code provisions of the Code. The deviation in item (i) above is due to the practical necessity and effective management on account of the Group's corporate operating structure. For deviation in item (ii) above, although the Non-executive Directors and the Independent Non-executive Directors of the Company were not appointed for specific terms, arrangements have been put in place such that all Directors would retire, and are subject to re-election, either in accordance with the articles of association of the Company or on a voluntary basis, at least once every three years.

(II) DIRECTORS' SECURITIES TRANSACTIONS

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

(III) BOARD OF DIRECTORS

Composition and role

The Board of Directors of the Company (the "**Board**") currently comprises the following members:

Executive Directors:

Mr. Bong Shu Yin, Daniel *(Chairman)*

Mr. Cheng Sui Sang

Non-executive Directors:

Mr. Bong Shu Ying, Francis

Mr. Ng Kwai Kai, Kenneth

Mr. Leung So Po, Kelvin

Mr. Wong Po Man, Kenneth

Independent Non-executive Directors:

Mr. Li Ka Fai, David

Mr. Lee Choy Sang

Ms. Ka Kit

The personal and biographical details of the Directors, including the relationships among them, are disclosed in the preceding section headed "Directors' Profiles" contained in this Annual Report.

During the year ended 31 March 2012, the Company has fully complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules regarding the number of Independent Non-executive Directors and that these Independent Non-executive Directors represented at least one-third of the Board and at least one of them must have appropriate professional qualifications or accounting or related financial management expertise.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all Independent Non-executive Directors have met the independence guidelines of Rule 3.13 of the Listing Rules.

The Board conducts regular meetings to discuss and decide on major corporate strategic, business and operational issues. The Company Secretary will assist the Executive Directors in setting the agenda of Board meetings and each Director is invited to propose or raise any issues for discussion in Board meetings. Notice of Board meetings and respective papers are distributed to Directors in advance for their consideration. Appropriate and sufficient information is provided to Board members in a timely manner in order to enable them to discharge their duties. Drafts and final versions of board minutes are circulated to each Director for their comments and record.

Non-executive Directors have particular responsibility in overseeing the development of the Company, scrutinizing management performance, and advising on critical business issues. The Board is satisfied that it has met these requirements.

The Board is responsible for overseeing the Company's strategic development and setting appropriate policies to manage risks in pursuit of the Company's strategic objectives as well as scrutinizing operational and financial performance.

Management is delegated with authority by the Board and is principally responsible for the day-to-day operations of the Group.

The Executive Directors conduct regular meetings with the senior management of the Group and associated companies during which operational issues and financial performance are reviewed. The Executive Directors report back to the Board regularly and on ad hoc basis as appropriate.

During the year under review, ten Board meetings were held and the attendance rate of individual Board members of the Company were as follows:

	Attendance	
Name of Directors	**Board Meeting**	**General Meeting**
Executive Directors:		
Mr. Bong Shu Yin, Daniel *(Chairman)*	10/10	2/2
Mr. Cheng Sui Sang	10/10	2/2
Non-executive Directors:		
Mr. Wang Baoning *(resigned on 26 September 2011)*	3/5	0/2
Mr. Bong Shu Ying, Francis	10/10	1/2
Mr. Ng Kwai Kai, Kenneth	10/10	1/2
Mr. Leung So Po, Kelvin	9/10	1/2
Mr. Wong Po Man, Kenneth	10/10	1/2
Independent Non-executive Directors:		
Mr. Li Ka Fai, David	10/10	2/2
Mr. Lee Choy Sang	10/10	2/2
Ms. Ka Kit	9/10	1/2

In the course of discharging the Board's duties, each newly appointed Director will be offered training on key areas of business operations and practices of the Company. Newly appointed Directors will be offered orientation materials that set out the duties and responsibilities of directors under the Listing Rules, related ordinances and relevant regulatory requirements of Hong Kong. The Company will also arrange the Directors to participate in relevant professional development courses to continually enhance their relevant knowledge and skills.

(IV) AUDIT COMMITTEE

The Audit Committee was established with reference to its specific written terms of reference adopted by the Board, a copy of the latest terms of reference is posted on the website of the Company and the Stock Exchange. The Audit Committee's primary responsibilities include reviewing the Company's financial reports, the system of internal controls, risks management and the effectiveness and objectivity of the audit process, and to make recommendations to the Board in relation to the above.

The Audit Committee currently comprises the following members:

Independent Non-executive Directors:
Mr. Li Ka Fai, David *(Chairman)*
Mr. Lee Choy Sang *(Member)*
Ms. Ka Kit *(Member)*

The Audit Committee has reviewed with the Board and the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the interim and final consolidated financial statements.

For the year ended 31 March 2012, the Audit Committee has reviewed the Company's policy and practice on corporate governance and made recommendations to the Board. In addition, the Audit Committee is responsible for reviewing and monitoring the training and continuous professional development of Directors and senior management, and the internal policies and practices to ensure compliance with legal and regulatory requirements.

As the Audit Committee recommended to re-appoint the current external auditors, SHINEWING (HK) CPA Limited, and the Board agreed to the same, no circumstances exist as would require an explanation from the Audit Committee as to why the Board has taken a different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

During the year under review, the Audit Committee met two times and the meetings were attended by the external auditors of the Company. The attendance rate of individual Audit Committee members of the Company were as follows:

Name of Audit Committee members	Attendance
Mr. Li Ka Fai, David *(Chairman)*	2/2
Mr. Lee Choy Sang *(Member)*	2/2
Ms. Ka Kit *(Member)*	1/2

(V) REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference to deal with its authority and duties. Adopted by the Board, a copy of the latest terms of reference is posted on the website of the Company and the Stock Exchange. The principal role of the Remuneration Committee is to make recommendations to the Board on all aspects of the performance, employment conditions, remuneration and incentives of Executive Directors and senior management. It sets the remuneration and incentive policy of the Company as a whole and recommends the remuneration of senior staff to the Board for their approval after consultation with the Chairman and Executive Director. The emoluments of the Directors, including basis of salary and performance bonus, are based on each Director's skills, knowledge and involvement in the Company's affairs, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions. No Director has taken part in setting his or her own remuneration.

In compliance with the amendments to the Listing Rules effective on 1 April 2012, Mr. Bong Shu Yin, Daniel has ceased to act as chairman of the Remuneration Committee with effect from 29 March 2012 and remains a member of the Remuneration Committee, and Mr. Lee Choy Sang has been appointed as chairman of the Remuneration Committee with effect from the same date.

The Remuneration Committee currently comprises the following members:

Independent Non-executive Directors:
Mr. Lee Choy Sang *(Chairman)*
Mr. Li Ka Fai, David *(Member)*

Executive Director:
Mr. Bong Shu Yin, Daniel *(Member)*

During the year under review, the Remuneration Committee met once and the attendance rate of individual Remuneration Committee members of the Company were as follows:

Name of Remuneration Committee members	Attendance
Mr. Lee Choy Sang *(Chairman)*	1/1
Mr. Li Ka Fai, David *(Member)*	1/1
Mr. Bong Shu Yin, Daniel *(Member)*	1/1

(VI) NOMINATION COMMITTEE

The Company has newly established the Nomination Committee with specific written terms of reference to deal with its authority and duties, adopted by the Board on 29 March 2012, a copy of which is posted on the website of the Company and the Stock Exchange. The Nomination Committee is responsible for formulating and making recommendations to the Board on nomination and appointment of Directors and on the Board's succession planning. The Nomination Committee develops selection procedures for candidates and will consider different criteria including appropriate professional knowledge and industry experience, and the standards set forth in Rules 3.08 and 3.09 of the Listing Rules. The Nomination Committee also reviews the structure, size and composition of the Board from time to time to ensure that it has balanced skills and expertise to provide effective leadership to the Company and assesses the independence of the Independent Non-executive Directors according to the criteria set out in Rule 3.13 of the Listing Rules.

The Nomination Committee shall meet as required by its work but at least once every financial year to fulfill its duties. The Nomination Committee currently comprises the following members:

Executive Director:
Mr. Bong Shu Yin, Daniel *(Chairman)*

Independent Non-executive Directors:
Mr. Li Ka Fai, David *(Member)*
Mr. Lee Choy Sang *(Member)*

During the year under review, the Nomination Committee has yet to hold its first meeting.

(VII) INTERNAL CONTROL

The Board, with the assistance of the Audit Committee, has conducted a review of the effectiveness of the system of internal controls of the Group during the year under review, including financial, operational and compliance controls and risk management functions with a view to safeguarding the shareholders' investment and the Group's assets.

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness. Accordingly, management of the Company had been provided with clear instructions that any material issues relating to the internal control system, particularly in any incidence of significant control failings or weaknesses that has had, or might have, a material impact on the business of the Group are to be reported to the Board and the Audit Committee of the Company on a timely basis.

(VIII) DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors of the Company acknowledge their responsibility for preparing the consolidated financial statements of the Group, which give a true and fair view of the state of affairs of the Group, and ensure that appropriate accounting policies are selected and applied consistently and the consolidated financial statements are prepared in accordance with the relevant statutory requirements and applicable accounting standards. The Directors also ensure the consolidated financial statements are published in a timely manner.

The consolidated financial statements were audited by the external auditors, SHINEWING (HK) CPA Limited and their reporting responsibilities are set out in the Independent Auditor's Report contained in this Annual Report.

The consolidated financial statements have been prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

(IX) AUDITORS' REMUNERATION

For the year ended 31 March 2012, the fees paid/payable by the Group to the external auditors in respect of audit and non-audit services provided by them amount to approximately HK$548,000 and HK$55,000 respectively. The non-audit services included interim review, taxation and other services.

(X) PROCEDURES FOR SHAREHOLDERS TO PROPOSE A PERSON FOR ELECTION AS A DIRECTOR

In accordance with Article 120 of the articles of association of the Company, a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at a general meeting (the "**Election Meeting**") for which such notice is given of his intention to propose such person for election as a director (the "**Nominee**") and also a notice signed by the Nominee of his/her willingness to be elected (the "**Nominee's Notice**"), and together (the "**Running Notices**") shall be lodged at the Company's head office at Units 801-802, 8th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong or at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

According to Article 120 of the Company's articles of association, the minimum length of the period, during which such Running Notices are given, shall be at least seven (7) days and that (if the Running Notices are submitted after the dispatch of the notice of the Election Meeting) the period for lodgement of the Running Notices shall commence on the day after the dispatch of the notice of the Election Meeting and end no later than seven (7) days prior to the date of the Election Meeting. In this connection, the Running Notices shall be lodged within the seven-day (7-day) period commencing from the day after the dispatch of the notice of the Election Meeting.

The Nominee's Notice must include the biographical details of the Nominee as required by Rule 13.51(2) of the Listing Rules. The Nominee shall warrant in the Nominee's Notice that the information provided is true and complete and undertake that he/she will discharge his/her duties as a director upon election.

(XI) PROCEDURES FOR SHAREHOLDERS TO CONVENE GENERAL MEETINGS/PUT FORWARD PROPOSALS

The way in which shareholders can convene an Extraordinary General Meeting

In accordance with Article 72 of the articles of association of the Company, general meetings shall be convened on the written requisition of any two shareholders of the Company addressed to the Company Secretary deposited at the head office at Units 801-802, 8th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong specifying the objects of the meeting and signed by the requisitionists, and if the Directors do not within twenty-one days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.

The procedures for sending enquiries to the Board

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Share Registrar, the contact details of which are set out as follows :-

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Telephone : 2862-8628
Facsimile : 2529-6087

Shareholders, the potential investors and the media may at any time make a request for the Company's information to the extent such information is publicly available and make enquiries to the Company through the means as provided under the paragraph Investor Relations.

The procedures for making proposals at shareholders' meetings

To put forward proposals at a general meeting, shareholders should submit a written notice of those proposals with detailed contact information to the Company Secretary at the Company's head office at Units 801-802, 8th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong. The request will be verified with the Company's Hong Kong Share Registrar and upon their confirmation that the request is proper and in order, the Company Secretary will ask the Board to include the resolution in respect of those proposals in the agenda for the general meeting.

(XII) INVESTOR RELATIONS

The Company is committed to ensure shareholders' interest. To this end, the general meeting of the Company serves as a communication channel between Directors and shareholders. During the general meeting, Chairman of the Board and its committee members will be present to answer the queries that any individual shareholder may have, and separate resolutions are proposed on each substantial issue, including the re-election of retiring Directors.

The notice of Annual General Meeting ("**AGM**") shall be sent to all shareholders at least 20 clear business days prior to the date of meeting. Details of each proposed resolution, voting procedures and other relevant information are set out in the notice of AGM and the circular containing such detailed information will be sent to the shareholders in due course. During the year under review, there were no significant changes in the Company's constitutional documents.

Shareholders, investors and the media can make enquiries to the Company through the following means:

Telephone number	:	2834-2833
Fax number	:	2893-1312
By post	:	Units 801-802, 8th Floor, 68 Yee Wo Street, Causeway Bay, Hong Kong
Attention	:	Company Secretarial Department
By email	:	info@cosmoholdings.com

TO THE SHAREHOLDERS OF
COSMOPOLITAN INTERNATIONAL HOLDINGS LIMITED
四海國際集團有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Cosmopolitan International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 31 to 104, which comprise the consolidated statement of financial position as at 31 March 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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 auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2 to the consolidated financial statements, which indicates that the Group has net current liabilities of approximately HK$136,195,000 as at 31 March 2012. These conditions, along with other matters as set out in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Chuen Fai
Practising Certificate Number: P05589

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	8	**78,386**	160,229
Revenue	9	**10,554**	5,255
Net (loss) gain on disposal of financial assets at fair value through profit or loss		**(646)**	4,656
Other operating income	10	**1,933**	732
Administration expenses		**(32,189)**	(20,080)
Gain on changes in fair value of financial instruments, net	11	**30,720**	255,162
Gain on changes in fair value of investment properties	19	**—**	5,000
Loss on disposal of a subsidiary	32	**—**	(88)
Share of results of jointly controlled entities	20	**527,678**	(1,794)
Reversal of provisions	28	**1,246**	—
Finance costs	12	**(35,005)**	(33,384)
Profit before tax	13	**504,291**	215,459
Income tax credit (expense)	15	**21,048**	(385)
Profit for the year		**525,339**	215,074
Other comprehensive (expense) income			
Exchange differences arising on translating foreign subsidiaries		**(158)**	(148)
Share of other comprehensive (expense) income of jointly controlled entities		**(10,170)**	6,829
Other comprehensive (expense) income for the year		**(10,328)**	6,681
Total comprehensive income for the year		**515,011**	221,755

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**525,390**	215,415
Non-controlling interests		**(51)**	(341)
		525,339	215,074
Total comprehensive income (expense) attributable to:			
Owners of the Company		**515,062**	222,092
Non-controlling interests		**(51)**	(337)
		515,011	221,755
		2012	2011
Earnings (loss) per share	16		
– Basic		**4.46 HK cents**	1.89 HK cents
– Diluted		**1.85 HK cents**	(0.12) HK cent
			(Restated)

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012	2011
		HK$'000	HK$'000
Non-current assets			
Plant and equipment	18	**355**	277
Investment properties	19	**80,000**	80,000
Interests in jointly controlled entities	20	**628,531**	187,151
		708,886	267,428
Current assets			
Deposit paid for a property development project	21	**—**	24,500
Deposits and other receivables	22	**1,011**	978
Financial assets at fair value through profit or loss	23	**233,369**	263,653
Tax recoverable	24	**3,709**	2,598
Pledged bank deposits	25	**43,190**	—
Deposits placed with securities brokers	25	**1,086**	10,748
Cash and bank balances	25	**85,682**	97,907
		368,047	400,384
Current liabilities			
Accrued liabilities and other payables		**4,824**	4,702
Bank borrowings	26	**36,993**	—
Derivative financial liabilities	27	**49,894**	202,452
Provisions	28	**—**	1,199
Income tax payable		**1,288**	25,369
Convertible bonds	29	**411,243**	169,991
		504,242	403,713
Net current liabilities		**(136,195)**	(3,329)
Total assets less current liabilities		**572,691**	264,099
Non-current liability			
Convertible bonds	29	**—**	206,419
		572,691	57,680

Consolidated Statement of Financial Position

At 31 March 2012

	Notes	2012	2011
		HK$'000	HK$'000
Capital and reserves			
Share capital	30	**2,357**	2,357
Reserves		**570,722**	55,660
Equity attributable to owners of the Company		**573,079**	58,017
Non-controlling interests		**(388)**	(337)
Total Equity		**572,691**	57,680

The consolidated financial statements on pages 31 to 104 were approved and authorised for issue by the board of directors on 28 June 2012 and are signed on its behalf by:

Bong Shu Yin, Daniel
Director

Cheng Sui Sang
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Attributable to owners of the Company											
	Share Capital	**Share premium**	**Capital redemption reserve**	**Capital reserve**	**Exchange fluctuation reserve**	**Contributed surplus (Note)**	**Convertible bonds reserve**	**Other reserve**	**(Accumulated losses) retained profit**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2010	2,253	165,029	209	1,018	4,908	26,801	29,373	–	(426,256)	(196,665)	–	(196,665)
Profit for the year	–	–	–	–	–	–	–	–	215,415	215,415	(341)	215,074
Exchange differences arising on translating foreign subsidiaries	–	–	–	–	(152)	–	–	–	–	(152)	4	(148)
Share of other comprehensive income of jointly controlled entities	–	–	–	–	6,829	–	–	–	–	6,829	–	6,829
Total comprehensive income for the year	–	–	–	–	6,677	–	–	–	215,415	222,092	(337)	221,755
Conversion of convertible bonds (Note 29)	104	37,740	–	–	–	–	(4,634)	–	–	33,210	–	33,210
Acquisition of additional interest in a subsidiary (Note 39)	–	–	–	–	–	–	–	(620)	–	(620)	–	(620)
At 31 March 2011 and 1 April 2011	2,357	202,769	209	1,018	11,585	26,801	24,739	(620)	(210,841)	58,017	(337)	57,680
Profit for the year	–	–	–	–	–	–	–	–	525,390	525,390	(51)	525,339
Exchange differences arising on translating foreign subsidiaries	–	–	–	–	(158)	–	–	–	–	(158)	–	(158)
Share of other comprehensive expense of jointly controlled entities	–	–	–	–	(10,170)	–	–	–	–	(10,170)	–	(10,170)
Total comprehensive income for the year	–	–	–	–	(10,328)	–	–	–	525,390	515,062	(51)	515,011
At 31 March 2012	**2,357**	**202,769**	**209**	**1,018**	**1,257**	**26,801**	**24,739**	**(620)**	**314,549**	**573,079**	**(388)**	**572,691**

Note:

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange at the time of the Group's reorganisation in 1991, net of subsequent distributions therefor. Under the Companies Law of the Cayman Islands, the contributed surplus is distributable under certain specific circumstances.

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012	2011
		HK$'000	HK$'000
			(Restated)
Operating activities			
Profit before tax		**504,291**	215,459
Adjustments for :			
Interest income		**(579)**	(552)
Share of results of jointly controlled entities		**(527,678)**	1,794
Depreciation on plant and equipment		**87**	84
Plant and equipment written off		**7**	29
Reversal of provisions of the litigation		**(1,246)**	—
Gain on changes in fair value of financial instruments, net		**(30,720)**	(255,162)
Gain on changes in fair value of investment properties		**—**	(5,000)
Loss on disposal of a subsidiary	32	**—**	88
Finance costs		**35,005**	33,384
Operating cash flows before movements in working capital		**(20,833)**	(9,876)
(Increase) decrease in deposits and other receivables		**(33)**	120
Increase in financial assets at fair value through profit or loss		**(91,554)**	(38,528)
Increase in accrued liabilities and other payables		**122**	137
Cash used in operations		**(112,298)**	(48,147)
Hong Kong Profits Tax paid		**(4,144)**	(2,597)
Net cash used in operating activities		**(116,442)**	(50,744)

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Note	2012 HK$'000	2011 HK$'000 (Restated)
Investing activities			
Repayment from (advance to) jointly controlled entities		**76,129**	(5,969)
Deposit refund (paid) for a property development project		**24,500**	(24,500)
Interest received		**579**	552
Purchase of plant and equipment		**(171)**	(126)
(Increase) decrease in pledged bank deposits		**(43,190)**	506
Net cash inflow on disposal of a subsidiary	32	**—**	16,351
Net cash from (used in) investing activities		**57,847**	(13,186)
Financing activities			
New bank loans raised		**36,993**	—
Interest paid		**(172)**	—
Repayment to a related company		**—**	(1,479)
Acquisition of additional interest in a subsidiary		**—**	(620)
Net cash from (used in) financing activities		**36,821**	(2,099)
Net decrease in cash and cash equivalents		**(21,774)**	(66,029)
Cash and cash equivalents at beginning of year		**108,655**	174,760
Effect of foreign exchange rate changes		**(113)**	(76)
Cash and cash equivalents at end of year, represented by cash and bank balances and deposits placed with security brokers		**86,768**	108,655

1. GENERAL

Cosmopolitan International Holdings Limited (the "Company") is an exempted limited company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). Other than those subsidiaries established in the People's Republic of China (the "PRC") whose functional currency is Renminbi ("RMB"), the functional currency of the Company and its subsidiaries (collectively referred to as the "Group") is HK$.

As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are property investment, property development, securities investment and other investments. The principal activities of the principal subsidiaries are set out in note 36.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately HK$136,195,000 as at 31 March 2012. The condition indicates the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business. However, in the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company had taken into consideration of the following facts and circumstances:

a) As at 31 March 2012, included in the current liabilities of the Group was derivative financial liabilities of approximately HK$49,894,000 which represented an option to entitle the holders to subscribe for convertible bond to be issued with a maturity date within twelve months after 31 March 2012. Such derivative financial liabilities shall not have any cash outflow to the Group;

b) On 22 June 2012, Faith Crown Holdings Limited ("Faith Crown"), a jointly controlled entity of the Group, had provided an undertaking of repayment of HK$100,000,000 on or before 21 July 2012 in respect of the loan due to the Group amounting to approximately HK$106,472,000; and

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

c) The directors of the Company will consider if required to dispose for cash the financial assets carried at fair value through profit or loss of approximately HK$122,123,000 as at 31 March 2012 and certain non-current assets including the disposal of the investment properties of approximately HK$80,000,000 so as to meet any financial obligations as and when they fall due. Subsequent to 31 March 2012, financial assets carried at fair value through profit or loss of approximately HK$111,246,000 as at 31 March 2012 have been disposed of at a proceed of approximately HK$124,135,000.

Accordingly, the directors of the Company considered that the Group has sufficient working capital to meet its financial obligations as and when they fall due. The consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group not able to continue as a going concern.

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosure for First-time Adopters
Amendments to HKAS 1	Analysis in the statement of changes in equity
Hong Kong Accounting Standards ("HKAS") 24 (as revised in 2009)	Related Party Disclosures
Amendments to Hong Kong International Financial Reporting Interpretations Committee ("HK(IFRIC)") – Int 14	Prepayments of a Minimum Funding Requirement
HK (IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Amendments to 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 components of equity, the Group has chosen to present such an analysis in the 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.

The application of the other new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. 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:

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle[2]
Amendment to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 1	Government Loan[2]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
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]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFIC) – Int 20	Stripping Costs in the Production Phase of a 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 January 2015.

4 Effective for annual periods beginning on or after 1 January 2012.

5 Effective for annual periods beginning on or after 1 July 2012.

6 Effective for annual periods beginning on or after 1 January 2014.

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

HKFRS 9 issued in November 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 accounting 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 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.

The directors of the Company 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. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

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 of the Company 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. However, the directors of the Company 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.

3. 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 of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 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 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 January 2012.

The directors of the Company anticipate that the application of the amendments to HKAS 12 will not have a significant impact on the results and the financial position of the Group.

Except for the above disclosed, the directors of the Company anticipate that the application of other new and revise standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain investment properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Basis of consolidation

The 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 in line with those used by other members of the Group.

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

Non-controlling interests in a subsidiary are presented 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 April 2010 onwards).

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. When the Group's share of losses of a jointly controlled entity equals or exceeds its interests in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue from trading of securities and securities dealing is recognised on the trade date basis that the relevant trading contracts are executed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Plant and equipment

Plant and equipment held for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of plant and equipment less their residual values over their estimated useful lives 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 amounted for on a prospective basis.

An item of 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 disposal or retirement of an item of plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from 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 in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Foreign currencies

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 exchange prevailing on the dates of the transactions. At the end of each 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 arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange fluctuation reserve (attributed to non-controlling interest as appropriate).

Borrowing costs

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

Retirement benefits costs

Payments to the Mandatory Provident Fund ("MPF") Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense 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.

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to 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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in to 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

Financial assets

The Group's financial assets are classified into one of two categories, including financial assets at FVTPL and loan and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial 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 debts instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in revenue line item in the consolidated statement of comprehensive income. Fair value is determined in the manner described in note 7(c).

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 other receivables and deposits, pledge bank deposits, deposits placed with securities brokers and cash and bank balance) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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 financial assets have been affected.

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.

For certain categories of financial assets, such as other 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, the increase in the number of delayed payments as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of other 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 an other 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.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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 arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of 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.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including accrued liabilities and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds contain liability and equity components

Convertible bonds 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 bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds 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 bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds 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 in 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 bonds using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Convertible bonds contain liability and equity components, and derivative component (option to subscribe for convertible bonds)

Convertible bonds issued by the Group that contain liability, conversion option and derivative component (which is not closely related to the host liability component) are classified separately into respective items on initial recognition. 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. At the date of issue, both the liability and derivative component are measured at fair value. The difference between the gross proceeds of the issue of the convertible bonds and the fair values assigned to the liability and derivative component respectively, representing the conversion option for the holder to convert the bond into equity, is included in equity (convertible bonds reserve).

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the embedded option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained profit. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group 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 directly in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least ten per cent different from the discounted present value of the remaining cash flows of the original financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. 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 (where the effect of the time value of money is material).

Impairment loss on tangible assets

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

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

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying the entity's accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Going concern and liquidity consideration

The assessment of the going concern and liquidity assumption involves making a judgment by the directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The directors of the Company consider that the Group has the ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast doubt about the going concern assumption are set out in note 2.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty

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

Estimated fair value of investment properties

Investment properties are carried in the consolidated statement of financial position as at 31 March 2012 at their fair value of approximately HK$80,000,000 (2011: HK$80,000,000). The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers by reference to market evidence of transaction prices for similar properties in the same locations and conditions. Favourable or unfavourable changes in market would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of profit or loss reported in the consolidated statement of comprehensive income.

Fair value of derivative financial liabilities

The fair values of the derivative financial liabilities involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation. As at 31 March 2012, the carrying amount and the fair value of derivative financial liabilities were approximately HK$49,894,000 (2011: HK$202,452,000).

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Key sources of estimation uncertainty *(Continued)*

Estimated impairment loss on interests in jointly controlled entities

As at 31 March 2012, the carrying amount of interests in jointly controlled entities is approximately HK$628,531,000 (2011: HK$187,151,000) without impairment loss.

The directors of the Company determined whether interests in jointly controlled entities are impaired by reference to an estimation of the recoverable amount of investment. The recoverable amount of the interests in jointly controlled entities requires the Group to estimate the future cash flows expected to arise from the jointly controlled entities and a suitable discount rate including the risk adjustment in order to calculate the present value. The assumption includes management's best estimate of the set of economic conditions in the future.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes bank borrowings in note 26, convertible bonds in note 29, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues, the issue of new debt or the redemption of existing debt.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2012	2011
	HK$'000	HK$'000
Financial assets		
FVTPL (held for trading investments)	**233,369**	263,653
Loan and receivables (including cash and bank balances)	**130,969**	134,133
	364,338	397,786
Financial liabilities		
Derivative financial liabilities	**49,894**	202,452
Amortised cost	**453,060**	381,112
	502,954	583,564

(b) Financial risk management objectives and policies

The Group's major financial instruments include refundable deposits and other receivables, financial assets at FVTPL, deposits placed with securities brokers, pledged bank deposits, cash and bank balances, accrued liabilities and other payables, bank borrowings, derivative financial liabilities and convertible bonds. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk

(a) Currency risk

Other than the subsidiaries established in the PRC whose functional currency is RMB, the Company and its other subsidiaries' functional currency is HK$. However, certain bank balances and deposits placed with securities brokers are denominated in currencies other than HK$.

	Assets	
	2012	2011
	HK$'000	HK$'000
United States dollar ("USD")	**165**	93
RMB	**72,868**	29,195
Total	**73,033**	29,288

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the needs arise.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(a) Currency risk (Continued)

Sensitivity analysis

The Group mainly exposed to USD and RMB. The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of HK$ against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% (2011: 5%) change in foreign currency rates.

	RMB	
	2012	2011
	HK$'000	HK$'000
Increase (decrease) in profit for the year, net of tax effect		
– if HK$ weakens against foreign currencies	**(3,049)**	(1,223)
– if HK$ strengthens against foreign currencies	**3,049**	1,223

A change of 5% (2011: 5%) in exchange rate of HK$ against each foreign currency does not affect other components of equity.

No sensitivity analysis was prepared for USD because HK$ is pegged to USD. The fluctuation and impact is considered immaterial.

In management's opinion, the sensitivity analysis is not necessarily of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(b) Price risk

The Group is exposed to price risk through its investments in listed equity securities and derivative financial liabilities embedded in the convertible bonds.

The management manages the exposure of price risk of listed equity securities by maintaining a portfolio of investments with different risks. The Group's price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

The derivative financial liabilities are the option to subscribe additional convertible bond by the holder for cash subscription paid to the Group and the Group does not have obligation to settle the liabilities in cash. Thus, the management does not hedge its equity price risk.

Sensitivity analysis

The sensitivity analyses below of listed equity securities have been determined based on the exposure to price risks at the reporting date.

If the prices of the respective equity instruments had been 25% (2011: 10%) higher/lower with all other variables held constant, the post tax profit for the year increase/decrease by approximately HK$48,716,000 (2011: HK$22,015,000) as a result of the changes in fair value of equity securities.

If the share price of the Company had increased or decreased by 10% and all the derivative components moved according to the historical correlation with the share price of the Company, the consolidated post tax profit for the year would decrease by approximately HK$8,020,000 (2011: HK$23,079,000) or increase by approximately HK$7,647,000 (2011: HK$22,791,000) respectively, arising from changes in fair value of the derivative financial liabilities.

As a result of volatility of Hong Kong stock market, the management adjusted the sensitivity rate from 10% to 25% in the current year for the purpose of analysing the price risk.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Market risk *(Continued)*

(c) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank borrowings (see note 26) and convertible bonds issued by the Group (see note 29). The Group currently does not enter into any hedging instruments for fair value interest rate risk.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits, deposits placed with securities brokers and bank balances (see note 25) due to the fluctuation of the prevailing market interest rate.

The management determined that the fair value and cash flow interest rate risks have insignificant effect to the results of the Group.

Credit risk

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

In order to minimise the credit risk, the management of the Group has delegated a team responsible for various monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical location is mainly in Hong Kong ("HK").

The credit risk on liquid funds is limited because the counterparties are banks and securities brokers with high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds, the Group does not have any other significant concentration of credit risk.

As at 31 March 2012, the Group had credit risk on loan to jointly controlled entities of approximately HK$106,472,000 (2011: HK$182,600,000). Regular review on the financial position of jointly controlled entities is performed. The review focus on the financial background and current ability to pay, and take into account information specific to jointly controlled entities as well as pertaining to the environment in which jointly controlled entities operate.

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk

The Group is exposed to liquidity risk as at the end of the reporting period as its financial assets due within one year was less than its financial liabilities due within one year and had net current liabilities as of approximately HK$136,195,000 as at 31 March 2012. As explained in note 2, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operation and mitigate the effects of fluctuates in cash flows. The Group has planned measures to maintain a healthy cash and working capital position of the Group to ensure the Group's liquidity.

The management will closely monitor the cash flow generated from operations and the Group's needs for different types of external financing.

The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is calculated by interest rate curve at the end of the reporting period.

	Carrying amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	1-5 years HK$'000
As at 31 March 2012				
Non-derivatives financial liabilities				
Accrued liabilities and other payables	4,824	4,824	4,824	—
Bank borrowings	36,993	37,381	37,381	—
Convertible bonds	411,243	443,922	443,922	—
	453,060	486,127	486,127	—

7. FINANCIAL INSTRUMENTS *(Continued)*

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

Liquidity risk *(Continued)*

	Carrying amounts HK$'000	Total undiscounted cash flows HK$'000	Within 1 year HK$'000	1-5 years HK$'000
As at 31 March 2011				
Non-derivatives financial liabilities				
Accrued liabilities and other payables	4,702	4,702	4,702	—
Convertible bonds	376,410	428,363	172,343	256,020
	381,112	433,065	177,045	256,020

(c) Fair value

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

- The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing model based on discounted cash flow analysis; and
- The fair value of derivative instruments is calculated using Binomial Option Pricing Model as set out in note 27.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values due to short-term or immediate maturities.

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for 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 asset or liability that are not based on observable market data (unobservable inputs).

As at 31 March 2012

	Level 1 HK$'000	Level 2 HK$'000	Total HK$'000
Financial assets			
Financial assets at FVTPL	233,369	—	233,369
Financial liabilities			
Derivative financial liabilities	—	49,894	49,894

7. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position *(Continued)*

As at 31 March 2011

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
Financial assets			
Financial assets at FVTPL	263,653	—	263,653
Financial liabilities			
Derivative financial liabilities	—	202,452	202,452

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

Significant assumptions used in determining fair value of derivative financial liabilities are set out in note 27.

8. TURNOVER

The following is an analysis of the Group's turnover for the year:

	2012	2011
	HK$'000	HK$'000
Proceeds from disposal of financial assets at FVTPL	**67,832**	154,974
Dividend income from financial assets at FVTPL	**10,553**	5,245
Interest income from deposits placed with securities brokers	**1**	10
	78,386	160,229

9. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods and investments.

Specifically, the Group's reportable segments same as operating segments under HKFRS 8 are as follows:

(a) Securities trading – engaged in trading of equity securities;

(b) Property investment and development – engaged in property investment and property development

Segment revenues and results

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

For the year ended 31 March 2012

	Securities trading HK$'000	Property investment and development HK$'000	Total HK$'000
Turnover	78,386	—	78,386
Revenue			
External	10,554	—	10,554
Segment loss	(112,006)	(17,585)	(129,591)
Other operating income			1,933
Unallocated corporate expenses			(13,282)
Gain on changes in fair value of derivative financial instruments related to convertible bonds			152,558
Share of results of jointly controlled entities			527,678
Finance costs			(35,005)
Profit before tax			504,291

9. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

For the year ended 31 March 2011

	Securities trading HK$'000	Property investment and development HK$'000	Total HK$'000
Turnover	160,229	—	160,229
Revenue			
External	5,255	—	5,255
Segment profit (loss)	32,490	(499)	31,991
Other operating income			732
Unallocated corporate expenses			(14,470)
Loss on disposal of a subsidiary			(88)
Gain on changes in fair value of derivative financial instruments related to convertible bonds			232,472
Share of results of jointly controlled entities			(1,794)
Finance costs			(33,384)
Profit before tax			215,459

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit or loss represents the profit earned by or loss from each segment without allocation of central administration costs, income tax credit (expense), directors' emoluments, other operating income, gain or loss on change in fair value of derivative financial instruments related to convertible bonds, share of results of jointly controlled entities, reversal of provisions and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

9. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

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

	2012 HK$'000	2011 HK$'000
Segment assets		
Securities trading	**234,455**	274,401
Property investment and development	**80,493**	104,948
Total segment assets	**314,948**	379,349
Unallocated corporate assets	**761,985**	288,463
Consolidated assets	**1,076,933**	667,812
Segment liabilities		
Securities trading	**484**	465
Property investment and development	**4,091**	4,986
Total segment liabilities	**4,575**	5,451
Unallocated corporate liabilities	**499,667**	604,681
Consolidated liabilities	**504,242**	610,132

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

— all assets are allocated to operating segments other than interests in jointly controlled entities, tax recoverable, pledged bank deposits, cash and bank balances and assets for central administration.

— all liabilities are allocated to reporting segments other than derivative financial liabilities, income tax payable, bank borrowings, convertible bonds and liabilities for central administration.

9. SEGMENT INFORMATION *(Continued)*

Other segment information

For the year ended 31 March 2012

	Securities trading HK$'000	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets				
Addition to non-current assets (note)	—	170	1	171
Depreciation	—	50	37	87
Written off of property and equipment	—	—	7	7
Net loss on disposal of financial assets at FVTPL	646	—	—	646
Loss (gain) on change in fair value of financial instruments, net	121,838	—	(152,558)	(30,720)
Reversal of provisions	—	(1,246)	—	(1,246)
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets				
Interest income	—	—	(579)	(579)
Interests in jointly controlled entities	—	628,531	—	628,531
Share of results of jointly controlled entities	—	(527,678)	—	(527,678)
Finance costs	—	—	35,005	35,005
Income tax credit	(21,048)	—	—	(21,048)

Note:

Addition to non-current assets excluded interests in jointly controlled entities.

9. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

For the year ended 31 March 2011

	Securities trading HK$'000	Property investment and development HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets				
Addition to non-current assets (note)	—	125	1	126
Depreciation	—	43	41	84
Written off of property and equipment	—	—	29	29
Net gain on disposal of financial assets at FVTPL	(4,656)	—	—	(4,656)
Gain on change in fair value of financial instruments, net	(22,690)	—	(232,472)	(255,162)
Gain on change in fair value of investment properties	—	(5,000)	—	(5,000)
Amounts regularly provided to the chief operation decision maker but not included in the measure of segment profit or loss or segment assets				
Interest income	—	—	(552)	(552)
Interests in jointly controlled entities	—	187,151	—	187,151
Share of loss of jointly controlled entities	—	1,794	—	1,794
Finance costs	—	—	33,384	33,384
Income tax expense	385	—	—	385

Note:

Addition to non-current assets excluded interests in jointly controlled entities.

9. SEGMENT INFORMATION *(Continued)*

Revenue

The following is an analysis of the Group's revenue:

	2012	2011
	HK$'000	HK$'000
Dividend income from financial assets at FVTPL	**10,553**	5,245
Interest income from deposits placed with securities brokers	**1**	10
	10,554	5,255

Geographical information

The Group's operations are located mainly in HK.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
HK	**10,554**	5,255	**80,064**	80,093
The PRC	**—**	—	**628,822**	187,335
	10,554	5,255	**708,886**	267,428

Information about major customers

During the years ended 31 March 2012 and 2011, no single customer has contributed over 10% of the total turnover and revenue of the Group.

10. OTHER OPERATING INCOME

	2012	2011
	HK$'000	HK$'000
Interest income from:		
Pledged bank deposits	**138**	—
Bank balances	**441**	552
Total interest income	**579**	552
Exchange gain	**994**	—
Sundry income	**360**	180
	1,933	732

11. GAIN ON CHANGES IN FAIR VALUE OF FINANCIAL INSTRUMENTS, NET

	2012	2011
	HK$'000	HK$'000
(Loss) gain on change in fair value of financial assets at FVTPL	**(121,838)**	22,690
Gain on change in fair value of derivative financial liabilities	**152,558**	232,472
	30,720	255,162

12. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Imputed interest expenses on convertible bonds (note 29)	**34,833**	33,384
Interest on bank borrowings wholly repayable within five years	**172**	—
	35,005	33,384

13. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2012 HK$'000	2011 HK$'000
Staff costs (excluding directors' emoluments in note 14(a))		
Wages and salaries	**1,533**	1,299
Retirement benefits scheme contributions	**110**	103
	1,643	1,402
Auditors' remuneration	**548**	498
Plant and equipment written off	**7**	29
Depreciation on plant and equipment	**87**	84

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of 10 (2011:10) directors were as follows:

For the year ended 31 March 2012

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Bong Shu Yin, Daniel	108	2,542	12	2,662
Cheng Sui Sang	108	925	12	1,045
Non-executive directors				
Wang Baoning (resigned on 26 September 2011)	54	—	—	54
Bong Shu Ying, Francis	108	—	—	108
Ng Kwai Kai, Kenneth	108	—	—	108
Leung So Po, Kelvin	108	—	—	108
Wong Po Man, Kenneth	108	—	—	108
Independent non-executive directors				
Li Ka Fai, David	129	—	—	129
Lee Choy Sang	108	—	—	108
Ka Kit	108	—	—	108
Total	1,047	3,467	24	4,538

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 March 2011

		Other emoluments		
	Directors' fees HK$'000	Basic salaries, allowance and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors				
Bong Shu Yin, Daniel	108	2,414	12	2,534
Cheng Sui Sang	108	884	12	1,004
Non-executive directors				
Wang Baoning	108	—	—	108
Bong Shu Ying, Francis	108	—	—	108
Ng Kwai Kai, Kenneth	108	—	—	108
Leung So Po, Kelvin	108	—	—	108
Wong Po Man, Kenneth	108	—	—	108
Independent non-executive directors				
Li Ka Fai, David	126	—	—	126
Lee Choy Sang	108	—	—	108
Ka Kit	108	—	—	108
Total	1,098	3,298	24	4,420

14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2011: two) were directors of the Company whose emoluments are set out in note 14(a) above. Details of the emoluments of the remaining three (2011: three) individuals were as follows:

	2012 HK$'000	2011 HK$'000
Basic salaries, allowance and benefits in kind	**980**	782
Retirement benefits scheme contributions	**36**	32
	1,016	814

The emoluments of each of the employees are less than HK$1,000,000 for two years ended 31 March 2012 and 2011.

During the two years ended 31 March 2012 and 2011, no emoluments were paid by the Group to the five highest paid individuals and directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and the employees has waived any emoluments during the two years ended 31 March 2012 and 2011.

15. INCOME TAX (CREDIT) EXPENSE

	2012 HK$'000	2011 HK$'000
Current tax (credit) expense:		
Hong Kong Profits Tax		
Charge for the year	**—**	1,236
Over provision in prior years	**(21,048)**	(851)
	(21,048)	385

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the years ended 31 March 2012 and 2011.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

15. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The income tax (credit) expense for the years can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012 HK$'000	2011 HK$'000
Profit before tax	**504,291**	215,459
Tax at the Hong Kong profits tax rate of 16.5% (2011: 16.5%)	**83,208**	35,551
Tax effect of expenses not deductible for tax purpose	**9,508**	8,623
Tax effect of income not taxable for tax purpose	**(26,961)**	(40,229)
Tax effect of shares of results of jointly controlled entities	**(87,067)**	296
Utilisation of tax losses not recognised in prior years	**—**	(3,396)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,712)**	(386)
Tax effect of tax losses not recognised	**23,024**	777
Over provision in prior years	**(21,048)**	(851)
Income tax (credit) expense for the year	**(21,048)**	385

During the year ended 31 March 2012, the Group finalised with Inland Revenue Department (the "IRD") that the income tax payables recorded as at 31 March 2008 in relation to the income tax provision of approximately HK$22,265,000 for the years of assessment 2006/07 to 2008/09 is no longer payable. Over provision of the related income tax has been credited to profit or loss in the current year. The provision of approximately HK$22,265,000 was due to net gain recognized in respect of the placement rights attached on certain convertible bonds which were issued on 2 March 2007 by Sinofair Investments Limited, a wholly-owned subsidiary of the Company, to Lendas Investments Limited to finance an acquisition of certain property companies.

Also, the income tax of certain subsidiaries in respect of prior years has been under-provided by HK$1,217,000 (2011: over-provided by HK$851,000).

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$198,057,000 (2011: HK$58,517,000) available to set off against future taxable profits. No deferred tax asset has been recognised for such tax losses due to the unpredictability of future profit streams. These tax losses may be carried forward indefinitely.

16. EARNINGS (LOSS) PER SHARE

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

	2012	2011
	HK$'000	HK$'000
		(Restated)
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share:		
Profit for the year attributable to owners of the Company	**525,390**	215,415
Effect of dilutive potential ordinary shares:		
Gain on change in fair value of derivative financial liabilities	**(152,558)**	(232,472)
Imputed interest expense on convertible bonds	**34,833**	—
Profit (loss) for the purpose of diluted earnings (loss) per share	**407,665**	(17,057)

	2012	2011
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,785,131**	11,369,791
Effect of dilutive potential ordinary shares:		
Options to subscribe for convertible bonds	**3,333,333**	3,333,333
Convertible bonds	**6,869,583**	—
Weighted average number of ordinary shares for the purpose of diluted earnings (loss) per share	**21,988,047**	14,703,124

The denominators for the purpose of calculating basic and diluted earnings per share for the year ended 31 March 2011 has been adjusted for the subdivision of each ordinary share into five subdivided ordinary shares effective on 30 August 2010.

The computation of diluted loss per share for the year ended 31 March 2011 does not assume the conversion of the Company's outstanding convertible bonds set out in note 29 since their exercise would result in a decrease in loss per share for the year ended 31 March 2011.

17. DIVIDEND

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

18. PLANT AND EQUIPMENT

	Leasehold improvement	Furniture, equipment, and computer software	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000
COST				
At 1 April 2010	51	534	115	700
Additions	—	1	125	126
Written off	—	(87)	—	(87)
Exchange adjustment	—	15	4	19
At 31 March 2011 and 1 April 2011	51	463	244	758
Additions	—	171	—	171
Written off	—	(10)	—	(10)
Exchange adjustment	—	8	2	10
At 31 March 2012	51	632	246	929
ACCUMULATED DEPRECIATION				
At 1 April 2010	7	365	69	441
Charge for the year	10	44	30	84
Eliminated on written off	—	(58)	—	(58)
Exchange adjustment	—	10	4	14
At 31 March 2011 and 1 April 2011	17	361	103	481
Charge for the year	10	47	30	87
Eliminated on written off	—	(3)	—	(3)
Exchange adjustment	—	7	2	9
At 31 March 2012	27	412	135	574
CARRYING VALUES				
At 31 March 2012	**24**	**220**	**111**	**355**
At 31 March 2011	34	102	141	277

The above items of plant and equipment are depreciated on a straight-line basis at 20% - 30% per annum.

19. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 April 2010	75,000
Gain on changes in fair value	5,000
At 31 March 2011,1 April 2011 and 31 March 2012	80,000

The investment properties are located in Hong Kong and held under medium lease terms.

The fair values of the Group's investment properties at 31 March 2012 and 2011 have been arrived at on the basis of a valuation carried out on that date by Landscope Surveyors Limited, an independent qualified professional valuer not connected with the Group. Landscope Surveyors Limited is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same locations and conditions.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	2012 HK$'000	2011 HK$'000
Cost of unlisted investments in jointly controlled entities	**1**	1
Loans to jointly controlled entities	**106,472**	182,600
Share of post-acquisition profits and other comprehensive income	**522,058**	4,550
	628,531	187,151

During the years ended 31 March 2012 and 2011, the loans to jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment. As it is the Group's intention not to demand repayment within one year, the amounts are classified as non-current assets. However, to maintain the liquidity of the Group, on 22 June 2012, Faith Crown had provided an undertaking of repayment of HK$100,000,000 on or before 21 July 2012 in respect of the loan due to the Group amounting to approximately HK$106,472,000 as at 31 March 2012.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

Details of the Group's jointly controlled entities as at 31 March 2012 and 31 March 2011 are as follows:

Name of entity	Form of business structure	Place of incorporation, country of registration/ operations	Proportion of nominal value of issued capital held by the Group		Nominal value of issued ordinary share capital/paid up registered capital	Principal activities
			2012	2011		
Faith Crown	Incorporated	BVI/HK	**50%**	50%	US$100	Investment holding
Joyous Unity Investments Limited ("Joyous Unity")	Incorporated	BVI/HK	**15% (Note)**	50%	US$1	Investment holding
Farah Investments Limited	Incorporated	HK/HK	**15% (Note)**	50%	HK$2	Investment holding
置富投資開發(成都)有限公司	Incorporated	PRC/PRC	**15% (Note)**	50%	HK$336,000,960	Property Development
成都富博房地產開發有限公司	Incorporated	PRC/PRC	**15% (Note)**	50%	HK$72,660,000	Property Development
Excel Crown Investments Limited ("Excel Crown")	Incorporated	BVI/HK	**15% (Note)**	50%	US$1	Investment holding
Ready Success Investments Limited	Incorporated	HK/HK	**15% (Note)**	50%	HK$1	Investment holding

Note: On 30 June 2011, Faith Crown, a jointly controlled entity directly held by Regal Hotels International Holdings Limited (Stock code: 78) ("Regal Hotels") and the Company, entered into an agreement with Flourish Lead Investments Limited (currently known as P&R Holdings Limited, "P&R Holdings"), a jointly controlled entity held by Regal Hotels and Paliburg Holdings Limited (Stock code: 617), to dispose of a total of 70% equity interest in (i) Excel Crown and Joyous Unity, two wholly owned subsidiaries of Faith Crown, and their subsidiaries indirectly held by Faith Crown and (ii) 70% shareholders' loan of Faith Crown (the "Disposal").

The Disposal was completed on 14 July 2011 and Faith Crown recorded a gain arising from the Disposal of approximately HK$1,027,793,000. After the Disposal, Excel Crown, Joyous Unity and their subsidiaries indirectly held by Faith Crown are no longer jointly controlled entities of the Company.

A put option (the "Put Option") was also granted to Joyous Unity by Faith Crown. When the Put Option is exercised by Joyous Unity, Faith Crown shall purchase or procure the purchase of the certain property complex in Chengdu, the PRC ("Chengdu Project") at a price equivalent to the market valuation of Chengdu Project which will be determined by an independent professional valuer whose appointment shall be agreed by Faith Crown and Joyous Unity. The Put Option is exercisable by Joyous Unity within three years after the completion of the Disposal and extendable by Joyous Unity to four years if Chengdu Project has not been completed within three-year exercise period of the Put Option.

20. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(Continued)*

After the completion of the Disposal, Excel Crown and Joyous Unity have been reclassified from interests in jointly controlled entities of the Group to associates of Faith Crown.

The details are set out in the announcement of the Company dated 30 June 2011.

The summarised financial information in respect of the Group's interests in jointly controlled entities which are accounted for using the equity method is set out below:

	2012	2011
	HK$'000	HK$'000
Current assets	**200,000**	78,780
Non-current assets	**1,057,821**	304,967
Current liabilities	**—**	9,251
Non-current liabilities	**213,703**	365,395
Group's share of net assets of jointly controlled entities	**522,060**	4,551

	2012	2011
	HK$'000	HK$'000
Income	**1,062,733**	879
Expenses	**7,377**	4,467
Other comprehensive (expense) income	**(20,340)**	13,658
The Group's share of results of jointly controlled entities	**527,678**	(1,794)
The Group's share of other comprehensive (expense) income of jointly controlled entities	**(10,170)**	6,829

At 31 March 2011, the Group's share of capital commitments of Faith Crown in respect of a property development project, which was contracted but not provided for, amounted to HK$81,999,000.

21(A). DEPOSIT PAID FOR A PROPERTY DEVELOPMENT PROJECT

As of 31 March 2011, the Group had a refundable deposit of HK$24,500,000 in respect of a property development project in HK.

On 11 November 2010, the Group entered into an agreement (the "Agreement") with an independent third party (the "Vendor") to acquire 30% equity interests of Apex Point Holdings Limited (the "Target Company") for a consideration of approximately HK$31,000,000. The Target Company and its subsidiaries (collectively referred to as the "Target Group") mainly engaged in a property development project in Hong Kong. All obligations of the Vendor under the Agreement were guaranteed by the beneficial owner of the Vendor.

Pursuant to the Agreement, the Group paid HK$24,500,000 as a deposit for the acquisition of the Target Company's 30% equity interests. The remaining balance of approximately HK$6,500,000 shall be paid by the Group upon satisfactory completion of the conditions as set out in the Agreement by the Target Group to complete the government approval of change of the usage of land on or before 10 November 2012.

In addition, pursuant to the Agreement, the Vendor is required to procure the other shareholders of the Target Company to offer to sell their aggregate 70% equity interests herein to the Group, at the Group's option at an aggregate consideration of not more than approximately HK$72,333,000.

The Group has a unilateral right to rescind the Agreement. Upon rescission of the Agreement, the deposit paid of HK$24,500,000 shall be fully refundable by the Vendor to the Group without interest.

During the year ended 31 March 2012, the Group had rescinded the Agreement and the deposit paid of HK$24,500,000 had been fully refunded from the Vendor.

21(B). DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 23 October 2009, the Group entered into a framework agreement (the "Framework Agreement") with two independent third parties, to acquire 70% equity interests in a company (the "Proposed Target Company") established in the PRC (the "Proposed Acquisition").

Upon signing of the Framework Agreement, the Group paid a refundable cash deposit of RMB6,200,000 (equivalent to approximately HK$7,044,000) (the "Deposit") to the two independent third parties and held certain PRC land use rights owned by the Proposed Target Company as collateral. Pursuant to the terms as set out in the Framework Agreement, if the Group and the two independent third parties fail to enter into a definitive agreement in relation to the Proposed Acquisition on or before 22 November 2009, the Framework Agreement will lapse and the contractual parties will have no further obligation to each other, save and except that the Group shall return the land use rights to the two independent third parties and the two independent third parties shall refund to the Group the Deposit with interest.

Subsequently, the Group and the two independent third parties had not entered into any definitive agreement and the Framework Agreement lapsed. However, the two independent third parties have not refunded the Deposit. The Group had brought a legal action against the two independent third parties on 10 June 2010 to recover the Deposit. During the year ended 31 March 2010, an impairment loss of approximately HK$7,044,000 (2011: Nil) was recognised in the consolidated statement of comprehensive income.

According to the verdict given by 廣東省惠州市中級人民法院 (*Guangdong Province Hui Zhou People's Intermediate Court) on 4 January 2011, it was held in favour of the return of the Deposit without accrued interest to the Group from the two independent third parties. However, subsequent to the verdict, both the Group, who claimed for the accrued interest of late return of the Deposit, and the two independent parties have filed appeal to 廣東省高級人民法院 (*Guangdong Province People's High Court) on 24 March 2011 and 10 March 2011 respectively.

According to the verdict given by Guangdong Province People's High Court on 19 December 2011, it was held in favour of the return of the Deposit with accrued interest to Group from two independent parties. However, up to the date of this report, the two independent parties have not repaid the Deposit. As at 31 March 2011 and 2012, the carrying amount of deposit paid, net of impairment of approximately HK$7,044,000, was nil.

* The English transliteration of the Chinese name of the court is for identification purpose only and should not be regarded as the official English name of the court.

22. DEPOSITS AND OTHER RECEIVABLES

	2012 HK$'000	2011 HK$'000
Deposits and other receivables	**1,060**	1,027
Less: Impairment loss recognised	**(49)**	(49)
	1,011	978

Movement in the allowance for doubtful debts

	2012 HK$'000	2011 HK$'000
At beginning and end of the year	**49**	49

Included in the allowance for doubtful debts were individually impaired other receivables with an aggregate balance of approximately HK$49,000 (2011: HK$49,000) which have been long overdue. The Group does not hold any collateral over these balances.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2012 HK$'000	2011 HK$'000
Held for trading investments		
Equity securities listed in Hong Kong	**233,369**	263,653

Held-for-trading investments are stated at fair value. The fair value of the listed securities has been determined by reference to published price quotations in active markets. Loss on fair value changes of held-for-trading investments of approximately HK$121,838,000 (2011: gain on fair value changes of held-for-trading investments of approximately HK$22,690,000) has been recognised in profit or loss during the year ended 31 March 2012.

The Group disposed of certain listed securities and realised loss on disposal of investments held for trading of approximately HK$646,000 (2011: gain on disposal of investments held for trading of approximately HK$4,656,000) during the year ended 31 March 2012.

24. TAX RECOVERABLE

During the year ended 31 March 2011, a subsidiary of the Group was subject to additional assessment by the IRD in respect of income tax payable for certain prior years. The Group had lodged objections against the additional assessments and the IRD held over the payment of income tax hereof. Tax reserve certificates of approximately HK$2,598,000 were purchased by the Group and such amount were recorded as tax recoverable as at 31 March 2011.

During the year ended 31 March 2012, the aforesaid objection has been finalised, approximately HK$1,097,000 of tax reserve certificates had been used to settle the aforesaid income tax payable of prior years and the remaining amount of HK$1,501,000 has been refunded by the IRD subsequent to 31 March 2012. Also, the Group paid approximately HK$2,208,000 to IRD as provisional tax for the year ended 31 March 2012.

25. PLEDGED BANK DEPOSITS/DEPOSITS PLACED WITH SECURITIES BROKERS/ CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and bank balances that are interest-bearing at prevailing market interest rates ranging from 0.01% to 0.36% (2011: 0.01% to 0.36%) per annum. As at 31 March 2012, bank balances of approximately HK$165,000 (2011: HK$3,000) and HK$29,678,000 (2011: HK$29,195,000) were denominated in USD and RMB respectively which was the currency other than the functional currency of the relevant entities.

Pledged bank deposits of approximately HK$43,190,000 (2011: nil) represent deposits pledged to the bank to secure the bank borrowing of the Group of approximately HK$36,993,000 (2011: nil) and classified under current assets. The pledged bank deposits carry interest at 3% per annum (2011: nil) and was denominated in RMB which was the currency other than the functional currency of the relevant entities.

The deposits placed with securities brokers carry interest ranging from 0.01% to 0.13% (2011: 0.01% to 0.13%) per annum and are repayable on demand. As at 31 March 2011, the deposit placed with securities brokers of approximately HK$90,000 (2012: nil) was denominated in USD which was the currency other than the functional currency of the relevant entities.

26. BANK BORROWINGS

	2012	2011
	HK$'000	HK$'000
Fixed rate bank borrowings – secured	**36,993**	—

As at 31 March 2012, the amount was secured by the pledged bank deposits of the Group of approximately HK$43,190,000 (2011: nil). For the year ended 31 March 2012, the bank borrowings carry a fixed interest rate of 2.31% (2011: nil).

The bank borrowings are repayable within one year and classified under current liabilities.

27. DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities of the Group are not for the hedging purpose. Derivative financial liabilities as at 31 March 2012 and 2011 comprise:

	2012	2011
	HK$'000	HK$'000
Options to subscribe for convertible bonds	**49,894**	202,452

Options to subscribe for additional convertible bonds were granted by the Group in conjunction with the issue of the convertible bonds due 2013 in the principal amount of HK$200,000,000 by the Group on 15 February 2008. The details of such convertible bonds and options are set out in note 29(b).

For the years ended 31 March 2012 and 2011, the fair value of the options to subscribe for convertible bonds was valued by Grant Sherman Appraisal Limited, which are independent qualified professional valuers not connected with the Group. The valuation was made by using the Binomial Option Pricing Model and considering the present value of the stream of future cash flows discounted at the interest rate of 7.16% (2011: 9.27%).

The inputs into the model for the years ended 31 March 2012 and 31 March 2011 are set out as follows:

	2012	2011
Spot price	**HK$275,413,000**	HK$424,258,000
Exercise price	**HK$200,000,000**	HK$200,000,000
Risk free rate	**0.141%**	0.640%
Expected life	**0.44 year**	0.94 year
Expected volatility	**91.32%**	110.89%
Expected dividend yield	**Nil**	Nil

28. PROVISIONS

	HK$'000
At 1 April 2010	1,148
Exchange adjustment	51
At 31 March 2011 and 1 April 2011	1,199
Exchange adjustment	47
Reversal of provisions	(1,246)
At 31 March 2012	—

Xinjiang Libao Ecological Development Company Limited ("Xinjiang Libao"), a non-wholly owned subsidiary of the Company, was a defendant brought by a reforestation supplier during the year ended 31 March 2010, through the litigation, claiming unsettled reforestation fees of approximately RMB934,000 (equivalent to approximately HK$1,148,000).

According to the Verdict of 烏魯木齊市米東區人民法院, the above litigation has been finalised and 烏魯木齊市米東區人民法院 ruled in favour of Xinjiang Libao on 12 October 2011, as a result, the entire amount of provisions were reversed during the year ended 31 March 2012.

29. CONVERTIBLE BONDS

As of 31 March 2012, the Group had 2 (2011: 2) outstanding convertible bonds ("CBs").

The details of the CBs and the movements during the year are set out as follows:

(a) CB 2010

On 17 May 2007, the Company's wholly-owned subsidiary, Fancy Gold Limited, issued convertible bonds in the principal amount of HK$205,000,000 ("CB 2010") with maturity date on 16 May 2010.

Conversion rights are exercisable at any time from 16 July 2007 to 2 May 2010.

CB 2010 bears no coupon interest and is unsecured.

The effective interest rate of the liability component has been changed from 11.4% to 5.3% as the maturity of CB 2010 was extended from 16 May 2011 to 14 February 2013 as detailed below.

The holders of CB 2010 are entitled to convert CB 2010 into ordinary shares of the Company at an initial conversion price of HK$0.205 per share (subject to adjustment). The conversion price was adjusted to HK$0.20 per share (subject to adjustment) due to new convertible bonds issued on 25 February 2009.

If any of CB 2010 has not been converted, it will be redeemed on the original maturity date of 6 May 2010 at 115.97% of the outstanding principal amount of the CB 2010.

On 30 October 2007, a principal amount of HK$61,500,000 of CB 2010 was converted into 300,000,000 ordinary shares at the initial conversion price of HK$0.205 per share.

On 26 April 2010, the Group has entered into a deed of variation ("Deed of Variation") with a holder of CB 2010 to extend the maturity date of CB 2010 of principal amount of HK$141,450,000 from 16 May 2010 to 16 May 2011. The conversion price remained at HK$0.20 per share (subject to adjustment) and if any of the CB 2010 has not been converted subsequently, it shall be redeemed on the extended maturity date on 16 May 2011 at 121.84% of outstanding principal amount of the CB 2010. The CB 2010 bears no coupon interest and is unsecured. Details were set out in the Company's announcement on 26 April 2010.

On 27 April 2010, a principal amount of HK$2,050,000 of CB2010 was converted into 10,250,000 new ordinary shares at a conversion price of HK$0.20 per share.

Pursuant to a share subdivision effective on 30 August 2010 (the "Share Subdivision"), the conversion price of CB 2010 was further adjusted from HK$0.20 per share to HK$0.04 per share.

29. CONVERTIBLE BONDS *(Continued)*

(a) CB 2010 *(Continued)*

On 27 April 2011, the Group has further entered into another deed of variation to further extend the maturity date of CB 2010 in the principal amount of HK$141,450,000 from 16 May 2011 to 14 February 2013. All the remaining CB2010 will be redeemed by the Group at 132.84% of the outstanding principal amount of the CB2010 on 14 February 2013. Such extension of CB2010 was approved by independent shareholders of the Company on 9 June 2011.

The directors of the Company considered that the deed of variations entered into by the Group on 26 April 2010 and 27 April 2011 were resulted in change the terms of CB 2010 but not substantial modifications.

(b) CB 2013

On 15 February 2008, the Company's wholly-owned subsidiary, Apex Team Limited, issued convertible bonds in the principal amount of HK$200,000,000 ("CB 2013") with maturity date on 14 February 2013.

CB 2013 bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 12.19%.

Conversion rights are exercisable at any time from 29 February 2008 to 31 January 2013.

The holders of CB 2013 are entitled to convert CB 2013 into ordinary shares of the Company at an initial conversion price of HK$0.60 per share (subject to adjustment). The conversion price was adjusted to HK$0.30 per share (subject to adjustment) due to the new convertible bonds issued on 25 February 2009.

If any of CB 2013 has not been converted, it will be redeemed on the maturity date at 128.01% of the outstanding principal amount of CB 2013.

Options are granted by the Group to subscribe for another convertible bonds in an additional principal amount of up to HK$200,000,000 ("Optional Bonds").

The CB 2013 contains three components: liability component, equity component and embedded derivative financial liabilities of the Optional Bonds.

The options granted to subscribe for the Optional Bonds is presented in the consolidated statement of financial position as "Derivative financial liabilities" and is measured at fair value with changes in fair value recognised in profit or loss.

Pursuant to the Share Subdivision effective on 30 August 2010, the conversion price of CB2013 was further adjusted from HK$0.30 per share to HK$0.06 per share.

29. CONVERTIBLE BONDS *(Continued)*

(c) CB 2011

On 25 February 2009, the Company's wholly-owned subsidiary, Ample Legend Limited, issued convertible bonds in the principal amount of HK$28,000,000 ("CB 2011") with maturity date on 24 February 2011.

The CB 2011 bears no coupon interest and is unsecured.

The effective interest rate of the liability component is 14.68%.

Conversion rights are exercisable at any time from 4 March 2009 to 18 February 2011.

The holders of CB 2011 are entitled to convert CB 2011 into ordinary shares of the Company at an initial conversion price of HK$0.30 per share (subject to adjustment).

If any of CB 2011 has not been converted, it will be redeemed on the maturity date at 110.38% of the outstanding principal amount of CB 2011.

The CB 2011 contains two components: liability component and equity component.

Pursuant to the Share Subdivision effective on 30 August 2010, the conversion price of CB 2011 was further adjusted from HK$0.30 per share to HK$0.06 per share.

On 17 February 2011, the full principal amount of CB 2011 was converted into 466,666,666 new ordinary shares at the adjusted conversion price of HK$0.06 per share.

29. CONVERTIBLE BONDS *(Continued)*

(d) The liability component of the above-mentioned convertible bonds represented the present value of the contractually determined stream of future cash flows discounted at the rate of interest at the date of issue with reference to the market rates for an equivalent non-convertible loan.

The equity component is presented in equity heading "Convertible bonds reserve".

The movements of the liability components of the above-mentioned convertible bonds for the year are set out below:

	CB 2010	**CB 2013**	**CB 2011**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
	(note 29a)	(note 29b)	(note 29c)	
Carrying amount of the liability component as at 1 April 2010	164,900	183,994	27,342	376,236
Imputed interest expense (note 12)	7,394	22,425	3,565	33,384
Conversion of convertible bonds	(2,303)	—	(30,907)	(33,210)
Carrying amount of the liability component as at 31 March 2011 and 1 April 2011	169,991	206,419	—	376,410
Imputed interest expense (note 12)	9,674	25,159	—	34,833
Carrying amount of the liability component as at 31 March 2012	**179,665**	**231,578**	**—**	**411,243**

Representing by:

	2012	2011
	HK$'000	HK$'000
Amounts due within one year shown under current liabilities	**411,243**	169,991
Amounts due after one year shown under non-current liability	**—**	206,419
	411,243	376,410

The movements of the equity components of all convertible bonds for the years ended 31 March 2012 and 31 March 2011 are set out in the consolidated statement of changes in equity.

30. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised :		
At 1 April 2010, HK$0.001 each	250,000,000	250,000
Subdivision of share of HK$0.001 each into five shares of HK$0.0002 each (note a)	1,000,000,000	—
At 31 March 2011, 1 April 2011 and 31 March 2012, HK$0.0002 each	1,250,000,000	250,000
Issued and fully paid :		
At 1 April 2010, HK$0.001 each	2,253,443	2,253
Issue of shares upon:		
Conversion of CB2010 (note b)	10,250	10
Subdivision of share of HK$0.001 each into five shares of HK$0.0002 each (note a)	9,054,771	—
Conversion of CB2011 (note c)	466,667	94
At 31 March 2011, 1 April 2011 and 31 March 2012, HK$0.0002 each	11,785,131	2,357

Notes:

a. Pursuant to an ordinary resolution of the shareholders of the Company on 27 August 2010, the then existing ordinary shares of HK$0.001 each were subdivided into five subdivided shares of HK$0.0002 each, effective on 30 August 2010.

b. On 26 April 2010, a principal amount of HK$2,050,000 of CB2010 was converted into 10,250,000 new ordinary shares of HK$0.001 each of the Company (note 29(a)).

c. On 17 February 2011, a principal amount of HK$28,000,000 of CB2011 was fully converted into 466,666,666 new ordinary shares of HK$0.0002 each of the Company (note 29(c)).

31. SHARE OPTION SCHEME

On 20 August 2003, at the annual general meeting, the Company adopted a share option scheme ("the Scheme") under which the board of directors of the Company may, at their discretion, invite any full time and part time employees, directors, suppliers, customers, consultants, advisors or shareholders of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption of the Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group must not in aggregate exceed 10% of the number of shares in issue as at the date of approval of the Scheme (the "10% Limit"). The Company may obtain approval from the shareholders of the Company to refresh the 10% Limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and other schemes of the Group under the limit as refreshed must not exceed 10% of the number of shares in issue at the date of approval of the refresher mandate.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The total number of shares issued and may be issued upon exercise of the options granted to each eligible person under the Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the proposed date of grant for such options must not exceed 1% of the then number of issued shares of the Company, without prior approval from the Company's shareholders.

Option granted under the Scheme must be accepted within 6 months from the date of grant and in any event no later than the last date of the period of ten years from the date of adoption of the Scheme. Upon acceptance, the grantee shall pay HK$10.00 to the Company as consideration for the grant.

The subscription price for the shares under the Scheme shall be a price determined by the board of directors of the Company and notified to an eligible participant and shall be at least the higher of: (i) the nominal value of a share; (ii) the closing price of the shares as stated in the daily quotation sheet issued by the Stock Exchange on the date of grant, which shall be a business day; and (iii) the average closing price of the shares as stated in the daily quotation sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

No share option has been granted since the date when the Scheme becomes effective.

32. DISPOSAL OF A SUBSIDIARY

Disposal of Joint Talent Investments Limited ("Joint Talent")

During the year ended 31 March 2011, the Group had disposed of its entire equity interest in Joint Talent to an independent third party, for a cash consideration of approximately HK$16,351,000.

	HK$'000
Consideration received	
Consideration received in cash and cash equivalents	16,351
Analysis of asset and liabilities over which control was lost	
Current asset	
Financial assets at fair value through profit or loss	19,466
Current liability	
Income tax payable	(3,027)
Net assets disposed of	16,439
Loss on disposal of a subsidiary	
Consideration received	16,351
Net assets disposed of	(16,439)
Loss on disposal	(88)
Net cash inflow arising on the disposal of Joint Talent:	
Cash consideration	16,351

Joint Talent did not contribute significant impact on the revenue and cash flows to the Group for the year ended 31 March 2011. Joint Talent contributes approximately HK$5,139,000 to the results of the Group for the year ended 31 March 2011.

33. RETIREMENT BENEFITS SCHEME

The Group operates the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance in December 2000, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Company's subsidiaries operating in the PRC are required to participate in a central pension scheme (the "Central Scheme") operated by the local municipal government in the PRC. The respective local municipal government in the PRC, undertakes to assume the retirement benefits obligations of all existing and future retired staff of these subsidiaries. The only obligation of these subsidiaries with respect to the Central Scheme is to meet the required contributions under the Central Scheme. The contributions, which are calculated based on 23% of the monthly salaries of the current employees, are charged to the consolidated statement of comprehensive income as they become payable in accordance with the rules of the Central Scheme.

The total contribution to the retirement benefits scheme charged to the consolidated statement of comprehensive income for the year was approximately HK$134,000 (2011: HK$127,000).

34. OPERATING LEASE COMMITMENT

During the year, the Group had paid approximately HK$867,000 (2011: HK$935,000) as operating lease charges in respect of office premises.

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

	2012	2011
	HK$'000	HK$'000
Within one year	**867**	867
Two to five years	**361**	1,228
	1,228	2,095

The leases were negotiated for a term of up to two years and with fixed rentals.

35. COMMITMENTS

Commitments contracted but not provided for in respect of:

	2012 HK$'000	2011 HK$'000
Investments in jointly controlled entities (Note)	143,529	67,400
Investment in a property development project in Hong Kong	—	6,500
	143,529	73,900

Note:

During the year ended 31 March 2008, the Group has contracted with a wholly-owned subsidiary of Regal Hotels to invest in Faith Crown with total agreed commitment of investment costs of HK$250,000,000 (2011: 250,000,000) for property development projects in the PRC. The directors of the Company considered that the aforesaid commitment will not be paid within twelve months after 31 March 2012.

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 31 March 2012 and 2011 are as follows:

Name of company	Place of incorporation/ operation	Nominal value of issued ordinary share capital/paid up registered capital	Effective percentage of ownership interest		Principal activities
			2012 %	2011 %	
Directly held:					
Cosmopolitan International (China) Limited	BVI	US$1	100	100	Investment holding
Cosmopolitan International Finance Limited	HK	HK$1	100	100	Securities investments
Cosmopolitan International Management Services Limited	HK	HK$1	100	100	Provision of management services
Hope Bright Holdings Limited	BVI	US$1	100	100	Investment holding
Kola Glory Limited	BVI	US$1	100	100	Investment holding

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Continued)*

Name of company	Place of incorporation/ operation	Nominal value of issued ordinary share capital/paid up registered capital	Effective percentage of ownership interest		Principal activities
			2012	2011	
			%	%	
Indirectly held:					
Advanced Industry Limited	BVI	US$351,000	**99.72**	99.72	Investment holding
Ample Legend Limited	HK	HK$1	**100**	100	Provision of intercompany treasury services
Apex Team Limited	HK	HK$1	**100**	100	Provision of intercompany treasury services
Evercharm Investments Limited	BVI	US$1	**100**	100	Securities investment
Fancy Gold Limited	HK	HK$1	**100**	100	Provision of intercompany treasury services
Lead Fortune Development Limited	HK	HK$1	**100**	100	Property investment
Sinofair Investment Limited	HK	HK$1	**100**	100	Provision of inter-company treasury services
Xinjiang Libao	PRC	US$5,744,990	**99.72**	99.72	Land re-forestation and property development

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

Save as disclosed in note 29, none of the subsidiaries has issued any debt securities subsisting at 31 March 2012 and 2011 or at any time during the year ended 31 March 2012 and 2011.

37. RELATED PARTY TRANSACTIONS

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group paid the building management fee of approximately HK$482,000 (2011: HK$429,000) to Paliburg Estate Management Limited in connection with the Group's investment properties during the year ended 31 March 2012. The fee was mutually agreed between the Group and the related company. Two directors of the Company, Mr. Ng Kwai Kai, Kenneth and Mr. Wong Po Man, Kenneth, are also directors of the related company.

(b) Compensation of key management personnel

The key management members of the Group were the directors of the Company. The remunerations of directors were disclosed in note 14(a).

The remunerations of the key management members are determined by the remuneration committee having regarded to the performance of individuals and market prices.

38. PLEDGE OF ASSETS

As at 31 March 2012, the Group pledged its bank deposits of approximately HK$43,190,000 (2011: nil) for the bank borrowings of approximately of HK$36,993,000 (2011: nil). Details are set out in note 25.

39. ACQUISITION OF ADDITIONAL EQUITY INTEREST IN A SUBSIDIARY

On 10 November 2010, the Group further acquired 5.53% equity interest in Advanced Industry Limited ("AIL") at a cash consideration of HK$620,000. After the acquisition, the Group holds 99.72% equity interest of AIL. AIL is principally engaged in investment holding and holds a wholly owned subsidiary, Xinjiang Libao, which engaged in property development in the PRC.

40. MAJOR NON-CASH TRANSACTION

On 26 April 2010, a principal amount of HK$2,050,000 of CB2010 was converted into 10,250,000 new ordinary shares of the Company of HK$0.001 per share.

On 17 February 2011, the full principal amount of CB 2011 was converted into 466,666,666 new ordinary shares of the Company at the adjusted conversion price of HK$0.06 per share.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 27 April 2012, a framework agreement was entered into between Shing Hing International Limited, a wholly-owned subsidiary of the Company, as a prospective purchaser, and Jiangsu Libo Technology Joint Stock Limited Company ("Jiangsu Libo"), as the prospective vendors, in respect of the possible acquisition of 70% equity interests in Yixing Guohao Bio-Environmental Company Limited, a target company wholly owned by Jiangsu Libo, which undertakes the waste resourcisation business in the PRC.

Up to the date of this report, no definitive agreement in relation to the aforesaid acquisition has been reached.

The details are set out in the Company's announcement dated 30 April 2012.

42. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation of the current year and such reclassification has no impact on the net assets of the Group as at 31 March 2012 and 2011 and on the Group's profit for the year then ended.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out below.

RESULTS

	Year ended 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**78,386**	160,229	128,169	8,903	133,100
Administrative expenses	**(32,189)**	(20,080)	(15,522)	(17,853)	(10,608)
Profit (loss) before tax	**504,291**	215,459	(324,583)	(272,418)	113,504
Income tax credit/(expense)	**21,048**	(385)	(5,804)	—	(22,265)
Profit (loss) before non-controlling interests (including discontinued operations)	**525,339**	215,074	(330,387)	(265,790)	76,805
Non-controlling interests	**51**	341	—	5,688	243
Profit (loss) attributable to owners of the Company (including discontinued operations)	**525,390**	215,415	(330,387)	(260,102)	77,048
Discontinued operation					
Profit (loss) for the year from discontinued operation	**—**	—	—	6,628	(14,434)
Earnings (loss) per share			(Restated)	(Restated)	(Restated)
(in HK cents)	**4.46**	1.89	(2.93)	(2.68)	0.89

Summary Financial Information

For the year ended 31 March 2011

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**708,886**	267,428	251,406	245,909	160,003
Current assets	**368,047**	400,384	398,238	296,875	618,836
Current liabilities	**(504,242)**	(403,713)	(662,315)	(69,226)	(130,607)
Net current (liabilities) assets	**(136,195)**	(3,329)	(264,077)	227,649	488,229
Total assets less current liabilities	**572,691**	264,099	(12,671)	473,558	648,232
Non-current liabilities	**—**	(206,419)	(183,994)	(341,256)	(288,953)
Net assets (liabilities)	**572,691**	57,680	(196,665)	132,302	359,279
Non-controlling interests	**388**	337	—	—	(819)