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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your securities in Deson Development International Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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**DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED****迪臣發展國際集團有限公司\****(Incorporated in Bermuda with limited liability)***(Stock Code: 262)**

**(1) MAJOR TRANSACTION IN RESPECT OF  
THE ENTIRE SHAREHOLDING INTERESTS IN  
LEAD JOY INVESTMENTS LIMITED**

**(2) VERY SUBSTANTIAL DISPOSAL IN RESPECT OF  
THE ENTIRE SHAREHOLDING INTERESTS IN  
MEASURE UP PROFITS LIMITED**

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A letter from the Board is set out on pages 4 to 17 of this circular.

A notice convening the SGM of the Company to be held at 11:15 a.m. on 12 August 2010 at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong is set out in Appendix V of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

\* *For identification only*

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*Accompanying document:*

*– proxy form*

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context otherwise requires:*

|                           |  |
|---------------------------|--|
| “Big Meg”                 | Big Meg Limited, a company incorporated in the British Virgin Islands with limited liability whose ultimate beneficial owner is, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, an Independent Third Party    |
| “Board”                   | the board of Directors   |
| “Bond Light”              | Bond Light Limited, a company incorporated in the British Virgin Islands with limited liability whose ultimate beneficial owner is, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, an Independent Third Party |
| “Company”                 | Deson Development International Holdings Limited (迪臣發展國際集團有限公司*), an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange   |
| “connected person”        | has the meaning ascribed to it under the Listing Rules   |
| “Director(s)”             | the director(s) of the Company   |
| “Group”                   | the Company and its subsidiaries   |
| “HK\$”                    | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Hong Kong”               | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Huizhou Golf”            | 惠州高爾夫球場有限公司 (Huizhou Golf Course Limited Company*), a sino-foreign joint venture enterprise incorporated in the PRC  |
| “Huizhou Yihua”           | 惠州怡海房地產開發有限公司 (Huizhou Yihua Property Development Limited*), a wholly foreign owned enterprise incorporated in the PRC   |
| “Independent Third Party” | a third person who is independent of the Company and its connected persons and who is not a connected person of the Company  |

\* For identification only

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## DEFINITIONS

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|--------------------------------------|--|
| “Interpath Profits”                  | Interpath Profits Limited, a company incorporated in the British Virgin Islands with limited liability, 60% of the issued share capital of which is indirectly owned by the Company  |
| “Latest Practicable Date”            | 20 July 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information included herein  |
| “Lead Joy”                           | Lead Joy Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company       |
| “Lead Joy Agreement”                 | the sale and purchase agreement dated 7 April 2010 entered into between Interpath Profits (as vendor) and Bond Light (as purchaser) in relation to the Lead Joy Disposal   |
| “Lead Joy Disposal”                  | the proposed disposal of the entire issued share capital of Lead Joy and the rights to the Lead Joy Shareholder’s Loan by Interpath Profits to Bond Light pursuant to the Lead Joy Agreement                                 |
| “Lead Joy Shareholder’s Loan”        | the shareholder’s loan in the sum of HK\$109,120,000 due by Lead Joy to Interpath Profits  |
| “Listing Rules”                      | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Measure Up”                         | Measure Up Profits Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company         |
| “Measure Up Agreement”               | the sale and purchase agreement dated 7 April 2010 entered into between Interpath Profits (as vendor) and Big Meg (as purchaser) in relation to the Measure Up Disposal  |
| “Measure Up Disposal”                | the proposed disposal of the entire issued share capital of Measure Up and the transfer of the liabilities under the Measure Up Shareholder’s Borrowing by Interpath Profits to Big Meg pursuant to the Measure Up Agreement |
| “Measure Up Shareholder’s Borrowing” | the amount of borrowing in the sum of HK\$59,100,000 due by Interpath Profits to Measure Up  |

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## DEFINITIONS

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|--------------------|--|
| “Mellink”          | Mellink Investment Limited, a company incorporated in Hong Kong with limited liability, and a wholly owned subsidiary of Mellink Holdings  |
| “Mellink Holdings” | Mellink Holdings Limited (formerly “Hong Kong Okabe Company Limited”), a company incorporated with limited liability in Hong Kong  |
| “PRC”              | the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan   |
| “Remaining Group”  | the Group excluding Lead Joy and Measure Up (and their respective subsidiaries)  |
| “RMB”              | Renminbi, the lawful currency of the PRC   |
| “SFO”              | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)  |
| “SGM”              | the special general meeting to be held at 11:15 a.m. on 12 August 2010 to approve the Lead Joy Agreement and the Measure Up Agreement and the transactions contemplated thereunder |
| “Share(s)”         | ordinary share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholders”     | holders of Shares  |
| “Share Options”    | options granted under the Share Option Scheme of the Company adopted on 14 August 2002   |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited  |
| “%”                | per cent.  |

*Unless otherwise specified in this circular, translations of RMB into HK\$ are made in this circular, for illustration only, at the rate of RMB1 to HK\$1.14. No representation is made that any amounts in RMB or HK\$ could have been or could be converted at that rate or at any other rate or at all.*

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LETTER FROM THE BOARD

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**DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED**

**迪臣發展國際集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 262)**

*Executive Directors:*

Mr. Wang Ke Duan (*Chairman*)  
Mr. Tjia Boen Sien  
*(Managing Director & Deputy Chairman)*  
Mr. Wang Jing Ning  
Mr. Keung Kwok Cheung

*Independent non-executive Directors:*

Dr. Ho Chung Tai, Raymond  
Mr. Siu Man Po  
Mr. Wong Shing Kay, Oliver

*Registered office:*

Canon's Court  
22 Victoria Street  
Hamilton HM12  
Bermuda

*Principal place of business:*

11th Floor, Nanyang Plaza  
57 Hung To Road, Kwun Tong  
Kowloon  
Hong Kong

23 July 2010

*To the Shareholders and, for information only,  
holders of outstanding Share Options*

Dear Sirs,

**(1) MAJOR TRANSACTION IN RESPECT OF  
THE ENTIRE SHAREHOLDING INTERESTS IN  
LEAD JOY INVESTMENTS LIMITED  
(2) VERY SUBSTANTIAL DISPOSAL IN RESPECT OF  
THE ENTIRE SHAREHOLDING INTERESTS IN  
MEASURE UP PROFITS LIMITED**

**A. INTRODUCTION**

Reference is made to the announcement of the Company dated 14 April 2010. On 7 April 2010, Interpath Profits, an indirect non wholly-owned subsidiary of the Company (as vendor) entered into the Lead Joy Agreement with Bond Light (as purchaser) in relation to the disposal to Bond Light of the entire issued share capital of Lead Joy and the rights to a shareholder's loan due to Interpath Profits from Lead Joy. The total consideration of the Lead Joy Disposal is RMB99,500,000 (approximately HK\$113,430,000).

\* *For identification only*

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## LETTER FROM THE BOARD

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On 7 April 2010, Interpath Profits (as vendor) also entered into the Measure Up Agreement with Big Meg (as purchaser) in relation to the disposal to Big Meg of the entire issued share capital of Measure Up and the assumption by Big Meg of the liabilities under the indebtedness due to Measure Up from Interpath Profits. The total consideration of the Measure Up Disposal is RMB242,000,000 (approximately HK\$275,880,000).

The Lead Joy Disposal constitutes a major transaction, and the Measure Up Disposal constitutes a very substantial disposal, for the Company under the Listing Rules. The Lead Joy Agreement, the Measure Up Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the SGM.

The purpose of this circular is to give Shareholders further information on the terms of the Lead Joy Agreement and the Measure Up Agreement and to provide Shareholders with the financial information on the Group and such information concerning the Company and the Lead Joy Disposal and the Measure Up Disposal as is required by the Listing Rules.

### **B. THE LEAD JOY AGREEMENT**

#### **(a) Date**

7 April 2010

#### **(b) Parties**

##### *(i) The Vendor*

Interpath Profits, a company incorporated in the British Virgin Islands with limited liability, 60% of the issued share capital of which is indirectly owned by the Company.

##### *(ii) The Purchaser*

Bond Light, a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Bond Light and its ultimate beneficial owner are Independent Third Parties.

#### **(c) Assets to be disposed**

Pursuant to the Lead Joy Agreement, Interpath Profits has agreed to sell and Bond Light has agreed to purchase the entire issued share capital of Lead Joy and the rights to the Lead Joy Shareholder's Loan.

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## LETTER FROM THE BOARD

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### **(d) Consideration**

The Consideration for the Lead Joy Disposal shall be RMB99,500,000 (approximately HK\$113,430,000) which shall be satisfied in the following manner:

- (i) an amount of RMB3,500,000 (approximately HK\$3,990,000) was paid in cash on the date of the Lead Joy Agreement and a further amount of RMB50,000,000 (approximately HK\$57,000,000) has since also been paid in cash, in each case as deposit; and
- (ii) the balance of RMB46,000,000 (approximately HK\$52,440,000) shall be payable in cash on 20 August 2010 or within three days from the date of approval by the Shareholders at the SGM of the Lead Joy Disposal and the transactions contemplated under the Lead Joy Agreement, whichever is earlier.

The amount of the consideration was arrived at after arm's length negotiations between the Company and Bond Light and was determined taking into consideration the Acquisition Cost (as defined below) and other factors described in the sub-paragraph headed "Reasons for the Lead Joy Disposal" below.

### **(e) Condition precedent**

Completion of the Lead Joy Disposal shall be conditional upon the fulfillment of the condition that the Company has obtained the approval by the Shareholders at the SGM for the Lead Joy Disposal and the transactions contemplated under the Lead Joy Agreement.

If the above condition is not fulfilled by 31 August 2010 (or such later date as the parties may agree), the Lead Joy Agreement shall terminate and all payments previously paid by Bond Light to Interpath Profits under the Lead Joy Agreement as deposit, together with interest (to be calculated on the basis of the benchmark interest rate for loans announced by the People's Bank of China for the same period), shall be returned to Bond Light within three working days.

### **(f) Completion of Lead Joy Disposal**

Completion of the Lead Joy Disposal shall take place after payment of the last installment of the consideration for the Lead Joy Disposal and within five days from the date of fulfillment of the above condition precedent.

## **C. THE MEASURE UP AGREEMENT**

### **(a) Date**

7 April 2010



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## LETTER FROM THE BOARD

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**(b) Parties**

*(i) The Vendor*

Interpath Profits, a company incorporated in the British Virgin Islands with limited liability, 60% of the issued share capital of which is indirectly owned by the Company.

*(ii) The Purchaser*

Big Meg, a company incorporated in the British Virgin Islands with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Big Meg and its ultimate beneficial owner are Independent Third Parties.

**(c) Assets to be disposed**

Pursuant to the Measure Up Agreement, Interpath Profits has agreed to sell and Big Meg has agreed to purchase the entire issued share capital of Measure Up, and Big Meg has agreed to assume the liabilities under the Measure Up Shareholder's Borrowing.

**(d) Consideration**

The consideration for the Measure Up Disposal shall be RMB242,000,000 (approximately HK\$275,880,000) which shall be satisfied in the following manner:

- (i) an amount of RMB3,500,000 (approximately HK\$3,990,000) was paid in cash on the date of the Measure Up Agreement and further amounts totaling RMB91,400,000 (approximately HK\$104,196,000) have since also been paid in cash, in each case as deposit;
- (ii) an amount of RMB54,000,000 (approximately HK\$61,560,000) shall be payable in cash on 20 September 2010, or within 30 days from the date of announcement announcing the approval by the Shareholders at the SGM of the Measure Up Disposal and the transactions contemplated under the Measure Up Agreement, whichever is earlier; and
- (iii) the balance of RMB93,100,000 (approximately HK\$106,134,000) shall be payable in cash within 10 days from the delivery by Interpath Profits to its solicitors of (a) the instrument of transfer relating to the entire issued share capital of Measure Up; (b) the deed of novation relating to the Measure Up Shareholder's Borrowing; and (c) a copy of the board resolutions of Measure Up approving the transfer of the entire issued share capital of Measure Up.

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## LETTER FROM THE BOARD

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The consideration for the Measure Up Disposal was arrived at after arm's length negotiations between the Company and Big Meg and was determined taking into consideration the factors described in the sub-paragraph headed "Reasons for the Measure Up Disposal" below, the demand in and selling price trends of the property market in Huizhou, PRC, the risks associated with the macro-economic tightening measures recently adopted by the PRC government especially towards the property market, and the time and additional investment which the Group would otherwise have to incur if the property development project is to be developed by the Group itself.

**(e) Condition precedent**

Completion of the Measure Up Disposal shall be conditional upon the fulfillment of the condition that the Company has obtained the approval by the Shareholders at the SGM of the Measure Up Disposal and the transactions contemplated under the Measure up Agreement.

If the above condition is not fulfilled by 31 August 2010 (or such later date as the parties may agree), the Measure Up Agreement shall terminate and all payments previously paid by Big Meg to Interpath Profits under the Measure Up Agreement as deposit, together with interest (to be calculated on the basis of the benchmark interest rate for loans announced by the People's Bank of China for the same period), shall be returned to Big Meg within three working days.

In addition, Mr. Tjia Boen Sien, Managing Director and Deputy Chairman of the Company, has guaranteed the obligation of Interpath Profits to pay to Big Meg such deposit and interest in the circumstances described above.

**(f) Completion of the Measure Up Disposal**

Completion of the Measure Up Disposal shall take place within five days from the date of payment of the last installment of the consideration for the Measure Up Disposal.

### **D. INFORMATION ON THE PARTIES**

**(a) Information on the Group**

The Group is principally engaged in (i) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and the PRC; (ii) property development and investment; and (iii) the trading of medical equipment, provision of related installation and maintenance services.

**(b) Information on Lead Joy**

Lead Joy is an investment holding company incorporated on 11 September 2009, and through its wholly owned subsidiary, Mellink Holdings, holds 100% of the entire issued share capital of Mellink, which owns 90% equity interest (with the remaining

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## LETTER FROM THE BOARD

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10% held by Shenzhen Kang He Tai Trading Company Limited\* (深圳市康和泰貿易有限公司), an Independent Third Party) in Huizhou Golf. Huizhou Golf owns a piece of land located at Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC (中國廣東省惠東縣大嶺鎮十二托), with a total site area of approximately 1,008,725 sq. m., on which Huizhou Golf operates a golf course.

Lead Joy was incorporated on 11 September 2009, and upon the acquisition of Mellink Holdings in March 2010, the consolidated audited financial information of Lead Joy for the period from 11 September 2009 to 31 March 2010 prepared in accordance with the accounting policies in compliance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants is set out below:–

|   | <b>Period from<br/>11 September<br/>2009 to<br/>31 March 2010</b><br><i>HK\$ million</i> |
|---|--|
| Revenue                                   | –  |
| Profit before tax and profit for the year | 3  |

Based on the audited consolidated accounts of Lead Joy, the audited consolidated net assets value of Lead Joy as at 31 March 2010 was approximately HK\$3 million. The market value in existing state of the properties, plant, equipment and prepaid land lease payments to be disposed in the Lead Joy Disposal was HK\$185,000,000 as at 31 May 2010. Please refer to pages 92 to 96 of Appendix I of this circular for the financial information of Mellink Holdings and its subsidiaries for the three years ended 30 September 2009 and six months ended 31 March 2010.

### **(c) Information on Bond Light**

Bond Light is a limited company incorporated in the British Virgin Islands which is principally engaged in investment holding. Bond Light was introduced to the Company by an Independent Third Party. The ultimate beneficial owner of Bond Light is an individual who is independent and not connected or otherwise associated with Big Meg or its ultimate beneficial owner and vice versa.

### **(d) Information on Measure Up**

Measure Up is a limited company incorporated in British Virgin Islands which is principally engaged in investment holding. Its principal asset is its 100% shareholding in Huizhou Yihua. Huizhou Yihua is principally engaged in property development business, and it owns eight pieces of land which are contiguous with the piece of land owned by Huizhou Golf at Huizhou, PRC as described in “Information on Lead Joy” above. The eight pieces of land owned by Huizhou Yihua are located at Guangshan Gonglu Bin, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC

\* For identification only

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## LETTER FROM THE BOARD

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(中國廣東省惠東縣大嶺鎮十二托廣汕公路邊) and has a total site area of approximately 324,700 sq. m., which has obtained planning permission for residential development purpose. The eight pieces of land were acquired by Huizhou Yihua in November 2006. Since then, Huizhou Yihua has been liaising with the relevant PRC authorities to apply for required planning and construction permits. Huizhou Yihua has obtained some of the required permits, however, as other required permits have not yet been obtained, the Group has not yet commenced any construction on the land.

Set out below is a summary of the key consolidated audited financial information of Measure Up for the two years ended 31 March 2010, which has been prepared in accordance with the accounting policies in compliance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants:–

|                                       | For the year ended |         |
|---------------------------------------|--------------------|---------|
|                                       | 31 March           |         |
|                                       | 2009               | 2010    |
|                                       | HK\$               | HK\$    |
|                                       | million            | million |
| Revenue                               | 0                  | 0       |
| Loss before tax and loss for the year | 1                  | 1       |

Based on the audited consolidated accounts of Measure Up, its audited consolidated net liabilities as at 31 March 2010 was approximately HK\$0.8 million. The market value in the existing state of the properties under development to be disposed in the Measure Up Disposal was HK\$107,400,000 as at 31 May 2010.

### (e) Information on Big Meg

Big Meg is a limited company incorporated in the British Virgin Islands which is principally engaged in investment holding. Big Meg was introduced to the Company by an Independent Third Party.

## E. REASONS FOR THE LEAD JOY DISPOSAL AND THE MEASURE UP DISPOSAL

### (a) Reasons for the Lead Joy Disposal

As announced on 27 January 2010, Lead Joy on 27 January 2010 entered into an agreement to acquire the entire issued share capital of Mellink Holdings at the consideration of HK\$106,450,000 (the “Acquisition Cost”). This acquisition was completed on 30 March 2010. The consideration for the Lead Joy Disposal exceeds the Acquisition Cost by approximately HK\$7 million.

Although the expected profit or loss to be generated by the Lead Joy Disposal will be approximately nil as explained below in the section headed “Estimated gain on the Lead Joy Disposal”, the Directors consider the Lead Joy Disposal to be beneficial to our Company on the basis that, after the completion of the Measure Up Disposal,

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## LETTER FROM THE BOARD

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without the eight pieces of land which is contiguous with the piece of land owned by Huizhou Golf at Huizhou, PRC as described in “Information on Measure Up” above, Huizhou Golf may not provide attractive returns to the Group in the future if the Group is to continue with its investment in Lead Joy. Entering into the Lead Joy Disposal and the Measure Up Disposal on the same day was a strategy on the part of the Company in an attempt to arrange for the Lead Joy Disposal and the Measure Up Disposal to take place in roughly the same time frame so as to maximize the economic benefits of the transactions. Notwithstanding that the Lead Joy Disposal and the Measure Up Disposal are not inter-conditional on each other, in view of the consideration for the Lead Joy Disposal exceeding the Acquisition Cost by approximately HK\$7 million, and the relatively short period of time since the Group (through Lead Joy) on 30 March 2010 completed the acquisition of the entire issued share capital of Mellink Holdings, the Directors consider that the Lead Joy Disposal as an individual transaction of the Group is still in the interests of the Company and the Shareholders as a whole.

In view of the above, the Directors believe that the Lead Joy Disposal is in the interests of both the Company and the Shareholders as a whole, and the terms of the Lead Joy Agreement and the Lead Joy Consideration are fair and reasonable.

### **(b) Reasons for the Measure Up Disposal**

The Directors consider the Measure Up Disposal to be beneficial to our Company based on the expected gain of approximately HK\$157.9 million arising from the Measure Up Disposal.

In view of the above, the Directors believe that the Measure Up Disposal is in the interests of both the Company and the Shareholders as a whole, and the terms of the Measure Up Agreement and the Measure Up Consideration are fair and reasonable.

## **F. FINANCIAL EFFECTS OF THE LEAD JOY DISPOSAL AND THE MEASURE UP DISPOSAL**

### **(a) Financial effects of the Lead Joy Disposal**

After the completion of the Lead Joy Disposal, the Company will cease to have any interest in Lead Joy and the financial results of Lead Joy will not be consolidated in the accounts of the Company.

#### **Estimated gain on the Lead Joy Disposal**

The expected gain or loss on the Lead Joy Disposal will be approximately nil, because for the year ended 31 March 2010, when calculating the fair value adjustment on acquisition of Mellink Holdings, the Group had already taken into account the consideration receivable by the Group under the Lead Joy Disposal, and the estimated expenses to be incurred in connection with the Lead Joy Disposal, and the Group recognized HK\$2.8 million gain under “the excess over the cost of business combinations” in the Group’s consolidated income statements. As a result, the net asset value of the Lead Joy and its subsidiaries, when

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## LETTER FROM THE BOARD

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aggregated with Lead Joy Shareholder's Loan, is approximately equal to the consideration receivable by the Group under the Lead Joy Disposal. Shareholders should note that the actual gain or loss on the Lead Joy Disposal to be recorded by the Company will depend on the actual net book value of Lead Joy as at the completion of the Lead Joy Disposal.

### **Earnings**

Based on the consolidated income statements of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the profit attributable to the owners of the Company for the year ended 31 March 2010 was approximately HK\$27 million.

As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Lead Joy Disposal had taken place on 1 April 2009, the unaudited pro forma profit attributable to the owners of the Company for the year ended 31 March 2010 would have remained unchanged as explained in the paragraph "Estimated gain on the Lead Joy Disposal" above.

### **Net assets**

Based on the consolidated statement of financial position of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the audited consolidated total assets and total liabilities of the Group as at 31 March 2010 were approximately HK\$1,184 million and HK\$671 million respectively. The audited consolidated net asset value attributable to Shareholders as at 31 March 2010 was approximately HK\$509 million.

As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Lead Joy Disposal had taken place on 31 March 2010, the unaudited pro forma consolidated total assets and total liabilities of the Group excluding Lead Joy and its subsidiaries would have become approximately HK\$1,164 million and HK\$651 million respectively. The unaudited pro forma net asset value attributable to Shareholders would have remained unchanged at approximately HK\$509 million.

### **Gearing**

Based on the consolidated statements of financial position of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the gearing ratio of the Group, calculated with reference to the non-current liabilities of HK\$88,393,000 and long term capital (equity and non-current liabilities) of HK\$602,155,000, was 15% as at 31 March 2010.

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## LETTER FROM THE BOARD

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As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Lead Joy Disposal had taken place on 31 March 2010, the gearing ratio of the Group excluding Lead Joy and its subsidiaries, calculated with reference to the non-current liabilities of HK\$88,393,000 and long term capital (equity and non-current liabilities) of HK\$602,155,000, would have remained unchanged at approximately 15% as at 31 March 2010.

### **(b) Financial effects of the Measure Up Disposal**

After the completion of the Measure Up Disposal, the Company will cease to have any interest in Measure Up and the financial results of Measure Up will not be consolidated in the accounts of the Company.

#### **Estimated gain on the Measure Up Disposal**

Based on the audited financial statements of Measure Up as at 31 March 2010, it is expected that a gain of approximately HK\$157.9 million would arise as a result of the Measure Up Disposal, being the sum of the consideration for the Measure Up Disposal of RMB242 million (approximately HK\$275.9 million) and the audited net liabilities attributable to Measure Up of approximately HK\$0.8 million as at 31 March 2010 plus the Measure Up Shareholder's Borrowing of HK\$59.1 million, (less the agency fee, professional fees, administrative costs incurred, tax, the release of exchange fluctuation reserve associated with Measure Up group and the share of minority shareholders of Interpath Profits in proportion to their aggregate 40% shareholding interests in Interpath Profits, in the aggregate sum of approximately HK\$177.9 million). Shareholders should note that the actual gain or loss on the Measure Up Disposal to be recorded by the Company will depend on the actual net book value of Measure Up as at the completion of the Measure Up Disposal.

#### **Earnings**

Based on the consolidated income statements of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the profit attributable to owners of the Company for the year ended 31 March 2010 was approximately HK\$27 million.

As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Measure Up Disposal had taken place on 1 April 2009, the unaudited pro forma profit attributable to the owners of the Company for the year ended 31 March 2010 would have been increased by approximately HK\$157.9 million, which was mainly attributable to the gain on the Measure Up Disposal of approximately HK\$296.4 million.

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## LETTER FROM THE BOARD

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### **Net assets**

Based on the consolidated statement of financial position of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the audited consolidated total assets and total liabilities of the Group as at 31 March 2010 were approximately HK\$1,184 million and HK\$671 million respectively. The audited consolidated net asset value attributable to Shareholders as at 31 March 2010 was approximately HK\$509 million.

As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Measure Up Disposal had taken place on 31 March 2010, the unaudited pro forma consolidated total assets and total liabilities of the Group excluding Measure Up and its subsidiaries would have become approximately HK\$1,343 million and HK\$570 million respectively. The unaudited pro forma net asset value attributable to Shareholders would have been approximately HK\$665 million.

### **Gearing**

Based on the consolidated statements of financial position of the Company contained in the accountants' report on the Group as set out in section 1 of Appendix I to this circular, the gearing ratio of the Group, calculated with reference to the non-current liabilities of HK\$88,393,000 and long term capital (equity and non-current liabilities) of HK\$602,155,000, was 15% as at 31 March 2010.

As shown in section 1 of the unaudited pro forma financial information of the Remaining Group as set out in Appendix II to this circular, assuming the Measure Up Disposal had taken place on 31 March 2010, the gearing ratio of the Group excluding Measure Up and its subsidiaries, calculated with reference to the non-current liabilities of HK\$88,393,000 and long term capital (equity and non-current liabilities) of HK\$861,710,000, would have been decreased to approximately 10.3% as at 31 March 2010.

## **G. USE OF PROCEEDS OF THE LEAD JOY DISPOSAL AND THE MEASURE UP DISPOSAL**

### **(a) Use of proceeds of the Lead Joy Disposal**

It is presently intended that the estimated net proceeds from the Lead Joy Disposal of approximately HK\$112 million will be used for distribution to shareholders of Interpath Profits in proportion to their respective shareholding interests in Interpath Profits, and the Company will use its portion for general working capital purposes, and, where appropriate, future acquisitions (if any), where such opportunities arise in future.



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## LETTER FROM THE BOARD

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### **(b) Use of proceeds of the Measure Up Disposal**

It is presently intended that the estimated net proceeds from the Measure Up Disposal of approximately HK\$200 million will be used for distribution to shareholders of Interpath Profits in proportion to their respective shareholding interests in Interpath Profits. As disclosed in the latest annual report of the Company, as at 31 March 2010, the Group had interest-bearing bank and other borrowings in the amount of HK\$198 million, of which HK\$134 million are repayable within one year, and HK\$64 million are repayable in the second to fifth year, these bank and other borrowing also bear interest ranged from 3.14% to 12%. The Group intended to repay bank overdrafts and trust receipt loans in the total amount of HK\$57 million, which bear interest ranged from prime rate to prime +1%, repayable on demand and within a few months respectively, and are funding in Hong Kong, so as to reduce the interest expense, the Group also intended to repay the other loans – secured in the amount of HK\$15 million, which bear interest at 12% and are funding in Hong Kong, both the current (in the amount of HK\$10,000,000) and non-current (in the amount of HK\$5,000,000) portion, so as to reduce the interest expense too. Other than the repayment of bank and other borrowings, the Company will use the rest for general working capital purposes and, where appropriate, future acquisitions (if any) where suitable opportunities arise in future. As disclosed in the latest annual report of the Company, as at 31 March 2010, the total current assets and total current liabilities of the Company amounted to HK\$896 million and HK\$582 million respectively. The Directors are not aware of any matter or fact which will render the Group not having sufficient working capital for its requirements after the completion of the Measure Up Disposal in the foreseeable future.

### **H. LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Lead Joy Disposal exceed 25% but none exceeds 75%, the Lead Joy Disposal constitutes a major transaction for the Company under the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Measure Up Disposal exceed 75%, the Measure Up Disposal constitutes a very substantial disposal for the Company under the Listing Rules. For the purposes of Chapter 14 of the Listing Rules, the Lead Joy Disposal and the Measure Up Disposal have not been aggregated as if they were one transaction for the following reasons: (a) the Lead Joy Disposal and the Measure Up Disposal are not inter-conditional; (b) to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the ultimate beneficial owner of each of Big Meg and Bond Light is an individual who is not connected or otherwise associated with one another; (c) the Group obtained control of the land owned by Huizhou Golf and the eight pieces of land owned by Huizhou Yihua at different stages; in particular, the Group first obtained control of the eight pieces of land owned by Huizhou Yihua in November 2006, whereas, it has only recently (through the acquisition by Lead Joy of the entire issued share capital of Mellink Holdings in March 2010) obtained the control of land owned by Huizhou Golf in March 2010; (d) the land owned by Huizhou Golf is zoned for commercial use, whereas the eight pieces of land owned by Huizhou Yihua are zoned for residential use, and each of these two land parcels

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## LETTER FROM THE BOARD

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has its own commercial value and useful life and thus should not be taken as parts of one asset; and (e) the land owned by Huizhou Golf and the eight pieces of land owned by Huizhou Yihua are held by two different companies.

The Lead Joy Agreement, the Measure Up Agreement and the transactions contemplated thereunder are subject to the approval of the Shareholders by way of poll at the SGM. As, to the best knowledge and belief of the Directors, both Bond Light and Big Meg and their respective ultimate beneficial owners are Independent Third Parties and no Shareholder has any material interest in the Lead Joy Disposal or the Measure Up Disposal which is different from other Shareholders, no Shareholder is required to abstain from voting in respect of the resolutions to be proposed at the SGM for the approval of the Lead Joy Disposal, the Measure Up Disposal and the transactions contemplated under the Lead Joy Agreement and the Measure Up Agreement, respectively.

Mr. Tjia Boen Sien is Managing Director and Deputy Chairman of the Company and is thus a connected person. The Directors are of the view that the undertaking provided by Mr. Tjia Boen Sien to guarantee the obligations of Interpath Profits to pay to Big Meg the deposit and interest in the event of the termination of the Measure Up Agreement as a result of non-fulfillment of the condition precedent pursuant to the Measure Up Agreement, as described in the paragraph headed “Condition precedent” under the section above headed “The Measure Up Agreement”, being a form of financial assistance (as defined by the Listing Rules) provided by Mr. Tjia Boen Sien for the Group’s benefit, was on normal (or better) commercial terms where no security over any of the Group’s assets was granted in respect of such financial assistance, and as such, the undertaking provided by Mr. Tjia Boen Sien will be exempted from the reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.65(4).

### **I. SGM**

The notice of the SGM is set out in appendix V of this circular.

Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the SGM or any adjourned meeting should you so wish.

The results of the voting at the SGM will be announced by the Company following the conclusion thereof.

### **J. RECOMMENDATION**

The Board considers that the Lead Joy Agreement and the Measure Up Agreement have been entered into on normal commercial terms after arm’s length negotiation and the terms of the Lead Joy Agreement and the Measure Up are fair and reasonable and in the interests of the Group and the Shareholders as a whole and therefore recommends that Shareholders

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## LETTER FROM THE BOARD

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vote in favour of the resolutions to be proposed at the SGM for the approval of the Lead Joy Agreement and the Measure Up Agreement and the transactions contemplated thereunder.

### **K. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board of  
**Deson Development International  
Holdings Limited**  
**Tjia Boen Sien**  
*Managing Director and Deputy Chairman*

**1. ACCOUNTANTS' REPORT FOR THREE YEARS ENDED 31 MARCH 2010**

*The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.*



The Board of Directors  
Deson Development International Holdings Limited

Dear Sirs,

We set out below our report on the financial information regarding Deson Development International Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended 31 March 2008, 2009 and 2010 (the “Relevant Periods”), prepared on the basis set out in note 2.1 of Section II, for inclusion in the circular (the “Circular”) issued by the Company dated 23 July 2010 in connection with the proposed disposals of the entire equity interests in Lead Joy Investments Limited (“Lead Joy”) and its subsidiaries (hereinafter collectively referred to as the “Lead Joy Group”), and Measure Up Profits Limited (“Measure Up”) and its subsidiaries (hereinafter collectively referred to as the “Measure Up Group”), pursuant to the sale and purchase agreements both dated 7 April 2010.

The Company was incorporated in Bermuda with limited liability under Bermuda Companies Act 1981 (as amended) on 20 September 1993 and is engaged in investment holding. As at the date of this report, the Company had direct and indirect interests in the principal subsidiaries set out in Section II below.

We have acted as auditors of the Group for each of the Relevant Periods.

The financial information set out in this report, including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Relevant Periods, and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 March 2008, 2009 and 2010 together with the notes thereto (the “Financial Information”) has been prepared based on the audited consolidated financial statements of the Company. No adjustments were considered necessary in the preparation of the Financial Information, which has been prepared on the basis set out in note 2.1 of Section II below.

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or

error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion solely to you.

**Procedures Performed in Respect of the Relevant Periods**

We have audited the consolidated financial statements of the Group for each of the Relevant Periods, which were prepared in accordance with HKFRSs. We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

For the purpose of this report, we have examined the audited consolidated financial statements of the Group for each of the Relevant Periods and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

**Opinion in Respect of the Relevant Periods**

In our opinion, on the basis of preparation as set out in note 2.1 of Section II, the Financial Information together with the notes thereto give, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2008, 2009 and 2010, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

## I. FINANCIAL INFORMATION

## CONSOLIDATED INCOME STATEMENT

|   | Notes | Year ended 31 March |                  |                  |
|---|-------|---------------------|------------------|------------------|
|   |       | 2008<br>HK\$'000    | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| <b>CONTINUING OPERATIONS</b>                    |       |                     |                  |                  |
| REVENUE   | 5     | 599,787             | 698,194          | 498,747          |
| Cost of sales                                   |       | <u>(517,788)</u>    | <u>(587,101)</u> | <u>(378,246)</u> |
| Gross profit                                    |       | 81,999              | 111,093          | 120,501          |
| Other income and gains                          | 5     | 29,771              | 7,555            | 12,110           |
| Fair value gain on investment properties, net   | 15    | –                   | 2,599            | 9,167            |
| Excess over the cost of business combinations   | 40    | –                   | –                | 2,893            |
| Administrative expenses                         |       | (64,784)            | (60,515)         | (61,744)         |
| Other operating expenses, net                   |       | (2,155)             | (3,538)          | (10,902)         |
| Finance costs                                   | 7     | (5,497)             | (7,613)          | (8,455)          |
| Share of profits and losses of:                 |       |                     |                  |                  |
| A jointly-controlled entity                     |       | (243)               | (10,708)         | (620)            |
| Associates                                      |       | <u>1,147</u>        | <u>(259)</u>     | <u>(227)</u>     |
| PROFIT BEFORE TAX                               | 6     | 40,238              | 38,614           | 62,723           |
| Income tax expense                              | 10    | <u>(18,671)</u>     | <u>(24,954)</u>  | <u>(34,139)</u>  |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS  |       | 21,567              | 13,660           | 28,584           |
| <b>DISCONTINUED OPERATION</b>                   |       |                     |                  |                  |
| Loss for the year from a discontinued operation | 41    | <u>(5,144)</u>      | <u>–</u>         | <u>–</u>         |
| PROFIT FOR THE YEAR                             |       | <u>16,423</u>       | <u>13,660</u>    | <u>28,584</u>    |
| Attributable to:                                |       |                     |                  |                  |
| Owners of the Company                           | 11    | 16,893              | 12,570           | 26,951           |
| Minority interests                              |       | <u>(470)</u>        | <u>1,090</u>     | <u>1,633</u>     |
|   |       | <u>16,423</u>       | <u>13,660</u>    | <u>28,584</u>    |

|   | <i>Note</i> | <b>Year ended 31 March</b> |                   |                   |
|---|-------------|----------------------------|-------------------|-------------------|
|   |             | <b>2008</b>                | <b>2009</b>       | <b>2010</b>       |
|   |             | <i>HK\$</i>                | <i>HK\$</i>       | <i>HK\$</i>       |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY | 13          |                            |                   |                   |
| Basic   |             |                            |                   |                   |
| – For profit for the year   |             | <u>2.95 cents</u>          | <u>2.20 cents</u> | <u>4.75 cents</u> |
| – For profit from continuing operations                                   |             | <u>3.85 cents</u>          | <u>2.20 cents</u> | <u>4.75 cents</u> |
| Diluted   |             |                            |                   |                   |
| – For profit for the year   |             | <u>2.95 cents</u>          | <u>2.20 cents</u> | <u>4.75 cents</u> |
| – For profit from continuing operations                                   |             | <u>3.79 cents</u>          | <u>2.20 cents</u> | <u>4.75 cents</u> |

Details of the dividend proposed are disclosed in note 12 to the Financial Information.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

|  | <i>Notes</i> | Year ended 31 March     |                         |                         |
|--|--------------|-------------------------|-------------------------|-------------------------|
|  |              | 2008<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
| PROFIT FOR THE YEAR  |              | <u>16,423</u>           | <u>13,660</u>           | <u>28,584</u>           |
| OTHER COMPREHENSIVE INCOME   |              |                         |                         |                         |
| Surplus on revaluation of leasehold buildings                            | 14           | 13,253                  | 4,520                   | 7,595                   |
| Income tax effect  | 35           | <u>(2,876)</u>          | <u>(1,225)</u>          | <u>(1,408)</u>          |
|  |              | 10,377                  | 3,295                   | 6,187                   |
| Share of other comprehensive income of associates                        |              | (56)                    | (86)                    | 214                     |
| Release of capital reserve upon disposal of an associate                 |              | –                       | –                       | (119)                   |
| Release of exchange fluctuation reserve upon disposal of an associate    |              | –                       | –                       | (524)                   |
| Reversal of deferred tax liability upon disposal of a leasehold building | 35           | 378                     | –                       | –                       |
| Exchange differences on translation of foreign operations                |              | <u>16,628</u>           | <u>2,188</u>            | <u>2,250</u>            |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX                      |              | <u>27,327</u>           | <u>5,397</u>            | <u>8,008</u>            |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                                  |              | <u>43,750</u>           | <u>19,057</u>           | <u>36,592</u>           |
| Attributable to:   |              |                         |                         |                         |
| Owners of the Company  |              | 42,798                  | 17,754                  | 34,782                  |
| Minority interests   |              | <u>952</u>              | <u>1,303</u>            | <u>1,810</u>            |
|  |              | <u>43,750</u>           | <u>19,057</u>           | <u>36,592</u>           |



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

|   |              | <b>31 March</b> |                 |                 |
|---|--------------|-----------------|-----------------|-----------------|
|   | <i>Notes</i> | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|   |              | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>NON-CURRENT ASSETS</b>   |              |                 |                 |                 |
| Property, plant and equipment   | <i>14</i>    | 100,124         | 64,350          | 66,312          |
| Investment properties   | <i>15</i>    | 134,040         | 181,704         | 210,330         |
| Prepaid land lease payments   | <i>16</i>    | 5,857           | 5,718           | 5,579           |
| Interest in a jointly-controlled entity                                 | <i>18</i>    | 12,892          | –               | –               |
| Interests in associates   | <i>19</i>    | 8,192           | (2,408)         | 3,772           |
| Available-for-sale investments  | <i>20</i>    | –               | –               | –               |
| Financial assets at fair value through profit or loss                   | <i>21</i>    | 2,234           | 2,260           | 2,280           |
| Amount due from an investee   | <i>22</i>    | –               | –               | –               |
|   |              | <u>263,339</u>  | <u>251,624</u>  | <u>288,273</u>  |
| <b>CURRENT ASSETS</b>   |              |                 |                 |                 |
| Amounts due from associates   | <i>19</i>    | 23,620          | 26,650          | 27,108          |
| Properties held for sale  | <i>24</i>    | 418,784         | 520,064         | 486,262         |
| Gross amount due from contract customers                                | <i>25</i>    | 7,334           | 5,247           | 2,641           |
| Inventories   | <i>26</i>    | 2,604           | 1,497           | 1,526           |
| Accounts receivable   | <i>27</i>    | 56,850          | 59,472          | 71,294          |
| Prepayments, deposits and other receivables                             | <i>28</i>    | 35,870          | 30,290          | 29,549          |
| Cash and cash equivalents   | <i>29</i>    | 31,087          | 53,807          | 73,608          |
| Pledged deposits  | <i>29</i>    | 21,465          | 31,331          | 31,324          |
|   |              | 597,614         | 728,358         | 723,312         |
| Assets of disposal groups/non-current asset classified as held for sale | <i>30</i>    | –               | 9,295           | 172,703         |
|   |              | <u>597,614</u>  | <u>737,653</u>  | <u>896,015</u>  |
| Total current assets  |              | <u>597,614</u>  | <u>737,653</u>  | <u>896,015</u>  |

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

|  |              | <b>31 March</b> |                 |                 |
|--|--------------|-----------------|-----------------|-----------------|
|  | <i>Notes</i> | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|  |              | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>CURRENT LIABILITIES</b>   |              |                 |                 |                 |
| Gross amount due to contract customers   | 25           | 35,564          | 38,626          | 42,677          |
| Accounts payable   | 31           | 32,861          | 44,269          | 20,948          |
| Other payables and accruals  | 32           | 129,679         | 171,116         | 157,515         |
| Amounts due to associates  | 19           | 547             | 262             | 54              |
| Amounts due to minority shareholders   | 23           | 17,360          | 19,529          | 24,465          |
| Amounts due to related companies   | 33           | 23,813          | 27,166          | 18,444          |
| Tax payable  |              | 31,747          | 45,914          | 63,514          |
| Convertible notes  | 36           | –               | 15,721          | –               |
| Interest-bearing bank and other borrowings   | 34           | 60,109          | 97,563          | 133,949         |
|  |              | 331,680         | 460,166         | 461,566         |
| Liabilities directly associated with the assets of disposal groups classified as held for sale | 30           | –               | –               | 120,567         |
| Total current liabilities  |              | 331,680         | 460,166         | 582,133         |
| <b>NET CURRENT ASSETS</b>  |              | 265,934         | 277,487         | 313,882         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>   |              | 529,273         | 529,111         | 602,155         |
| <b>NON-CURRENT LIABILITIES</b>   |              |                 |                 |                 |
| Convertible notes  | 36           | 15,274          | –               | –               |
| Interest-bearing bank and other borrowings   | 34           | 39,654          | 32,205          | 64,499          |
| Deferred tax liabilities   | 35           | 14,247          | 19,252          | 23,894          |
| Total non-current liabilities  |              | 69,175          | 51,457          | 88,393          |
| Net assets   |              | 460,098         | 477,654         | 513,762         |
| <b>EQUITY</b>  |              |                 |                 |                 |
| <b>Equity attributable to owners of the Company</b>  |              |                 |                 |                 |
| Issued capital   | 37           | 57,274          | 56,697          | 56,697          |
| Reserves   | 39(a)        | 399,040         | 416,091         | 440,817         |
| Equity component of convertible notes  | 36           | 1,259           | 1,259           | –               |
| Proposed final dividend  | 12           | –               | –               | 11,315          |
|  |              | 457,573         | 474,047         | 508,829         |
| <b>Minority interests</b>  |              | 2,525           | 3,607           | 4,933           |
| Total equity   |              | 460,098         | 477,654         | 513,762         |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Notes   | Attributable to owners of the Company |                       |                     |                           |                 |                            |                              |   |                      |                                       |               |                  |                         |         | Total | Minority interests | Total equity |         |         |         |
|---|---------------------------------------|-----------------------|---------------------|---------------------------|-----------------|----------------------------|------------------------------|---|----------------------|---------------------------------------|---------------|------------------|-------------------------|---------|-------|--------------------|--------------|---------|---------|---------|
|   | Issued capital                        | Share premium account | Contributed surplus | Asset revaluation reserve | Capital reserve | Capital redemption reserve | Exchange fluctuation reserve | Available-for-sale investment revaluation reserve | Share option reserve | Equity component of convertible notes | Reserve funds | Retained profits | Proposed final dividend | HKS'000 |       |                    |              | HKS'000 | HKS'000 | HKS'000 |
|   | HKS'000                               | HKS'000               | HKS'000             | HKS'000                   | HKS'000         | HKS'000                    | HKS'000                      | HKS'000   | HKS'000              | HKS'000                               | HKS'000       | HKS'000          | HKS'000                 | HKS'000 |       |                    |              | HKS'000 | HKS'000 | HKS'000 |
| At 1 April 2007                               | 57,268                                | 122,563               | 15,262              | 28,841                    | (9,121)         | 9,362                      | 10,830                       | 1,814   | 1,081                | 1,259                                 | 3,260         | 172,411          | -                       | 414,830 | 1,912 | 416,742            |              |         |         |         |
| Total comprehensive income for the year       | -                                     | -                     | -                   | 10,755                    | -               | -                          | 15,714                       | (564)   | -                    | -                                     | -             | 16,893           | -                       | 42,798  | 952   | 43,750             |              |         |         |         |
| Release upon disposal of a leasehold building | -                                     | -                     | -                   | (4,437)                   | -               | -                          | -                            | -   | -                    | -                                     | -             | 4,437            | -                       | -       | -     | -                  |              |         |         |         |
| Release of revaluation reserve                | -                                     | -                     | -                   | (977)                     | -               | -                          | -                            | -   | -                    | -                                     | -             | 977              | -                       | -       | -     | -                  |              |         |         |         |
| Dividends paid to minority shareholders       | -                                     | -                     | -                   | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | -       | (256) | (256)              |              |         |         |         |
| Disposal of subsidiaries                      | 42                                    | -                     | -                   | -                         | -               | -                          | (304)                        | -   | -                    | -                                     | -             | -                | -                       | (304)   | (83)  | (387)              |              |         |         |         |
| Repurchase of shares                          | 37                                    | (74)                  | (179)               | -                         | -               | 74                         | -                            | -   | -                    | -                                     | -             | (74)             | -                       | (253)   | -     | (253)              |              |         |         |         |
| Exercise of share options                     | 37                                    | 80                    | 258                 | -                         | -               | -                          | -                            | -   | (66)                 | -                                     | -             | -                | -                       | 272     | -     | 272                |              |         |         |         |
| Share repurchase expenses                     | 37                                    | -                     | (2)                 | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | (2)     | -     | (2)                |              |         |         |         |
| Share issue expenses                          | 37                                    | -                     | (147)               | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | (147)   | -     | (147)              |              |         |         |         |
| Share options expired during the year         | 38                                    | -                     | -                   | -                         | -               | -                          | -                            | -   | (1,015)              | -                                     | -             | 1,015            | -                       | -       | -     | -                  |              |         |         |         |
| Equity-settled share option arrangements      | 38                                    | -                     | -                   | -                         | -               | -                          | -                            | -   | 379                  | -                                     | -             | -                | -                       | 379     | -     | 379                |              |         |         |         |
| At 31 March 2008 and 1 April 2008             | 57,274                                | 122,493*              | 15,262*             | 34,182*                   | (9,121)*        | 9,436*                     | 26,240*                      | 1,250*  | 379*                 | 1,259                                 | 3,260*        | 195,659*         | -                       | 457,573 | 2,525 | 460,098            |              |         |         |         |
| Total comprehensive income for the year       | -                                     | -                     | -                   | 3,295                     | -               | -                          | 2,083                        | (194)   | -                    | -                                     | -             | 12,570           | -                       | 17,754  | 1,303 | 19,057             |              |         |         |         |
| Release of revaluation reserve                | -                                     | -                     | -                   | (946)                     | -               | -                          | -                            | -   | -                    | -                                     | -             | 946              | -                       | -       | -     | -                  |              |         |         |         |
| Dividends paid to minority shareholders       | -                                     | -                     | -                   | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | -       | (221) | (221)              |              |         |         |         |
| Repurchase of shares                          | 37                                    | (577)                 | (686)               | -                         | -               | 577                        | -                            | -   | -                    | -                                     | -             | (577)            | -                       | (1,263) | -     | (1,263)            |              |         |         |         |
| Share repurchase expenses                     | 37                                    | -                     | (17)                | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | (17)    | -     | (17)               |              |         |         |         |
| Share options expired during the year         | 38                                    | -                     | -                   | -                         | -               | -                          | -                            | -   | (379)                | -                                     | -             | 379              | -                       | -       | -     | -                  |              |         |         |         |
| At 31 March 2009 and 1 April 2009             | 56,697                                | 121,790*              | 15,262*             | 36,531*                   | (9,121)*        | 10,013*                    | 28,323*                      | 1,056*  | -*                   | 1,259                                 | 3,260*        | 208,977*         | -                       | 474,047 | 3,607 | 477,654            |              |         |         |         |
| Total comprehensive income for the year       | -                                     | -                     | -                   | 6,187                     | (119)           | -                          | 1,549                        | 214   | -                    | -                                     | -             | 26,951           | -                       | 34,782  | 1,810 | 36,592             |              |         |         |         |
| Release of revaluation reserve                | -                                     | -                     | -                   | (1,023)                   | -               | -                          | -                            | -   | -                    | -                                     | -             | 1,023            | -                       | -       | -     | -                  |              |         |         |         |
| Transfer upon redemption of convertible notes | 36                                    | -                     | -                   | -                         | -               | -                          | -                            | -   | (1,259)              | -                                     | 1,259         | -                | -                       | -       | -     | -                  |              |         |         |         |
| Dividends paid to minority shareholders       | -                                     | -                     | -                   | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | -                | -                       | -       | (484) | (484)              |              |         |         |         |
| Proposed final 2010 dividend                  | 12                                    | -                     | -                   | -                         | -               | -                          | -                            | -   | -                    | -                                     | -             | (11,315)         | 11,315                  | -       | -     | -                  |              |         |         |         |
| At 31 March 2010                              | 56,697                                | 121,790*              | 15,262*             | 41,695*                   | (9,240)*        | 10,013*                    | 29,872*#                     | 1,270*  | -*                   | -                                     | 3,260*        | 226,895*         | 11,315                  | 508,829 | 4,933 | 513,762            |              |         |         |         |

\* These reserve accounts comprise the consolidated reserves of HK\$399,040,000, HK\$416,091,000 and HK\$440,817,000 as at 31 March 2008, 2009 and 2010, respectively, in the consolidated statement of financial position.

# Included in the exchange fluctuation reserve at 31 March 2010 is an aggregate amount of HK\$2,136,000 related to disposal groups classified as held for sale (note 30).

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 thereof, pursuant to the Group reorganisation on 21 May 1997.

The capital reserve of the Group as at 1 April 2007, 31 March 2008, 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010 comprised goodwill arising from the acquisition of subsidiaries prior to 1 April 2002.

The reserve funds of the Group include statutory reserves required to be appropriated from the profit after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China ("PRC"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

## CONSOLIDATED STATEMENT OF CASH FLOWS

|  | Notes | Year ended 31 March |                  |                  |
|--|-------|---------------------|------------------|------------------|
|  |       | 2008<br>HK\$'000    | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES                         |       |                     |                  |                  |
| Profit/(loss) before tax                                     |       |                     |                  |                  |
| From continuing operations                                   |       | 40,238              | 38,614           | 62,723           |
| From a discontinued operation                                |       | (5,152)             | –                | –                |
| Adjustments for:   |       |                     |                  |                  |
| Finance costs  | 7     | 5,497               | 7,613            | 8,455            |
| Share of profits and losses of:                              |       |                     |                  |                  |
| A jointly-controlled entity                                  |       | 243                 | 10,708           | 620              |
| Associates   |       | (1,147)             | 259              | 227              |
| Interest income  | 5     | (2,709)             | (1,206)          | (2,271)          |
| Fair value gain on investment properties, net                | 15    | –                   | (2,599)          | (9,167)          |
| Dividend income from an available-for-sale investment        | 5     | (6,810)             | –                | –                |
| Excess over the cost of business combinations                | 40    | –                   | –                | (2,893)          |
| Gain on disposal of subsidiaries                             | 42    | (3,163)             | –                | –                |
| Gain on disposal of associates                               | 5     | –                   | –                | (2,155)          |
| Loss on disposal of items of property, plant and equipment   | 6     | 234                 | 39               | 61               |
| Equity-settled share option expenses                         | 6     | 379                 | –                | –                |
| Net gain on disposal of a leasehold building                 | 5, 6  | (12,819)            | –                | –                |
| Depreciation   | 6     | 6,515               | 3,756            | 3,837            |
| Recognition of prepaid land lease payments                   | 6     | 249                 | 139              | 139              |
| Provision for inventories                                    | 6     | 107                 | 136              | 133              |
| Impairment of an amount due from a jointly-controlled entity | 6     | 243                 | 3,174            | 2,851            |
| Impairment of an available-for-sale investment               | 6     | 2,400               | –                | –                |
| Impairment of an amount due from an investee                 | 6     | 3,840               | –                | –                |
| Impairment of an amount due from an associate                | 6     | –                   | –                | 12,860           |
| Impairment of accounts receivable                            | 6     | 3,165               | 5,113            | 3,129            |
| Reversal of impairment of accounts receivable                | 6     | (5,407)             | (2,623)          | (4,802)          |
| Impairment of other receivables                              | 6     | 965                 | 153              | –                |
| Reversal of impairment of other receivables                  | 6     | (3,933)             | (900)            | (798)            |

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

|  | <i>Notes</i> | <b>Year ended 31 March</b> |                 |                  |
|--|--------------|----------------------------|-----------------|------------------|
|  |              | <b>2008</b>                | <b>2009</b>     | <b>2010</b>      |
|  |              | <i>HK\$'000</i>            | <i>HK\$'000</i> | <i>HK\$'000</i>  |
| Decrease/(increase) in completed properties                        |              | 43,261                     | (115,134)       | 101,534          |
| Decrease/(increase) in properties under development                |              | (46,645)                   | 16,990          | (98,768)         |
| Decrease in gross amount due from contract customers               |              | 5,143                      | 2,809           | 3,264            |
| Decrease/(increase) in inventories                                 |              | (310)                      | 971             | (162)            |
| Decrease/(increase) in accounts receivable                         |              | 11,980                     | (5,062)         | (10,074)         |
| Decrease/(increase) in prepayments, deposits and other receivables |              | (15,380)                   | 6,632           | 1,721            |
| Increase in gross amount due to contract customers                 |              | 6,460                      | 3,062           | 4,051            |
| Increase/(decrease) in accounts payable                            |              | (3,378)                    | 11,218          | (23,505)         |
| Increase/(decrease) in other payables and accruals                 |              | (34,378)                   | 40,768          | (13,412)         |
| <b>Cash generated from/(used in) operations</b>                    |              | <u>(10,312)</u>            | <u>24,630</u>   | <u>37,598</u>    |
| Interest paid  |              | (5,079)                    | (9,815)         | (15,295)         |
| Hong Kong profits tax paid   |              | –                          | (9)             | –                |
| Overseas taxes paid  |              | (12,983)                   | (7,362)         | (15,407)         |
| <b>Net cash flows from/(used in) operating activities</b>          |              | <u>(28,374)</u>            | <u>7,444</u>    | <u>6,896</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |              |                            |                 |                  |
| Interest received  |              | 2,709                      | 1,206           | 2,271            |
| Dividend received from an available-for-sale investment            |              | 6,810                      | –               | –                |
| Dividends received from associates                                 |              | 2,740                      | 960             | 2,729            |
| Purchases of items of property, plant and equipment                |              | (6,180)                    | (6,563)         | (1,393)          |
| Additions to investment properties                                 |              | (33,087)                   | –               | (15,134)         |
| Increase in financial assets at fair value through profit or loss  |              | (2,234)                    | –               | –                |
| Proceeds from disposal of items of property, plant and equipment   |              | 27,179                     | 144             | 219              |
| Acquisition of subsidiaries  | 40           | –                          | –               | (106,358)        |
| Disposal of subsidiaries   | 42           | 921                        | –               | –                |
| Advance to a jointly-controlled entity                             |              | (1,969)                    | (990)           | (3,471)          |
| Disposal of associates   |              | –                          | –               | 9,029            |
| Capital injection to an associate                                  |              | (2,020)                    | –               | –                |
| Repayment from/(advances to) associates, net                       |              | 1,098                      | (3,315)         | (20,679)         |
| Repayment from investees   |              | 11,481                     | –               | –                |
| Decrease/(increase) in pledged deposits                            |              | 50,989                     | (9,866)         | 7                |
| <b>Net cash flows from/(used in) investing activities</b>          |              | <u>58,437</u>              | <u>(18,424)</u> | <u>(132,780)</u> |

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

|   | Notes | Year ended 31 March |                      |                      |
|---|-------|---------------------|----------------------|----------------------|
|   |       | 2008<br>HK\$'000    | 2009<br>HK\$'000     | 2010<br>HK\$'000     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |       |                     |                      |                      |
| Repurchase of the Company's shares  | 37    | (253)               | (1,263)              | –                    |
| Proceeds from issue of shares   | 37    | 272                 | –                    | –                    |
| Share repurchase expenses   | 37    | (2)                 | (17)                 | –                    |
| Share issue expenses  | 37    | (147)               | –                    | –                    |
| Redemption of convertible notes   | 36    | –                   | –                    | (15,750)             |
| New bank and other borrowings   |       | 62,100              | 66,085               | 220,738              |
| Repayment of bank and other borrowings  |       | (130,859)           | (34,343)             | (70,678)             |
| Repayment from/(advances to) related companies, net   |       | 23,813              | 3,353                | (8,722)              |
| Advances from minority shareholders   |       | 5,536               | 2,169                | 4,936                |
| Dividends paid to minority shareholders   |       | (256)               | (221)                | (484)                |
| Net cash flows from/(used in) financing activities  |       | <u>(39,796)</u>     | <u>35,763</u>        | <u>130,040</u>       |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>   |       |                     |                      |                      |
|   |       | (9,733)             | 24,783               | 4,156                |
| <b>Cash and cash equivalents at beginning of year</b>   |       |                     |                      |                      |
|   |       | 11,306              | 5,153                | 30,239               |
| <b>Effect of foreign exchange rate changes, net</b>   |       |                     |                      |                      |
|   |       | <u>3,580</u>        | <u>303</u>           | <u>444</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>   |       |                     |                      |                      |
|   |       | <u><u>5,153</u></u> | <u><u>30,239</u></u> | <u><u>34,839</u></u> |
| <b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>  |       |                     |                      |                      |
| <b>Cash and bank balances and cash and cash equivalents stated in the statement of financial position</b>             |       |                     |                      |                      |
|   | 29    | 31,087              | 53,807               | 73,608               |
| <b>Bank overdrafts, secured</b>   |       |                     |                      |                      |
|   | 34    | (25,934)            | (23,568)             | (41,623)             |
| <b>Cash and bank balances attributable to assets of disposal groups/non-current asset classified as held for sale</b> |       |                     |                      |                      |
|   | 30    | <u>–</u>            | <u>–</u>             | <u>2,854</u>         |
| <b>Cash and cash equivalents as stated in the statement of cash flows</b>   |       |                     |                      |                      |
|   |       | <u><u>5,153</u></u> | <u><u>30,239</u></u> | <u><u>34,839</u></u> |

## STATEMENT OF FINANCIAL POSITION

|                                       | <i>Notes</i> | <b>2008</b><br><i>HK\$'000</i> | <b>31 March</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> |
|---------------------------------------|--------------|--------------------------------|---|--------------------------------|
| <b>NON-CURRENT ASSETS</b>             |              |                                |   |                                |
| Interests in subsidiaries             | <i>17</i>    | 357,679                        | 352,683   | 357,028                        |
| <b>CURRENT ASSETS</b>                 |              |                                |   |                                |
| Prepayments                           | <i>28</i>    | 23                             | 34  | 35                             |
| Cash and cash equivalents             | <i>29</i>    | <u>72</u>                      | <u>64</u>   | <u>94</u>                      |
| Total current assets                  |              | <u>95</u>                      | <u>98</u>   | <u>129</u>                     |
| <b>CURRENT LIABILITIES</b>            |              |                                |   |                                |
| Accruals                              | <i>32</i>    | 786                            | 1,421   | 1,192                          |
| Convertible notes                     | <i>36</i>    | <u>–</u>                       | <u>15,721</u>                                     | <u>–</u>                       |
| Total current liabilities             |              | <u>786</u>                     | <u>17,142</u>                                     | <u>1,192</u>                   |
| <b>NET CURRENT LIABILITIES</b>        |              | <u>(691)</u>                   | <u>(17,044)</u>                                   | <u>(1,063)</u>                 |
| <b>NON-CURRENT LIABILITIES</b>        |              |                                |   |                                |
| Convertible notes                     | <i>36</i>    | <u>15,274</u>                  | <u>–</u>  | <u>–</u>                       |
| Net assets                            |              | <u>341,714</u>                 | <u>335,639</u>                                    | <u>355,965</u>                 |
| <b>EQUITY</b>                         |              |                                |   |                                |
| Issued capital                        | <i>37</i>    | 57,274                         | 56,697  | 56,697                         |
| Reserves                              | <i>39(b)</i> | 283,181                        | 277,683   | 287,953                        |
| Equity component of convertible notes | <i>36</i>    | 1,259                          | 1,259   | –                              |
| Proposed final dividend               | <i>12</i>    | <u>–</u>                       | <u>–</u>  | <u>11,315</u>                  |
| Total equity                          |              | <u>341,714</u>                 | <u>335,639</u>                                    | <u>355,965</u>                 |



## II. NOTES TO FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

Deson Development International Holdings Limited is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the Relevant Periods, the Group was involved in the following activities:

- the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services, mainly in Hong Kong and Mainland China;
- property development and investment; and
- trading of medical equipment, provision of related installation and maintenance services.

During the year ended 31 March 2008, the Group disposed of and discontinued its operation of fitness centres and trading of fitness equipment. Further details regarding the discontinued operation are set out in note 41 to the Financial Information.

### 2.1 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.3. The Financial Information is presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

#### **Basis of consolidation**

The Financial Information includes the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the Relevant Periods. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

For the purpose of preparing the Financial Information, the Group has adopted all the new and revised HKFRSs applicable throughout the Relevant Periods.

## 2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

|  |  |
|--|--|
| HKFRS 1 (Revised)  | <i>First-time Adoption of Hong Kong Financial Reporting Standards</i> <sup>1</sup>   |
| HKFRS 1 Amendments   | Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> <sup>2</sup>                                 |
| HKFRS 1 Amendment  | Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> <sup>4</sup> |
| HKFRS 2 Amendments   | Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> <sup>2</sup>  |
| HKFRS 3 (Revised)  | <i>Business Combinations</i> <sup>1</sup>  |
| HKFRS 9  | <i>Financial Instruments</i> <sup>6</sup>  |
| HKAS 24 (Revised)  | <i>Related Party Disclosures</i> <sup>5</sup>  |
| HKAS 27 (Revised)  | <i>Consolidated and Separate Financial Statements</i> <sup>1</sup>   |
| HKAS 32 Amendment  | Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> <sup>3</sup>   |
| HKAS 39 Amendment  | Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> <sup>1</sup>  |
| HK(IFRIC)-Int 14   | Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Amendments Funding Requirement</i> <sup>5</sup>   |
| HK(IFRIC)-Int 17   | <i>Distributions of Non-cash Assets to Owners</i> <sup>1</sup>   |
| HK(IFRIC)-Int 19   | <i>Extinguishing Financial Liabilities with Equity Instruments</i> <sup>4</sup>  |
| Amendments to HKFRS 5 included in <i>Improvements to HKFRSs issued in October 2008</i> | Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary</i> <sup>1</sup>                           |
| HK Interpretation 4 (Revised in December 2009)   | <i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> <sup>2</sup>   |
| Improvements to HKFRSs (May 2009)  | Amendments to a number of HKFRSs <sup>7</sup>  |
| Improvements to HKFRSs (May 2010)  | Amendments to a number of HKFRSs <sup>8</sup>  |

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* and *Improvements to HKFRSs 2010* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. The amendments to HKFRS 3 and transition requirements for amendments arising as a result of HKAS 27 are effective for annual periods beginning on or after 1 July 2010 while the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011.

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> Effective for annual periods beginning on or after 1 February 2010

- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2010
- <sup>5</sup> Effective for annual periods beginning on or after 1 January 2011
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2013
- <sup>7</sup> Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
- <sup>8</sup> Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

### 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

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

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

#### Joint ventures

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

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

A joint venture is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;
- (c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or
- (d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

#### Jointly-controlled entity

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

The Group's interest in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively.

#### **Associates**

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

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

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

#### **Excess over the cost of business combinations**

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

#### **Impairment of non-financial assets**

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

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

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

**Related parties**

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

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Group;
- (e) the party is a close member of the family of any individual referred to in (a) or (d);
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of disposal groups classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for “Non-current assets and disposal groups held for sale”. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the income statement. Any subsequent revaluation surplus is credited to the income statement to the extent of the deficit previously charged. An annual transfer from the asset revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset’s original cost. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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

|                        |                                   |
|------------------------|-----------------------------------|
| Leasehold buildings    | 2.5% on the straight-line basis   |
| Leasehold improvements | Over the remaining lease terms    |
| Furniture and fixtures | 15% on the reducing balance basis |
| Office equipment       | 15% on the reducing balance basis |
| Tools and equipment    | 15% on the reducing balance basis |
| Motor vehicles         | 15% on the reducing balance basis |

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

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

#### **Investment properties**

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

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

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

#### **Non-current assets and disposal groups held for sale**

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less cost to sell. Property, plant and equipment classified as held for sale are not depreciated or amortised.

#### **Operating leases**

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

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

**Investments and other financial assets***Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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

The Group's financial assets include pledged deposits, cash and cash equivalents, amounts due from associates, financial assets at fair value through profit or loss, accounts receivable, deposits and other receivables.

*Subsequent measurement*

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

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

*Loans and receivables*

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

*Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for “Revenue recognition” below.

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

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

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

#### **Derecognition of financial assets**

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

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

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

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

#### **Impairment of financial assets**

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more



events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

#### *Financial assets carried at amortised cost*

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

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

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

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

#### *Assets carried at cost*

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

#### *Available-for-sale financial investments*

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

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is “significant” or “prolonged” requires judgement. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the

acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement – is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

### **Financial liabilities**

#### *Initial recognition and measurement*

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

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

The Group's financial liabilities include accounts payable, other payables, amounts due to associates, amounts due to minority shareholders, amounts due to related companies and interest-bearing bank and other borrowings.

#### *Subsequent measurement*

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

#### *Loans and borrowings*

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

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

#### *Financial guarantee contracts*

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

#### *Convertible notes*

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the

conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

#### *Derecognition of financial liabilities*

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

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

#### **Offsetting of financial instruments**

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

#### **Fair value of financial instruments**

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

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

#### **Construction contracts**

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

**Contracts for services**

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

**Properties held for sale**

Properties under development which are intended for sale are included in properties held for sale and are stated at the lower of cost and net realisable value, which is estimated by the directors based on the prevailing market conditions. Costs include all costs directly incurred in the properties under development, including development expenditure, borrowing costs and other direct costs.

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

**Cash and cash equivalents**

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

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

**Income tax**

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

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

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

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

- where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

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

### **Revenue recognition**

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

- (a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above;
- (b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (c) from the rendering of services, when the services are rendered or on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” above;
- (d) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

- (e) rental income, on a time proportion basis over the lease terms;
- (f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and
- (g) dividend income, when the shareholders' right to receive payment has been established.

#### **Share-based payment transactions**

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined using the Black-Scholes model.

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

#### **Other employee benefits**

##### *Pension schemes*

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All the borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

**Foreign currencies**

The Financial Information is presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation entity, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

#### **Judgements**

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

##### *Operating lease commitments – Group as lessor*

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

##### *Classification between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### **Estimation uncertainty**

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

##### *Land appreciation tax*

Under the Provisional Regulations on land appreciation tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to land appreciation taxes, which have been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its land appreciation tax returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on



management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions of land appreciation taxes in the period in which such determination is made.

*Estimation of fair value of investment properties*

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

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

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

The carrying amounts of investment properties at 31 March 2008, 2009 and 2010 were HK\$134,040,000, HK\$181,704,000 and HK\$210,330,000, respectively.

*Estimates regarding the realisability of deferred tax assets*

Estimating the amount for deferred tax assets arising from tax losses requires a process that involves determining appropriate provisions for taxation, forecasting future years' taxable income and assessing the ability to utilise tax benefits through future taxable profits. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details of the unrecognised tax losses of the Group are set out in note 35 to the Financial Information.

*Useful lives and impairment of property, plant and equipment*

The Group determines the useful lives and related depreciation charges for its property, plant and equipment based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned. Actual economic lives of property, plant and equipment may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation in the future periods.

*Impairment of accounts receivable*

Impairment of accounts receivable is made based on assessment of the recoverability of receivables due from customers. The identification of impairment requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables and impairment losses/reversal of impairment losses in the period in which such estimate has been changed.

**4. OPERATING SEGMENT INFORMATION**

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

- (a) the construction business segment is engaged in construction contract works as a main contractor as well as the provision of contracting intelligent building engineering and electrical and mechanical engineering services;
- (b) the property development and investment business segment is engaged in property development of residential and commercial properties and holding of investment properties; and
- (c) the “others” segment comprises, principally, trading of medical equipment and provision of related installation and maintenance services.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group’s profit before tax except that interest income, gain on disposal of associates, finance costs, impairment of an amount due from a jointly-controlled entity, impairment of an amount due from an associate, excess over the cost of business combinations, share of profits and losses of a jointly-controlled entity and associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude interest in a jointly-controlled entity, interests in associates, assets of disposal groups/non-current asset held for sale, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude liabilities directly associated with the assets of disposal groups classified as held for sale, other unallocated head office and corporate liabilities, including interest-bearing bank and other borrowings, tax payable and deferred tax liabilities, as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 March 2008

|   | <b>Construction<br/>business</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business</b> | <b>Others</b>   | <b>Total</b>          |
|---|----------------------------------|---|-----------------|-----------------------|
|   | <i>HK\$'000</i>                  | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>       |
| <b>Segment revenue:</b>   |                                  |   |                 |                       |
| Sales to external customers                                     | 445,680                          | 128,140   | 25,967          | 599,787               |
| Other income and gains  | <u>13,698</u>                    | <u>6,163</u>  | <u>391</u>      | <u>20,252</u>         |
| Revenue from continuing operations                              | 459,378                          | 134,303   | 26,358          | <u><u>620,039</u></u> |
| <b>Segment results</b>  |                                  |   |                 |                       |
| Operating profit/(loss)   | 9,287                            | 40,141  | (1,556)         | 47,872                |
| <i>Reconciliation:</i>  |                                  |   |                 |                       |
| Interest income   |                                  |   |                 | 9,519                 |
| Unallocated expenses  |                                  |   |                 | (6,077)               |
| Finance costs   |                                  |   |                 | (5,497)               |
| Impairment of an amount due from a<br>jointly-controlled entity |                                  |   |                 | (243)                 |
| Impairment of an available-for-sale<br>investment               |                                  |   |                 | (2,400)               |
| Impairment of an amount due from an<br>investee                 |                                  |   |                 | (3,840)               |
| Share of loss of a jointly-controlled entity                    |                                  |   |                 | (243)                 |
| Share of profits and losses of associates                       |                                  |   |                 | <u>1,147</u>          |
| Profit before tax from continuing<br>operations                 |                                  |   |                 | <u><u>40,238</u></u>  |
| <b>Segment assets</b>   | 128,214                          | 598,005   | 61,016          | 787,235               |
| <i>Reconciliation:</i>  |                                  |   |                 |                       |
| Interest in a jointly-controlled entity                         |                                  |   |                 | 12,892                |
| Interests in associates   |                                  |   |                 | 8,192                 |
| Corporate and other unallocated assets                          |                                  |   |                 | <u>52,634</u>         |
| Total assets  |                                  |   |                 | <u><u>860,953</u></u> |
| <b>Segment liabilities</b>                                      | 113,987                          | 116,734   | 5,666           | 236,387               |
| <i>Reconciliation:</i>  |                                  |   |                 |                       |
| Corporate and other unallocated liabilities                     |                                  |   |                 | <u>164,468</u>        |
| Total liabilities   |                                  |   |                 | <u><u>400,855</u></u> |

|   | <b>Construction<br/>business<br/>HK\$'000</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|---|--|----------------------------|---------------------------|
| <b>Other segment information:</b>                             |   |  |                            |                           |
| Recognition of prepaid land lease payments                    | 249   | –  | –                          | 249                       |
| Net gain on disposal of a leasehold<br>building               | (12,819)                                      | –  | –                          | (12,819)                  |
| Loss on disposal of items of property, plant<br>and equipment | 156   | –  | –                          | 156                       |
| Impairment of accounts receivable                             | –   | 2,965  | –                          | 2,965                     |
| Reversal of impairment of accounts<br>receivable              | (128)   | (5,279)  | –                          | (5,407)                   |
| Impairment of other receivables                               | 965   | –  | –                          | 965                       |
| Reversal of impairment of other receivables                   | (3,933)                                       | –  | –                          | (3,933)                   |
| Provision for inventories                                     | –   | –  | 107                        | 107                       |
| Depreciation  | 2,077   | 469  | 2,512                      | 5,058                     |
| Capital expenditure   | <u>220</u>                                    | <u>51,132</u>  | <u>3,204</u>               | <u>54,556*</u>            |

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

#### Year ended 31 March 2009

|   | <b>Construction<br/>business<br/>HK\$'000</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|---|---|--|----------------------------|---------------------------|
| <b>Segment revenue:</b>   |   |  |                            |                           |
| Sales to external customers                                     | 591,014                                       | 94,990   | 12,190                     | 698,194                   |
| Other income and gains  | <u>1,952</u>                                  | <u>4,397</u>   | <u>–</u>                   | <u>6,349</u>              |
| Revenue from continuing operations                              | 592,966                                       | 99,387   | 12,190                     | <u>704,543</u>            |
| <b>Segment results</b>  |   |  |                            |                           |
| Operating profit/(loss)   | 19,179  | 46,241   | (667)                      | 64,753                    |
| <i>Reconciliation:</i>  |   |  |                            |                           |
| Interest income   |   |  |                            | 1,206                     |
| Unallocated expenses  |   |  |                            | (5,591)                   |
| Finance costs   |   |  |                            | (7,613)                   |
| Impairment of an amount due from a<br>jointly-controlled entity |   |  |                            | (3,174)                   |
| Share of loss of a jointly-controlled entity                    |   |  |                            | (10,708)                  |
| Share of profits and losses of associates                       |   |  |                            | <u>(259)</u>              |
| Profit before tax from continuing<br>operations                 |   |  |                            | <u>38,614</u>             |

|  | <b>Construction<br/>business<br/>HK\$'000</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|--|----------------------------|---------------------------|
| <b>Segment assets</b>  | 130,217                                       | 763,017  | 3,934                      | 897,168                   |
| <i>Reconciliation:</i>   |   |  |                            |                           |
| Interests in associates  |   |  |                            | (2,408)                   |
| Assets of disposal groups/non-current asset<br>classified as held for sale |   |  |                            | 9,295                     |
| Corporate and other unallocated assets                                     |   |  |                            | <u>85,222</u>             |
| Total assets   |   |  |                            | <u><u>989,277</u></u>     |
| <b>Segment liabilities</b>   | 141,825                                       | 155,282  | 1,942                      | 299,049                   |
| <i>Reconciliation:</i>   |   |  |                            |                           |
| Corporate and other unallocated liabilities                                |   |  |                            | <u>212,574</u>            |
| Total liabilities  |   |  |                            | <u><u>511,623</u></u>     |
| <b>Other segment information:</b>  |   |  |                            |                           |
| Recognition of prepaid land lease payments                                 | 139   | –  | –                          | 139                       |
| Fair value gain of investment properties,<br>net                           | –   | (2,599)  | –                          | (2,599)                   |
| Loss/(gain) on disposal of items of<br>property, plant and equipment       | (3)   | 42   | –                          | 39                        |
| Impairment of accounts receivable  | 2,816   | 1,290  | 1,007                      | 5,113                     |
| Reversal of impairment of accounts<br>receivable                           | (186)   | (2,437)  | –                          | (2,623)                   |
| Impairment of other receivables  | 153   | –  | –                          | 153                       |
| Reversal of impairment of other receivables                                | (900)   | –  | –                          | (900)                     |
| Provision for inventories  | –   | –  | 136                        | 136                       |
| Depreciation   | 1,719   | 1,048  | 989                        | 3,756                     |
| Capital expenditure  | <u>358</u>                                    | <u>5,953</u>   | <u>252</u>                 | <u>6,563*</u>             |

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

Year ended 31 March 2010

|  | <b>Construction<br/>business</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business</b> | <b>Others</b>   | <b>Total</b>            |
|--|----------------------------------|---|-----------------|-------------------------|
|  | <i>HK\$'000</i>                  | <i>HK\$'000</i>   | <i>HK\$'000</i> | <i>HK\$'000</i>         |
| <b>Segment revenue:</b>  |                                  |   |                 |                         |
| Sales to external customers  | 249,470                          | 241,016   | 8,261           | 498,747                 |
| Other income and gains   | <u>2,392</u>                     | <u>5,278</u>  | <u>14</u>       | <u>7,684</u>            |
| Revenue from continuing operations   | 251,862                          | 246,294   | 8,275           | <u><u>506,431</u></u>   |
| <b>Segment results</b>   |                                  |   |                 |                         |
| Operating profit/(loss)  | 2,592                            | 91,449  | (1,507)         | 92,534                  |
| <i>Reconciliation:</i>   |                                  |   |                 |                         |
| Interest income  |                                  |   |                 | 2,271                   |
| Gain on disposal of associates   |                                  |   |                 | 2,155                   |
| Unallocated expenses   |                                  |   |                 | (12,117)                |
| Finance costs  |                                  |   |                 | (8,455)                 |
| Impairment of an amount due from a<br>jointly-controlled entity                                      |                                  |   |                 | (2,851)                 |
| Impairment of an amount due from an<br>associate   |                                  |   |                 | (12,860)                |
| Excess over the cost of business<br>combinations   |                                  |   |                 | 2,893                   |
| Share of loss of a jointly-controlled entity   |                                  |   |                 | (620)                   |
| Share of profits and losses of associates  |                                  |   |                 | <u>(227)</u>            |
| Profit before tax from continuing<br>operations  |                                  |   |                 | <u><u>62,723</u></u>    |
| <b>Segment assets</b>  | 127,898                          | 770,890   | 3,735           | 902,523                 |
| <i>Reconciliation:</i>   |                                  |   |                 |                         |
| Interests in associates  |                                  |   |                 | 3,772                   |
| Assets of disposal groups/non-current asset<br>classified as held for sale                           |                                  |   |                 | 172,703                 |
| Corporate and other unallocated assets   |                                  |   |                 | <u>105,290</u>          |
| Total assets   |                                  |   |                 | <u><u>1,184,288</u></u> |
| <b>Segment liabilities</b>   | 106,834                          | 153,895   | 1,131           | 261,860                 |
| <i>Reconciliation:</i>   |                                  |   |                 |                         |
| Liabilities directly associated with the<br>assets of disposal groups classified as<br>held for sale |                                  |   |                 | 120,567                 |
| Corporate and other unallocated liabilities  |                                  |   |                 | <u>288,099</u>          |
| Total liabilities  |                                  |   |                 | <u><u>670,526</u></u>   |

|  | <b>Construction<br/>business<br/>HK\$'000</b> | <b>Property<br/>development<br/>and<br/>investment<br/>business<br/>HK\$'000</b> | <b>Others<br/>HK\$'000</b> | <b>Total<br/>HK\$'000</b> |
|--|---|--|----------------------------|---------------------------|
| <b>Other segment information:</b>                          |   |  |                            |                           |
| Recognition of prepaid land lease payments                 | 139   | –  | –                          | 139                       |
| Fair value gain of investment properties                   | –   | (9,167)  | –                          | (9,167)                   |
| Loss on disposal of items of property, plant and equipment | 47  | 4  | 10                         | 61                        |
| Impairment of accounts receivable                          | 231   | 2,727  | 171                        | 3,129                     |
| Reversal of impairment of accounts receivable              | (2,246)                                       | (2,556)  | –                          | (4,802)                   |
| Reversal of impairment of other receivables                | (798)   | –  | –                          | (798)                     |
| Provision for inventories                                  | –   | –  | 133                        | 133                       |
| Depreciation   | 1,743   | 2,014  | 80                         | 3,837                     |
| Capital expenditure  | <u>1,005</u>                                  | <u>15,470</u>  | <u>52</u>                  | <u>16,527*</u>            |

\* Capital expenditure represents additions to property, plant and equipment and investment properties.

#### Geographical information

##### (a) Revenue from external customers

|                | <b>2008<br/>HK\$'000</b> | <b>2009<br/>HK\$'000</b> | <b>2010<br/>HK\$'000</b> |
|----------------|--------------------------|--------------------------|--------------------------|
| Hong Kong      | 256,746                  | 282,486                  | 140,412                  |
| Mainland China | <u>343,041</u>           | <u>415,708</u>           | <u>358,335</u>           |
|                | <u>599,787</u>           | <u>698,194</u>           | <u>498,747</u>           |

The revenue information from continuing operations above is based on the location of the customers.

##### (b) Non-current assets

|                | <b>2008<br/>HK\$'000</b> | <b>2009<br/>HK\$'000</b> | <b>2010<br/>HK\$'000</b> |
|----------------|--------------------------|--------------------------|--------------------------|
| Hong Kong      | 48,991                   | 45,803                   | 50,088                   |
| Mainland China | <u>191,030</u>           | <u>205,969</u>           | <u>232,133</u>           |
|                | <u>240,021</u>           | <u>251,772</u>           | <u>282,221</u>           |

The non-current assets information from continuing operations above is based on the location of assets and excludes interest in a jointly-controlled entity, interests in associates and financial assets at fair value through profit or loss.

#### Information about a major customer

During the year ended 31 March 2010, none of the Group's revenue was derived from transactions with individual external customers that amounted to 10 per cent or more of the Group's revenue.

Revenue from continuing operations of approximately HK\$105,592,000 and HK\$118,773,000 for the years ended 31 March 2008 and 2009, respectively, was derived from construction contracts services to a single external customer.

## 5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents an appropriate proportion of contract revenue from construction contracts, income from property development and investment business, trading of medical equipment, and provision of related installation and maintenance services.

An analysis of revenue, other income and gains from continuing operations is as follows:

|  | <i>Note</i> | <b>2008</b><br><i>HK\$'000</i> | <b>Group</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> |
|--|-------------|--------------------------------|--|--------------------------------|
| <b>Revenue</b>   |             |                                |  |                                |
| Income from construction contracting and related business  |             | 445,680                        | 591,014  | 249,470                        |
| Income from property development and investment business   |             | 128,140                        | 94,990   | 241,016                        |
| Income from trading of medical equipment, provision of related installation and maintenance services |             | <u>25,967</u>                  | <u>12,190</u>                                  | <u>8,261</u>                   |
|  |             | <u>599,787</u>                 | <u>698,194</u>                                 | <u>498,747</u>                 |
| <b>Other income and gains</b>  |             |                                |  |                                |
| Bank interest income   |             | 1,626                          | 611  | 231                            |
| Other interest income  |             | 1,083                          | 595  | 2,040                          |
| Gross rental income  | 6           | 3,919                          | 3,210  | 3,046                          |
| Gain on disposal of associates   | 6           | –                              | –  | 2,155                          |
| Dividend income from an available-for-sale investment  |             | 6,810                          | –  | –                              |
| Net gain on disposal of leasehold building   | 6           | 12,819                         | –  | –                              |
| Others   |             | <u>3,514</u>                   | <u>3,139</u>                                   | <u>4,638</u>                   |
|  |             | <u>29,771</u>                  | <u>7,555</u>                                   | <u>12,110</u>                  |



## 6. PROFIT BEFORE TAX

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

|   | <i>Notes</i> | <b>2008</b><br><i>HK\$'000</i> | <b>Group</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|--|--------------------------------|
| Cost of properties sold   |              | 84,146                         | 42,599   | 147,876                        |
| Cost of construction contracting  |              | 419,114                        | 536,092  | 224,818                        |
| Cost of inventories sold and services provided  |              | 14,528                         | 8,410  | 5,552                          |
| Auditors' remuneration  |              | 1,804                          | 1,680  | 1,780                          |
| Depreciation*   |              | 5,058                          | 3,756  | 3,837                          |
| Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties       |              | –                              | 757  | 882                            |
| Recognition of prepaid land lease payments  | <i>16</i>    | 249                            | 139  | 139                            |
| Minimum lease payments under operating leases on land and buildings   |              | 945                            | 2,702  | 2,461                          |
| Rental income on investment properties less direct operating expenses of HK\$882,000 (2008: Nil; 2009: HK\$757,000) |              | –                              | 5,599  | 7,836                          |
| Gain on disposal of associates  | <i>5</i>     | –                              | –  | (2,155)                        |
| Loss on disposal of items of property, plant and equipment^   |              | 156                            | 39   | 61                             |
| Gain on disposal of a leasehold building  |              | (19,836)                       | –  | –                              |
| Less: Derecognition of prepaid land lease payments  |              | <u>7,017</u>                   | <u>–</u>                                       | <u>–</u>                       |
|   | <i>5</i>     | (12,819)                       | –  | –                              |
| Gross rental income   | <i>5</i>     | (3,919)                        | (3,210)  | (3,046)                        |
| Less: Outgoings   |              | <u>200</u>                     | <u>122</u>                                     | <u>132</u>                     |
| Rental income   |              | <u>(3,719)</u>                 | <u>(3,088)</u>                                 | <u>(2,914)</u>                 |

|   | <i>Notes</i> | <b>2008</b><br><i>HK\$'000</i> | <b>Group</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|--|--------------------------------|
| Employee benefit expense (including directors' remuneration – note 8):    |              |                                |  |                                |
| Wages and salaries  |              | 33,408                         | 31,990   | 31,543                         |
| Equity-settled share option expenses                                      |              | 379                            | –  | –                              |
| Pension schemes contributions <sup>#</sup>                                |              | 914                            | 755  | 856                            |
| Less: Amount capitalised  |              | <u>(2,702)</u>                 | <u>(2,372)</u>                                 | <u>(3,426)</u>                 |
|   |              | <u>31,999</u>                  | <u>30,373</u>                                  | <u>28,973</u>                  |
| Foreign exchange differences, net <sup>^</sup>                            |              | 926                            | (1,418)  | (2,399)                        |
| Provision for inventories, included in cost of inventories sold           |              | 107                            | 136  | 133                            |
| Impairment of an amount due from a jointly-controlled entity <sup>^</sup> |              | 243                            | 3,174  | 2,851                          |
| Impairment of an amount due from an associate <sup>^</sup>                | <i>19</i>    | –                              | –  | 12,860                         |
| Impairment of an available-for-sale investment <sup>^</sup>               |              | 2,400                          | –  | –                              |
| Impairment of an amount due from an investee <sup>^</sup>                 |              | 3,840                          | –  | –                              |
| Impairment of accounts receivable <sup>^**</sup>                          |              | 2,965                          | 5,113  | 3,129                          |
| Reversal of impairment of accounts receivable <sup>^</sup>                | <i>27</i>    | (5,407)                        | (2,623)  | (4,802)                        |
| Impairment of other receivables <sup>^</sup>                              | <i>28</i>    | 965                            | 153  | –                              |
| Reversal of impairment of other receivables <sup>^</sup>                  | <i>28</i>    | <u>(3,933)</u>                 | <u>(900)</u>                                   | <u>(798)</u>                   |

<sup>#</sup> There were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years for the years ended 31 March 2008, 2009 and 2010.

<sup>^</sup> These amounts are included in “Other operating expenses, net” on the face of the consolidated income statement.

<sup>\*</sup> The total amount of depreciation for the year ended 31 March 2008 including the amount from discontinued operation is HK\$6,515,000 (note 14).

<sup>\*\*</sup> The total amount of impairment of accounts receivable for the year ended 31 March 2008 including the amount from discontinued operation is HK\$3,165,000 (note 27).

## 7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

|  | <b>2008</b><br><i>HK\$'000</i> | <b>Group</b><br><b>2009</b><br><i>HK\$'000</i> | <b>2010</b><br><i>HK\$'000</i> |
|--|--------------------------------|--|--------------------------------|
| Interest on bank loans, overdrafts and other borrowings wholly repayable within five years | 11,350                         | 9,185  | 15,257                         |
| Interest on convertible notes  | <u>1,050</u>                   | <u>1,077</u>                                   | <u>67</u>                      |
| Total interest expense on financial liabilities not at fair value through profit or loss   | 12,400                         | 10,262   | 15,324                         |
| Less: Interest capitalised   | <u>(6,903)</u>                 | <u>(2,649)</u>                                 | <u>(6,869)</u>                 |
|  | <u>5,497</u>                   | <u>7,613</u>                                   | <u>8,455</u>                   |

## 8. DIRECTORS' REMUNERATION

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

|                                      | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|--------------------------------------|-----------------|-----------------------|-----------------|
|                                      | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Fees                                 | 360             | 312                   | 312             |
| Other emoluments:                    |                 |                       |                 |
| Salaries and allowances              | 4,075           | 3,538                 | 3,257           |
| Equity-settled share option expenses | 130             | –                     | –               |
| Pension schemes contributions        | 114             | 76                    | 58              |
|                                      | <u>4,319</u>    | <u>3,614</u>          | <u>3,315</u>    |
|                                      | <u>4,679</u>    | <u>3,926</u>          | <u>3,627</u>    |

During the year ended 31 March 2008, the directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 38 to the Financial Information. The fair value of such options, which had been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount is included in the above directors' remuneration disclosures.

## (a) Independent non-executive directors

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

|                            | <b>Fees</b>     | <b>Equity-settled<br/>share option<br/>expenses</b> | <b>Total<br/>remuneration</b> |
|----------------------------|-----------------|---|-------------------------------|
|                            | <i>HK\$'000</i> | <i>HK\$'000</i>                                     | <i>HK\$'000</i>               |
| <b>2008</b>                |                 |   |                               |
| Dr. Ho Chung Tai, Raymond  | 144             | 2   | 146                           |
| Mr. Siu Man Po             | 120             | 2   | 122                           |
| Mr. Wong Shing Kay, Oliver | 96              | –   | 96                            |
|                            | <u>360</u>      | <u>4</u>  | <u>364</u>                    |
| <b>2009</b>                |                 |   |                               |
| Dr. Ho Chung Tai, Raymond  | 120             | –   | 120                           |
| Mr. Siu Man Po             | 96              | –   | 96                            |
| Mr. Wong Shing Kay, Oliver | 96              | –   | 96                            |
|                            | <u>312</u>      | <u>–</u>  | <u>312</u>                    |
| <b>2010</b>                |                 |   |                               |
| Dr. Ho Chung Tai, Raymond  | 120             | –   | 120                           |
| Mr. Siu Man Po             | 96              | –   | 96                            |
| Mr. Wong Shing Kay, Oliver | 96              | –   | 96                            |
|                            | <u>312</u>      | <u>–</u>  | <u>312</u>                    |

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

|                          | Fees<br><i>HK\$'000</i> | Salaries and<br>allowances<br><i>HK\$'000</i> | Equity-settled<br>share option<br>expenses<br><i>HK\$'000</i> | Pension<br>schemes<br>contributions<br><i>HK\$'000</i> | Total<br>remuneration<br><i>HK\$'000</i> |
|--------------------------|-------------------------|---|---|--|--|
| <b>2008</b>              |                         |   |   |  |  |
| Mr. Wang Ke Duan         | –                       | 540   | –   | –  | 540                                      |
| Mr. Tjia Boen Sien       | –                       | 1,431   | 7   | 24   | 1,462                                    |
| Mr. Wang Jing Ning       | –                       | 480   | 14  | 12   | 506                                      |
| Mr. Keung Kwok<br>Cheung | –                       | 946   | 35  | 46   | 1,027                                    |
| Mr. Ong Chi King*        | –                       | 678   | 70  | 32   | 780                                      |
|                          | –                       | 4,075   | 126   | 114  | 4,315                                    |
| <b>2009</b>              |                         |   |   |  |  |
| Mr. Wang Ke Duan         | –                       | 540   | –   | –  | 540                                      |
| Mr. Tjia Boen Sien       | –                       | 1,338   | –   | 12   | 1,350                                    |
| Mr. Wang Jing Ning       | –                       | 480   | –   | 12   | 492                                      |
| Mr. Keung Kwok<br>Cheung | –                       | 963   | –   | 46   | 1,009                                    |
| Mr. Ong Chi King*        | –                       | 217   | –   | 6  | 223                                      |
|                          | –                       | 3,538   | –   | 76   | 3,614                                    |
| <b>2010</b>              |                         |   |   |  |  |
| Mr. Wang Ke Duan         | –                       | 540   | –   | –  | 540                                      |
| Mr. Tjia Boen Sien       | –                       | 1,338   | –   | –  | 1,338                                    |
| Mr. Wang Jing Ning       | –                       | 468   | –   | 12   | 480                                      |
| Mr. Keung Kwok<br>Cheung | –                       | 911   | –   | 46   | 957                                      |
|                          | –                       | 3,257   | –   | 58   | 3,315                                    |

\* Mr. Ong Chi King resigned as an executive director on 27 June 2008.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees for years ended 31 March 2008, 2009 and 2010 included three, two and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two, three and three non-director, highest paid employees, respectively, for the years ended 31 March 2008, 2009 and 2010 are as follows:

|                               | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|-------------------------------|-----------------|-----------------------|-----------------|
|                               | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Salaries and allowances       | 1,264           | 1,904                 | 2,032           |
| Pension schemes contributions | 40              | 53                    | 53              |
|                               | <u>1,304</u>    | <u>1,957</u>          | <u>2,085</u>    |

The remuneration of these two, three and three non-director, highest paid employees, respectively, for the years ended 31 March 2008, 2009 and 2010 fell within the band of nil to HK\$1,000,000.

**10. INCOME TAX**

No Hong Kong profits tax has been provided as the Group's subsidiaries either did not generate any assessable profits arising in Hong Kong or have available tax losses brought forward from prior years to offset the assessable profits generated for the years ended 31 March 2008 and 2010. For the year ended 31 March 2009, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during that year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including amortisation of land use rights, borrowing costs and all property development expenditures.

|   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---|-----------------|-----------------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Current – Hong Kong                           |                 |                       |                 |
| Charge for the year                           | –               | 9                     | –               |
| Current – Elsewhere                           |                 |                       |                 |
| Charge for the year                           | 8,095           | 9,360                 | 9,954           |
| Underprovision/(overprovision) in prior years | 4,657           | (21)                  | (2,184)         |
| Deferred ( <i>note 35</i> )                   | 262             | 3,757                 | 3,200           |
| LAT in Mainland China                         | <u>5,657</u>    | <u>11,849</u>         | <u>23,169</u>   |
| Total tax charge for the year                 | <u>18,671</u>   | <u>24,954</u>         | <u>34,139</u>   |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rates is as follows:

|   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---|-----------------|-----------------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Profit before tax from continuing operations  | <u>40,238</u>   | <u>38,614</u>         | <u>62,723</u>   |
| Tax at the statutory tax rate of 16.5%<br>(2009: 16.5%; 2008: 17.5%)                                | 7,042           | 6,371                 | 10,349          |
| Effect of different rates for companies operating in other jurisdictions                            | 3,453           | 4,221                 | 4,025           |
| Effect on opening deferred tax of decrease in rates   | –               | (31)                  | –               |
| Adjustments in respect of current tax of previous periods   | 4,657           | (21)                  | (2,184)         |
| Profits and losses attributable to associates   | (201)           | 43                    | 37              |
| Profits and losses attributable to a jointly-controlled entity                                      | 43              | 1,767                 | 102             |
| Income not subject to tax   | (6,588)         | (3,465)               | (8,709)         |
| Expenses not deductible for tax   | 1,993           | 1,675                 | 6,829           |
| Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries | –               | 3,108                 | 908             |
| Tax losses utilised from previous periods   | (446)           | (2,392)               | (639)           |
| Tax losses and temporary differences not recognised   | 3,091           | 1,891                 | 670             |
| LAT   | 5,657           | 11,849                | 23,169          |
| Others  | <u>(30)</u>     | <u>(62)</u>           | <u>(418)</u>    |
| Tax charge at the Group's effective rate of 54.4%<br>(2009: 64.6%; 2008: 46.4%)                     | <u>18,671</u>   | <u>24,954</u>         | <u>34,139</u>   |

The share of tax charge attributable to associates amounting to HK\$1,948,000 and HK\$498,000, respectively, for the years ended 31 March 2008 and 2009, and tax credit attributable to associates amounting to HK\$29,000 for the year ended 31 March 2010, are included in "Share of profits and losses of associates" on the face of the consolidated income statement. There was share of tax charge of HK\$4,000 attributable to a jointly-controlled entity for the year ended 31 March 2008 (2009: Nil; 2010: Nil).

#### 11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a loss of HK\$5,198,000, loss of HK\$4,795,000 and profit of HK\$20,326,000, respectively, for the years ended 31 March 2008, 2009 and 2010, which has been dealt with in the financial statements of the Company (note 39(b)).

#### 12. DIVIDEND

|   | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|---|-----------------|-----------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Proposed final 2010 dividend – HK2 cents<br>(2008: Nil; 2009: Nil) per ordinary share | <u>–</u>        | <u>–</u>        | <u>11,315</u>   |

The proposed final dividend for the year ended 31 March 2010 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 572,634,425, 570,127,894 and 566,973,017 in issue for the years ended 31 March 2008, 2009 and 2010, respectively.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment was made to the basic earnings per share amounts presented for the years ended 31 March 2009 and 2010 in respect of a dilution as the impact of the convertible notes outstanding had an anti-dilutive effect on the basic earnings per share amounts presented in 31 March 2009 and the Group had no dilutive ordinary shares in issue for the year ended 31 March 2010.

The calculations of basic and diluted earnings per share are based on:

|   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---|-----------------|-----------------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| <b>Earnings</b>   |                 |                       |                 |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation |                 |                       |                 |
| From continuing operations  | 22,020          | 12,570                | 26,951          |
| From discontinued operation   | (5,127)         | –                     | –               |
|   | <u>16,893</u>   | <u>12,570</u>         | <u>26,951</u>   |
| Interest on convertible notes   | 1,050           | 1,077                 | –               |
|   | <u>17,943</u>   | <u>13,647</u>         | <u>26,951</u>   |
| Profit attributable to ordinary equity holders of the Company before interest on convertible notes              | <u>17,943</u>   | <u>13,647</u>         | <u>26,951</u>   |
| Attributable to:  |                 |                       |                 |
| Continuing operations   | 23,070          | 13,647                | 26,951          |
| Discontinued operation  | (5,127)         | –                     | –               |
|   | <u>17,943</u>   | <u>13,647</u>         | <u>26,951</u>   |

|  | Number of shares   |                     |                    |
|--|--------------------|---------------------|--------------------|
|  | 2008               | 2009                | 2010               |
| <b>Shares</b>  |                    |                     |                    |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 572,634,425        | 570,127,894         | 566,973,017        |
| Effect of dilution – weighted average number of ordinary shares:   |                    |                     |                    |
| Share options  | 697,314            | –                   | –                  |
| Convertible notes  | 35,000,000         | 35,000,000          | –                  |
|  | <u>608,331,739</u> | <u>605,127,894*</u> | <u>566,973,017</u> |

\* For the year ended 31 March 2009, because the diluted earnings per share amount was increased when taking the convertible notes into account, the convertible notes had an anti-dilutive effect on the basic earnings per share for that year and were ignored in the calculation of diluted earnings per share. Therefore, diluted earnings per share amounts were based on the profit for that year of HK\$12,570,000 and the weighted average number of ordinary shares of 570,127,894 in issue during the year ended 31 March 2009.

#### 14. PROPERTY, PLANT AND EQUIPMENT

|  | Leasehold<br>buildings<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Furniture<br>and<br>fixtures<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Tools and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|---|--|---|--------------------------------------|--------------------------|
| <b>31 March 2008</b>                             |   |   |   |  |   |                                      |                          |
| 1 April 2007:                                    |   |   |   |  |   |                                      |                          |
| Cost or valuation                                | 86,094                                    | 8,167   | 4,983   | 7,392                                  | 17,453                                    | 5,601                                | 129,690                  |
| Accumulated depreciation                         | (2,216)                                   | (3,766)   | (3,263)   | (4,809)                                | (6,003)                                   | (4,324)                              | (24,381)                 |
| Net carrying amount                              | <u>83,878</u>                             | <u>4,401</u>                                      | <u>1,720</u>                                    | <u>2,583</u>                           | <u>11,450</u>                             | <u>1,277</u>                         | <u>105,309</u>           |
| At 1 April 2007, net of accumulated depreciation |   |   |   |  |   |                                      |                          |
| Additions  | 3,409                                     | 563   | 148   | 651                                    | 636                                       | 773                                  | 6,180                    |
| Disposals  | (7,343)                                   | (49)  | (154)   | (31)                                   | –   | –                                    | (7,577)                  |
| Disposal of subsidiaries<br>(note 42)            | –   | (4,367)   | –   | (1,393)                                | (8,700)                                   | (131)                                | (14,591)                 |
| Surplus on revaluation                           | 13,253                                    | –   | –   | –                                      | –   | –                                    | 13,253                   |
| Depreciation provided during the year            | (3,362)                                   | (691)   | (278)   | (616)                                  | (1,246)                                   | (322)                                | (6,515)                  |
| Exchange realignment                             | 3,293                                     | 145   | 87  | 21                                     | 463                                       | 56                                   | 4,065                    |
| At 31 March 2008                                 | <u>93,128</u>                             | <u>2</u>  | <u>1,523</u>                                    | <u>1,215</u>                           | <u>2,603</u>                              | <u>1,653</u>                         | <u>100,124</u>           |
| At 31 March 2008:                                |   |   |   |  |   |                                      |                          |
| Cost or valuation                                | 93,128                                    | 1,768   | 3,340   | 6,151                                  | 6,259                                     | 6,400                                | 117,046                  |
| Accumulated depreciation                         | –   | (1,766)   | (1,817)   | (4,936)                                | (3,656)                                   | (4,747)                              | (16,922)                 |
| Net carrying amount                              | <u>93,128</u>                             | <u>2</u>  | <u>1,523</u>                                    | <u>1,215</u>                           | <u>2,603</u>                              | <u>1,653</u>                         | <u>100,124</u>           |



**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

|  | Leasehold<br>buildings<br><i>HK\$'000</i> | Leasehold<br>improve-<br>ments<br><i>HK\$'000</i> | Furniture<br>and<br>fixtures<br><i>HK\$'000</i> | Office<br>equipment<br><i>HK\$'000</i> | Tools and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|---|---|---|--|---|--------------------------------------|--------------------------|
| Analysis of cost or valuation:                       |   |   |   |  |   |                                      |                          |
| At cost  | –   | 1,768   | 3,340   | 6,151                                  | 6,259                                     | 6,400                                | 23,918                   |
| At valuation   | 93,128                                    | –   | –   | –                                      | –   | –                                    | 93,128                   |
|  | <u>93,128</u>                             | <u>1,768</u>                                      | <u>3,340</u>                                    | <u>6,151</u>                           | <u>6,259</u>                              | <u>6,400</u>                         | <u>117,046</u>           |
| <b>31 March 2009</b>                                 |   |   |   |  |   |                                      |                          |
| At 1 April 2008:                                     |   |   |   |  |   |                                      |                          |
| Cost or valuation                                    | 93,128                                    | 1,768   | 3,340   | 6,151                                  | 6,259                                     | 6,400                                | 117,046                  |
| Accumulated depreciation                             | –   | (1,766)   | (1,817)   | (4,936)                                | (3,656)                                   | (4,747)                              | (16,922)                 |
| Net carrying amount                                  | <u>93,128</u>                             | <u>2</u>  | <u>1,523</u>                                    | <u>1,215</u>                           | <u>2,603</u>                              | <u>1,653</u>                         | <u>100,124</u>           |
| At 1 April 2008, net of accumulated depreciation     |   |   |   |  |   |                                      |                          |
|  | 93,128                                    | 2   | 1,523   | 1,215                                  | 2,603                                     | 1,653                                | 100,124                  |
| Additions  | –   | 5,343   | 154   | 685                                    | 100                                       | 281                                  | 6,563                    |
| Disposals  | –   | –   | (1)   | (94)                                   | –   | (88)                                 | (183)                    |
| Surplus on revaluation                               | 4,520                                     | –   | –   | –                                      | –   | –                                    | 4,520                    |
| Depreciation provided during the year                | (1,563)                                   | (418)   | (264)   | (458)                                  | (693)                                     | (360)                                | (3,756)                  |
| Transfer to investment properties ( <i>note 15</i> ) | (43,005)                                  | –   | –   | –                                      | –   | –                                    | (43,005)                 |
| Exchange realignment                                 | 28  | –   | 12  | 7                                      | 29  | 11                                   | 87                       |
| At 31 March 2009                                     | <u>53,108</u>                             | <u>4,927</u>                                      | <u>1,424</u>                                    | <u>1,355</u>                           | <u>2,039</u>                              | <u>1,497</u>                         | <u>64,350</u>            |
| At 31 March 2009:                                    |   |   |   |  |   |                                      |                          |
| Cost or valuation                                    | 53,108                                    | 7,126   | 3,505   | 6,582                                  | 6,408                                     | 6,406                                | 83,135                   |
| Accumulated depreciation                             | –   | (2,199)   | (2,081)   | (5,227)                                | (4,369)                                   | (4,909)                              | (18,785)                 |
| Net carrying amount                                  | <u>53,108</u>                             | <u>4,927</u>                                      | <u>1,424</u>                                    | <u>1,355</u>                           | <u>2,039</u>                              | <u>1,497</u>                         | <u>64,350</u>            |
| Analysis of cost or valuation:                       |   |   |   |  |   |                                      |                          |
| At cost  | –   | 7,126   | 3,505   | 6,582                                  | 6,408                                     | 6,406                                | 30,027                   |
| At valuation   | 53,108                                    | –   | –   | –                                      | –   | –                                    | 53,108                   |
|  | <u>53,108</u>                             | <u>7,126</u>                                      | <u>3,505</u>                                    | <u>6,582</u>                           | <u>6,408</u>                              | <u>6,406</u>                         | <u>83,135</u>            |

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|   | Leasehold<br>buildings<br>HK\$'000 | Leasehold<br>improve-<br>ments<br>HK\$'000 | Golf club<br>facilities<br>HK\$'000 | Furniture<br>and<br>fixtures<br>HK\$'000 | Office<br>equipment<br>HK\$'000 | Tools and<br>equipment<br>HK\$'000 | Motor<br>vehicles<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------------|--|-------------------------------------|--|---------------------------------|------------------------------------|-------------------------------|-------------------|
| <b>31 March 2010</b>  |                                    |  |                                     |  |                                 |                                    |                               |                   |
| At 31 March 2009 and at<br>1 April 2009:                                    |                                    |  |                                     |  |                                 |                                    |                               |                   |
| Cost or valuation   | 53,108                             | 7,126                                      | –                                   | 3,505                                    | 6,582                           | 6,408                              | 6,406                         | 83,135            |
| Accumulated<br>depreciation   | –                                  | (2,199)                                    | –                                   | (2,081)                                  | (5,227)                         | (4,369)                            | (4,909)                       | (18,785)          |
| Net carrying amount   | <u>53,108</u>                      | <u>4,927</u>                               | <u>–</u>                            | <u>1,424</u>                             | <u>1,355</u>                    | <u>2,039</u>                       | <u>1,497</u>                  | <u>64,350</u>     |
| At 1 April 2009, net of<br>accumulated<br>depreciation                      | 53,108                             | 4,927                                      | –                                   | 1,424                                    | 1,355                           | 2,039                              | 1,497                         | 64,350            |
| Additions   | –                                  | –  | –                                   | 30                                       | 142                             | 3                                  | 1,218                         | 1,393             |
| Acquisition of subsidiaries<br>(note 40)                                    | –                                  | –  | 92,538                              | 267                                      | 45                              | 4,061                              | 1,227                         | 98,138            |
| Reclassified as disposal<br>groups classified as held<br>for sale (note 30) | –                                  | –  | (92,538)                            | (267)                                    | (109)                           | (4,061)                            | (1,459)                       | (98,434)          |
| Disposals   | –                                  | –  | –                                   | –  | (22)                            | –                                  | (258)                         | (280)             |
| Surplus on revaluation  | 7,595                              | –  | –                                   | –  | –                               | –                                  | –                             | 7,595             |
| Depreciation provided<br>during the year                                    | (1,674)                            | (347)                                      | –                                   | (314)                                    | (370)                           | (705)                              | (427)                         | (3,837)           |
| Transfer to investment<br>properties (note 15)                              | –                                  | (2,717)                                    | –                                   | –  | –                               | –                                  | –                             | (2,717)           |
| Exchange realignment  | <u>22</u>                          | <u>43</u>                                  | <u>–</u>                            | <u>10</u>                                | <u>5</u>                        | <u>17</u>                          | <u>7</u>                      | <u>104</u>        |
| At 31 March 2010  | <u>59,051</u>                      | <u>1,906</u>                               | <u>–</u>                            | <u>1,150</u>                             | <u>1,046</u>                    | <u>1,354</u>                       | <u>1,805</u>                  | <u>66,312</u>     |
| At 31 March 2010:   |                                    |  |                                     |  |                                 |                                    |                               |                   |
| Cost or valuation   | 59,051                             | 4,032                                      | –                                   | 3,549                                    | 6,520                           | 6,450                              | 6,460                         | 86,062            |
| Accumulated<br>depreciation   | –                                  | (2,126)                                    | –                                   | (2,399)                                  | (5,474)                         | (5,096)                            | (4,655)                       | (19,750)          |
| Net carrying amount   | <u>59,051</u>                      | <u>1,906</u>                               | <u>–</u>                            | <u>1,150</u>                             | <u>1,046</u>                    | <u>1,354</u>                       | <u>1,805</u>                  | <u>66,312</u>     |
| Analysis of cost or<br>valuation:   |                                    |  |                                     |  |                                 |                                    |                               |                   |
| At cost   | –                                  | 4,032                                      | –                                   | 3,549                                    | 6,520                           | 6,450                              | 6,460                         | 27,011            |
| At valuation  | <u>59,051</u>                      | <u>–</u>                                   | <u>–</u>                            | <u>–</u>                                 | <u>–</u>                        | <u>–</u>                           | <u>–</u>                      | <u>59,051</u>     |
|   | <u>59,051</u>                      | <u>4,032</u>                               | <u>–</u>                            | <u>3,549</u>                             | <u>6,520</u>                    | <u>6,450</u>                       | <u>6,460</u>                  | <u>86,062</u>     |

The Group's leasehold buildings, except for certain properties with a carrying value of HK\$8,323,000, HK\$1,413,000 and HK\$2,351,000 as at 31 March 2008, 2009 and 2010, respectively (the "Properties"), were revalued individually at the end of the reporting period by B.I. Appraisals Limited, independent professionally qualified valuers, at an aggregate open market value of HK\$84,805,000, HK\$51,695,000 and HK\$56,700,000 as at 31 March 2008, 2009 and 2010, respectively, based on their existing use. In the opinion of the directors, the carrying value of the Properties approximates to its fair value as at 31 March 2008, 2009 and 2010, with reference to recent market transactions. A revaluation surplus of HK\$13,253,000, HK\$4,520,000 and HK\$7,595,000 as at 31 March 2008, 2009 and 2010, respectively, resulting from the revaluation has been credited to other comprehensive income.

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Details of the leasehold buildings are as follows:

|                     | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---------------------|-----------------|-----------------------|-----------------|
|                     | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Long term lease:    |                 |                       |                 |
| Hong Kong           | 1,475           | 1,413                 | 4,300           |
| Medium term leases: |                 |                       |                 |
| Hong Kong           | 39,400          | 37,000                | 38,600          |
| Mainland China      | 52,253          | 14,695                | 16,151          |
|                     | <u>93,128</u>   | <u>53,108</u>         | <u>59,051</u>   |

Had the Group's leasehold buildings been carried at historical cost less accumulated depreciation and impairment losses, their carrying amounts would have been approximately HK\$55,036,000, HK\$17,807,000 and HK\$17,247,000 as at 31 March 2008, 2009 and 2010, respectively.

Certain leasehold buildings of the Group with aggregate carrying amounts of HK\$83,880,000, HK\$38,413,000 and HK\$42,900,000, respectively, as at 31 March 2008, 2009 and 2010 were pledged to secure certain banking facilities granted to the Group (note 34).

**15. INVESTMENT PROPERTIES**

|  | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|--|-----------------|-----------------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Carrying amount at 1 April                                     | 80,106          | 134,040               | 181,704         |
| Additions  | 49,561          | –                     | 15,134          |
| Net profit from fair value adjustment                          | –               | 2,599                 | 9,167           |
| Transfer from property, plant and equipment ( <i>note 14</i> ) | –               | 43,005                | 2,717           |
| Exchange realignment   | 4,373           | 2,060                 | 1,608           |
|  | <u>134,040</u>  | <u>181,704</u>        | <u>210,330</u>  |

The Group's investment properties are situated in Mainland China and are held under the following lease terms:

|                   | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|-------------------|-----------------|-----------------|-----------------|
|                   | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Long term lease   | 134,040         | 129,950         | 153,900         |
| Medium term lease | –               | 51,754          | 56,430          |
|                   | <u>134,040</u>  | <u>181,704</u>  | <u>210,330</u>  |

The Group's investment properties were revalued by B.I. Appraisals Limited, independent professionally qualified valuers, at HK\$134,040,000, HK\$181,704,000 and HK\$210,330,000, respectively, as at 31 March 2008, 2009 and 2010, on an open market, existing use basis.

The investment properties of the Group with aggregate carrying amounts of HK\$134,040,000, HK\$181,704,000 and HK\$210,330,000, respectively, as at 31 March 2008, 2009 and 2010, were pledged to secure certain banking facilities granted to the Group (note 34).

Investment properties of the Group with carrying amounts of HK\$129,950,000 and HK\$153,900,000 as at 31 March 2009 and 2010, respectively, and investment properties with carrying amounts of HK\$51,754,000 and HK\$56,430,000 as at 31 March 2009 and 2010, respectively, were leased to an independent third party and a related company under operating leases, respectively.

#### 16. PREPAID LAND LEASE PAYMENTS

|   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---|-----------------|-----------------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Carrying amount at 1 April  | 13,262          | 5,996                 | 5,857           |
| Acquisition of subsidiaries ( <i>note 40</i> )                                    | –               | –                     | 30,670          |
| Reclassified as disposal groups classified as held for sale<br>( <i>note 30</i> ) | –               | –                     | (30,670)        |
| Recognised during the year  | (249)           | (139)                 | (139)           |
| Derecognised during the year  | (7,017)         | –                     | –               |
|   | <u>5,996</u>    | <u>5,857</u>          | <u>5,718</u>    |
| Carrying amount at 31 March   | 5,996           | 5,857                 | 5,718           |
| Current portion included in prepayments, deposits and other<br>receivables        | (139)           | (139)                 | (139)           |
|   | <u>5,857</u>    | <u>5,718</u>          | <u>5,579</u>    |
| Non-current portion   | <u>5,857</u>    | <u>5,718</u>          | <u>5,579</u>    |

An analysis of the carrying amounts of prepaid land lease payments of the Group at the end of the reporting period is as follows:

|                                       | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---------------------------------------|-----------------|-----------------------|-----------------|
|                                       | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Situated in Hong Kong and held under: |                 |                       |                 |
| Medium term lease                     | 5,106           | 4,975                 | 4,844           |
| Long term lease                       | 890             | 882                   | 874             |
|                                       | <u>5,996</u>    | <u>5,857</u>          | <u>5,718</u>    |

The leasehold land of the Group was pledged to secure certain banking facilities granted to the Group as at 31 March 2008, 2009 and 2010 (*note 34*).

#### 17. INTERESTS IN SUBSIDIARIES

|                          | <b>2008</b>     | <b>Company<br/>2009</b> | <b>2010</b>     |
|--------------------------|-----------------|-------------------------|-----------------|
|                          | <i>HK\$'000</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Unlisted shares, at cost | 156,031         | 156,031                 | 156,031         |
| Due from subsidiaries    | 201,648         | 196,652                 | 200,997         |
|                          | <u>357,679</u>  | <u>352,683</u>          | <u>357,028</u>  |

The amounts advanced to the subsidiaries included in interests in subsidiaries above are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

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Details of the principal subsidiaries are as follows:

| Name  | Place of incorporation or registration/ operations | Nominal value of issued share/ registered capital | Class of shares held         | Percentage of equity attributable to the Company |          | Principal activities  |
|---|--|---|------------------------------|--|----------|---|
|   |  |   |                              | Direct   | Indirect |   |
| Beijing Chang De Architectural & Decoration Co., Ltd. (a)*                | PRC/Mainland China                                 | RMB16,000,000                                     | (ii)                         | –  | 60       | Decoration engineering                                      |
| Deson Development Holdings Limited*                                       | British Virgin Islands/Hong Kong                   | US\$200   | Ordinary                     | 100  | –        | Investment holding  |
| Deson Development Limited   | Hong Kong  | HK\$20,000,100<br>HK\$20,000,000                  | Class A<br>Class B (i)       | –  | 100      | Construction contracting and investment holding             |
| Deson Industries Limited*   | British Virgin Islands/Hong Kong                   | US\$1   | Ordinary                     | –  | 100      | Investment holding  |
| Deson Property Development (Kaifeng) Co., Ltd. (b)*                       | PRC/Mainland China                                 | HK\$70,000,000                                    | (ii)                         | –  | 100      | Property development  |
| Deson Ventures Limited*   | British Virgin Islands/Hong Kong                   | US\$1   | Ordinary                     | –  | 100      | Investment holding  |
| Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (b)* | PRC/Mainland China                                 | US\$6,400,000                                     | (ii)                         | –  | 100      | Property development  |
| Kenworth Engineering Limited  | Hong Kong  | HK\$54,374,140<br>HK\$20,000,000                  | Ordinary Preference<br>(iii) | –  | 100      | Provision of electrical and mechanical engineering services |
| 惠州高爾夫球場有限公司 (a)*#   | PRC/Mainland China                                 | HK\$90,000,000                                    | (ii)                         | –  | 54       | Golf course operation                                       |
| 惠州怡海房地產開發有限公司 (b)*#   | PRC/Mainland China                                 | HK\$38,500,000                                    | (ii)                         | –  | 60       | Property development  |
| Lead Joy Investments Limited**  | British Virgin Islands/Hong Kong                   | US\$10  | Ordinary                     | –  | 60       | Investment holding  |
| Measure Up Profits Limited**  | British Virgin Islands/Hong Kong                   | US\$100   | Ordinary                     | –  | 60       | Investment holding  |
| Medical Technologies Limited  | Hong Kong  | HK\$10,000  | Ordinary                     | –  | 100      | Trading of medical equipment                                |
| Super Sight Investments Inc.*   | British Virgin Islands/Mainland China              | US\$1   | Ordinary                     | –  | 100      | Property development  |

| Name                    | Place of incorporation or registration/ operations | Nominal value of issued share/ registered capital | Class of shares held | Percentage of equity attributable to the Company |          | Principal activities   |
|-------------------------|--|---|----------------------|--|----------|------------------------|
|                         |  |   |                      | Direct   | Indirect |                        |
| 上海迪申建築裝潢有限公司 (a)*       | PRC/Mainland China                                 | US\$700,000                                       | (ii)                 | –  | 100      | Decoration engineering |
| Wonderful Hope Limited* | British Virgin Islands/Mainland China              | US\$1   | Ordinary             | –  | 100      | Property development   |
| 美格菲(成都)康體發展有限公司 (b)*    | PRC/Mainland China                                 | RMB15,000,000                                     | (ii)                 | –  | 100      | Property investment    |
| 海南亞豪置業有限公司 (b)*         | PRC/Mainland China                                 | RMB10,000,000                                     | (ii)                 | –  | 100      | Property investment    |

(a) Registered as a Sino-foreign investment enterprise under PRC law

(b) Registered as wholly-foreign-owned enterprises under PRC law

\* Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

# The assets and liabilities of 惠州高爾夫球場有限公司, 惠州怡海房地產開發有限公司, Lead Joy Investments Limited and Measure Up Profits Limited were classified as disposal groups classified as held for sale during the year ended 31 March 2010. Further details are included in note 30 to the Financial Information.

*Notes:*

(i) The holders of these non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of the Company are less than HK\$100 trillion.

(ii) The issued or paid-up capital of these subsidiaries is not classified.

(iii) The holders of the preference shares have a cumulative preferential right to the company's profits at 10% of the nominal amount of share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

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

#### 18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

|                                      | Group            |                  |                  |
|--------------------------------------|------------------|------------------|------------------|
|                                      | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| Share of net liabilities             | (2,787)          | (13,495)         | (14,115)         |
| Due from a jointly-controlled entity | 18,466           | 19,456           | 22,927           |
| Impairment                           | (2,787)          | (5,961)          | (8,812)          |
|                                      | <u>15,679</u>    | <u>13,495</u>    | <u>14,115</u>    |
|                                      | <u>12,892</u>    | <u>–</u>         | <u>–</u>         |

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment except for an amount of HK\$7,178,000 as at 31 March 2008 and 2009 which bore interest at the prime rate in Hong Kong plus 1% per annum. In the opinion of the directors, this balance is considered as a quasi-equity loan to the jointly-controlled entity.

An impairment was recognised for an amount due from a jointly-controlled entity with a carrying amount of HK\$18,466,000, HK\$19,456,000 and HK\$22,927,000 (before deducting the impairment loss) as at 31 March 2008, 2009 and 2010, respectively, because the amount is unlikely to be recovered in the foreseeable future.

Particulars of the jointly-controlled entity are as follows:

| Name                                    | Place of registration and operations | Nominal value of issued ordinary share capital | Percentage of      |              |                | Principal activities  |
|---|--------------------------------------|--|--------------------|--------------|----------------|---|
|   |                                      |  | Ownership interest | Voting power | Profit sharing |   |
| Kenworth-Watfield Joint Venture Limited | Hong Kong                            | HK\$1,000,000                                  | 50                 | 50           | 50             | Provision of electrical and mechanical engineering services |

The investment in a jointly-controlled entity is held through a subsidiary of the Company.

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The following table illustrates the summarised financial information of the Group's jointly-controlled entity extracted from its financial statements:

|  | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|--|-----------------|-----------------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Share of the jointly-controlled entity's assets and liabilities: |                 |                       |                 |
| Current assets   | 9,245           | 1,939                 | 4               |
| Non-current assets   | 19              | 7                     | –               |
| Current liabilities  | <u>(12,051)</u> | <u>(15,441)</u>       | <u>(14,119)</u> |
| Net liabilities  | <u>(2,787)</u>  | <u>(13,495)</u>       | <u>(14,115)</u> |
| Share of the jointly-controlled entity's results:                |                 |                       |                 |
| Revenue  | 1,586           | –                     | 2,204           |
| Total expenses   | (1,825)         | (10,708)              | (2,824)         |
| Income tax expenses  | <u>(4)</u>      | <u>–</u>              | <u>–</u>        |
| Loss after tax   | <u>(243)</u>    | <u>(10,708)</u>       | <u>(620)</u>    |

**19. INTERESTS IN ASSOCIATES**

|                                   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|-----------------------------------|-----------------|-----------------------|-----------------|
|                                   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Share of net assets/(liabilities) | 8,192           | (2,408)               | (3,381)         |
| Advance to an associate           | –               | –                     | 20,013          |
| Impairment                        | <u>–</u>        | <u>–</u>              | <u>(12,860)</u> |
|                                   | <u>–</u>        | <u>–</u>              | <u>7,153</u>    |
|                                   | <u>8,192</u>    | <u>(2,408)</u>        | <u>3,772</u>    |
| Due from associates               | <u>23,620</u>   | <u>26,650</u>         | <u>27,108</u>   |
| Due to associates                 | <u>(547)</u>    | <u>(262)</u>          | <u>(54)</u>     |

The advance to an associate above is unsecured, interest-free and has no fixed terms of repayment. In the opinion of the directors, this advance is considered as a quasi-equity loan to the associate.

The remaining balances with associates are unsecured, interest-free and repayable on demand.

As at 31 March 2010, an impairment was recognised for the advance to an associate with a carrying amount of HK\$20,013,000 (before deducting the impairment loss) (2008: Nil; 2009: Nil) because the recoverable amount of this advance is less than its carrying amount as at the end of the reporting period.



Particulars of the principal associates are as follows:

| Name   | Particulars of issued shares held/registered paid-up capital | Place of incorporation/ registration and operations | Percentage of ownership attributable to the Group | Principal activities   |
|--|--|---|---|--|
| Asia Construction Holdings Limited                           | Ordinary shares of HK\$1                                     | Hong Kong   | 49  | Investment holding   |
| Deson Metals Company Limited*                                | Ordinary shares of HK\$1 each                                | Hong Kong/<br>Mainland<br>China                     | 40  | Trading of construction materials  |
| Fortune On Engineering Limited*                              | Ordinary shares of HK\$1 each                                | Hong Kong   | 40  | Property development   |
| Visonic Deson Limited*                                       | Ordinary shares of HK\$1 each                                | Hong Kong   | 50  | Selling, distribution and marketing of home security and automation products |
| Deson Development International Holdings Investment Limited* | Ordinary shares of HK\$1 each                                | Hong Kong   | 20  | Investment holding   |
| 海南亞豪物業管理有限公司* (ii)   | Registered capital of RMB1,000,000 (i)                       | PRC/Mainland<br>China                               | 20  | Property management  |
| Fuzhou Jiandi Concrete Co., Ltd.*                            | Registered capital of RMB15,000,000 (i)                      | PRC/Mainland<br>China                               | (iii)   | Manufacture of concrete products   |

\* Not audited by Ernst & Young Hong Kong or any other member firm of the Ernst & Young global network.

*Notes:*

- (i) The issued or paid-up capital of this associate is not classified.
- (ii) The remittance of dividends to the Group from this associate operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by this associate.
- (iii) As at 31 March 2009, the carrying amount of an interest in an associate, Fuzhou Jiandi Concrete Co., Ltd., amounting to HK\$9,295,000 was reclassified as a non-current asset classified as held for sale. Further details of the non-current asset classified as held for sale are included in note 30 to the Financial Information.

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

The Group's shareholding in the associates is held through subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of certain associates because it exceeded the Group's interests in these associates. The Group's unrecognised share of losses amounted to HK\$324,000 and HK\$689,000 for the years ended 31 March 2008 and 2009, respectively, and aggregate unrecognised share of

profits amounted to HK\$78,000 for year ended 31 March 2010. The Group's share of accumulated losses of these associates amounted to HK\$844,000, HK\$1,533,000 and HK\$1,455,000 as at 31 March 2008, 2009 and 2010, respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts or financial statements:

|             | <b>2008</b>       | <b>2009</b>       | <b>2010</b>       |
|-------------|-------------------|-------------------|-------------------|
|             | <i>HK\$'000</i>   | <i>HK\$'000</i>   | <i>HK\$'000</i>   |
| Assets      | 107,670           | 67,529            | 102,995           |
| Liabilities | 91,179            | 76,872            | 176,377           |
| Revenues    | 139,955           | 121,342           | 59,763            |
| Losses      | (643)             | (699)             | (64,491)          |
|             | <u>          </u> | <u>          </u> | <u>          </u> |

## 20. AVAILABLE-FOR-SALE INVESTMENTS

|                                       | <b>2008</b>       | <b>Group<br/>2009</b> | <b>2010</b>       |
|---------------------------------------|-------------------|-----------------------|-------------------|
|                                       | <i>HK\$'000</i>   | <i>HK\$'000</i>       | <i>HK\$'000</i>   |
| Unlisted equity investments, at cost* | 2,400             | 2,400                 | –                 |
| Impairment                            | (2,400)           | (2,400)               | –                 |
|                                       | <u>          </u> | <u>          </u>     | <u>          </u> |
|                                       | –                 | –                     | –                 |

\* Represented unlisted equity investments, at cost, of HK\$2,400,079 as at 31 March 2008 and 2009.

The above investments in equity securities were designated as available-for-sale financial assets and had no fixed maturity date or coupon rate.

As at 31 March 2008 and 2009, an impairment was recognised for an unlisted equity investment with a carrying amount of HK\$2,400,001 (before deducting the impairment loss) because this investment had been loss-making for some time. During the year ended 31 March 2010, the Group has written off the investment cost because, in the opinion of the directors, the investment cost is not recoverable.

As at 31 March 2008 and 2009, unlisted equity investment with a carrying amount of HK\$78 was stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that its fair value could not be measured reliably. This investment was disposed of during the year ended 31 March 2010.

## 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

|   | <b>2008</b>       | <b>Group<br/>2009</b> | <b>2010</b>       |
|---|-------------------|-----------------------|-------------------|
|   | <i>HK\$'000</i>   | <i>HK\$'000</i>       | <i>HK\$'000</i>   |
| Investment-linked deposits, at fair value | 2,234             | 2,260                 | 2,280             |
|   | <u>          </u> | <u>          </u>     | <u>          </u> |

The above balances as at 31 March 2008, 2009 and 2010 were designated as financial assets at fair value through profit or loss at the date of inception as these financial assets contained embedded derivatives. The fair values of the above investment-linked deposits are determined based on the quoted market prices.

One of the above investment-linked deposits with a carrying amount of HK\$1,117,000, HK\$1,130,000 and HK\$1,140,000 as at 31 March 2008, 2009 and 2010, respectively, was pledged to secure certain banking facilities granted to the Group (note 34).

## 22. AMOUNT DUE FROM AN INVESTEE

|                      | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|----------------------|-----------------|-----------------------|-----------------|
|                      | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Due from an investee | 3,840           | 3,840                 | –               |
| Impairment           | <u>(3,840)</u>  | <u>(3,840)</u>        | <u>–</u>        |
|                      | <u>–</u>        | <u>–</u>              | <u>–</u>        |

As at 31 March 2008 and 2009, an impairment was recognised for an amount due from an investee with a carrying amount of HK\$3,840,000 (before deducting the impairment loss) because this investee had been loss-making for some time. During the year ended 31 March 2010, the Group has written off the amount due from an investee because, in the opinion of the directors, the amount is not recoverable.

The amount due from investee was unsecured, interest-free and repayable on demand. In the opinion of the directors, this amount was classified as a non-current asset as the Group had no intention of demanding repayment in the near future.

## 23. AMOUNTS DUE TO MINORITY SHAREHOLDERS

The amounts due to minority shareholders are unsecured, interest-free and repayable on demand.

## 24. PROPERTIES HELD FOR SALE

|                              | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|------------------------------|-----------------|-----------------------|-----------------|
|                              | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Completed properties         | 199,358         | 315,253               | 214,894         |
| Properties under development | <u>219,426</u>  | <u>204,811</u>        | <u>271,368</u>  |
|                              | <u>418,784</u>  | <u>520,064</u>        | <u>486,262</u>  |

Certain completed properties held for sale of the Group with aggregate carrying amounts of nil, HK\$79,065,000 and HK\$38,528,000 as at 31 March 2008, 2009 and 2010, respectively, were pledged to secure certain banking facilities granted to the Group (note 34).

In addition, certain completed properties held for sale of the Group with aggregate carrying amounts of nil, HK\$34,684,000 and HK\$33,071,000 were pledged through the equity interest in a subsidiary to secure other loans amounting to nil, HK\$20,000,000 and HK\$15,000,000 as at 31 March 2008, 2009 and 2010, respectively, granted to the Group (note 34).

## 25. CONSTRUCTION CONTRACTS

|   | <b>2008</b>        | <b>Group<br/>2009</b> | <b>2010</b>        |
|---|--------------------|-----------------------|--------------------|
|   | <i>HK\$'000</i>    | <i>HK\$'000</i>       | <i>HK\$'000</i>    |
| Gross amount due from contract customers  | 7,334              | 5,247                 | 2,641              |
| Gross amount due to contract customers  | <u>(35,564)</u>    | <u>(38,626)</u>       | <u>(42,677)</u>    |
|   | <u>(28,230)</u>    | <u>(33,379)</u>       | <u>(40,036)</u>    |
| Contract costs incurred plus recognised profits less<br>recognised losses and provision for foreseeable<br>losses to date | 1,357,364          | 1,669,158             | 1,553,876          |
| Less: Progress billings   | <u>(1,385,594)</u> | <u>(1,702,537)</u>    | <u>(1,593,912)</u> |
|   | <u>(28,230)</u>    | <u>(33,379)</u>       | <u>(40,036)</u>    |

## 26. INVENTORIES

|               | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|---------------|-----------------|-----------------------|-----------------|
|               | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Trading goods | <u>2,604</u>    | <u>1,497</u>          | <u>1,526</u>    |

## 27. ACCOUNTS RECEIVABLE

|                             | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|-----------------------------|-----------------|-----------------------|-----------------|
|                             | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Accounts receivable         | 74,664          | 73,580                | 84,079          |
| Impairment                  | <u>(22,443)</u> | <u>(21,443)</u>       | <u>(19,098)</u> |
|                             | <u>52,221</u>   | <u>52,137</u>         | <u>64,981</u>   |
| Retention monies receivable | <u>4,629</u>    | <u>7,335</u>          | <u>6,313</u>    |
|                             | <u>56,850</u>   | <u>59,472</u>         | <u>71,294</u>   |

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. For retention monies receivable in respect of construction work carried out by the Group, the due dates are usually one year after the completion of the construction work. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

|                             | <b>2008</b>          | <b>Group<br/>2009</b> | <b>2010</b>          |
|-----------------------------|----------------------|-----------------------|----------------------|
|                             | <i>HK\$'000</i>      | <i>HK\$'000</i>       | <i>HK\$'000</i>      |
| Current to 90 days          | 25,636               | 32,153                | 31,053               |
| 91 to 180 days              | 7,061                | 5,989                 | 13,889               |
| 181 to 360 days             | 5,797                | 333                   | 10,153               |
| Over 360 days               | <u>13,727</u>        | <u>13,662</u>         | <u>9,886</u>         |
|                             | 52,221               | 52,137                | 64,981               |
| Retention monies receivable | <u>4,629</u>         | <u>7,335</u>          | <u>6,313</u>         |
| Total                       | <u><u>56,850</u></u> | <u><u>59,472</u></u>  | <u><u>71,294</u></u> |

The movements in provision for impairment of accounts receivable are as follows:

|  | <b>2008</b>          | <b>Group<br/>2009</b> | <b>2010</b>          |
|--|----------------------|-----------------------|----------------------|
|  | <i>HK\$'000</i>      | <i>HK\$'000</i>       | <i>HK\$'000</i>      |
| At 1 April                                     | 55,005               | 22,443                | 21,443               |
| Impairment losses recognised ( <i>note 6</i> ) | 3,165                | 5,113                 | 3,129                |
| Amount written off as uncollectible            | (16,928)             | (4,154)               | (672)                |
| Impairment losses reversed ( <i>note 6</i> )   | (5,407)              | (2,623)               | (4,802)              |
| Disposal of subsidiaries ( <i>note 42</i> )    | (13,698)             | –                     | –                    |
| Exchange realignment                           | <u>306</u>           | <u>664</u>            | <u>–</u>             |
| At 31 March                                    | <u><u>22,443</u></u> | <u><u>21,443</u></u>  | <u><u>19,098</u></u> |

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK\$22,443,000, HK\$21,443,000 and HK\$19,098,000 with a carrying amount before provision of HK\$22,443,000, HK\$21,443,000 and HK\$19,098,000 as at 31 March 2008, 2009 and 2010, respectively. The individually impaired accounts receivable relate to customers that were in financial difficulties or the customers that were in default in repayments and the receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable that are neither individually nor collectively considered to be impaired is as follows:

|                               | <b>2008</b>          | <b>Group<br/>2009</b> | <b>2010</b>          |
|-------------------------------|----------------------|-----------------------|----------------------|
|                               | <i>HK\$'000</i>      | <i>HK\$'000</i>       | <i>HK\$'000</i>      |
| Neither past due nor impaired | 30,020               | 36,952                | 31,053               |
| Less than 3 months past due   | 7,731                | 3,938                 | 6,723                |
| 3 to 6 months past due        | 2,070                | 67                    | 13,197               |
| More than 6 months past due   | <u>12,400</u>        | <u>11,180</u>         | <u>14,008</u>        |
|                               | 52,221               | 52,137                | 64,981               |
|                               | <u><u>52,221</u></u> | <u><u>52,137</u></u>  | <u><u>64,981</u></u> |

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

None of the retention monies receivable is either past due or impaired.

## 28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

|                   | Group    |          |          | Company  |          |          |
|-------------------|----------|----------|----------|----------|----------|----------|
|                   | 2008     | 2009     | 2010     | 2008     | 2009     | 2010     |
|                   | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Prepayments       | 21,551   | 21,143   | 15,659   | 23       | 34       | 35       |
| Deposits          | 2,071    | 1,241    | 685      | –        | –        | –        |
|                   | 23,622   | 22,384   | 16,344   | 23       | 34       | 35       |
| Other receivables | 17,886   | 12,823   | 17,339   | –        | –        | –        |
| Impairment        | (5,638)  | (4,917)  | (4,134)  | –        | –        | –        |
|                   | 12,248   | 7,906    | 13,205   | –        | –        | –        |
|                   | 35,870   | 30,290   | 29,549   | 23       | 34       | 35       |

Except for other receivables against which impairment has been made, the remaining assets are neither past due nor impaired. The financial assets included in the above net balances relate to receivables for which there was no recent history of default.

The movements in provision for impairment of other receivables are as follows:

|                                       | Group    |          |          |
|---------------------------------------|----------|----------|----------|
|                                       | 2008     | 2009     | 2010     |
|                                       | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 April                            | 8,499    | 5,638    | 4,917    |
| Impairment losses recognised (note 6) | 965      | 153      | –        |
| Amount written off as uncollectible   | –        | (4)      | –        |
| Impairment losses reversed (note 6)   | (3,933)  | (900)    | (798)    |
| Disposal of subsidiaries (note 42)    | (192)    | –        | –        |
| Exchange realignment                  | 299      | 30       | 15       |
| At 31 March                           | 5,638    | 4,917    | 4,134    |

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

## 29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

|               | Note | Group            |                  |                  | Company          |                  |                  |
|---------------|------|------------------|------------------|------------------|------------------|------------------|------------------|
|               |      | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| Cash and bank |      |                  |                  |                  |                  |                  |                  |
| balances      |      | 31,087           | 53,807           | 73,608           | 72               | 64               | 94               |
| Time deposits |      | <u>21,465</u>    | <u>31,331</u>    | <u>31,324</u>    | <u>–</u>         | <u>–</u>         | <u>–</u>         |
|               |      | 52,552           | 85,138           | 104,932          | 72               | 64               | 94               |
| Less: Pledged |      |                  |                  |                  |                  |                  |                  |
| deposits for  |      |                  |                  |                  |                  |                  |                  |
| banking       |      |                  |                  |                  |                  |                  |                  |
| facilities    | 34   | <u>(21,465)</u>  | <u>(31,331)</u>  | <u>(31,324)</u>  | <u>–</u>         | <u>–</u>         | <u>–</u>         |
| Cash and cash |      |                  |                  |                  |                  |                  |                  |
| equivalents   |      | <u>31,087</u>    | <u>53,807</u>    | <u>73,608</u>    | <u>72</u>        | <u>64</u>        | <u>94</u>        |

The aggregate cash and bank balances and deposits of the Group denominated in Renminbi (“RMB”) amounted to HK\$26,015,000, HK\$50,208,000 and HK\$69,332,000 as at 31 March 2008, 2009 and 2010, respectively. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

## 30. DISPOSAL GROUPS/NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

|  | Notes | Group            |                  |                  |
|--|-------|------------------|------------------|------------------|
|  |       | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| Assets of disposal groups classified as            |       |                  |                  |                  |
| held for sale                                      | (i)   | –                | –                | 172,703          |
| Non-current asset classified as held for sale      | (ii)  | <u>–</u>         | <u>9,295</u>     | <u>–</u>         |
|  |       | <u>–</u>         | <u>9,295</u>     | <u>172,703</u>   |
| Liabilities directly associated with the assets of |       |                  |                  |                  |
| disposal groups classified as held for sale        | (i)   | <u>–</u>         | <u>–</u>         | <u>120,567</u>   |

## Notes:

- (i) On 7 April 2010, Interpath Profits Limited (“Interpath Profits”), an indirect 60% owned subsidiary of the Company, entered into two sale and purchase agreements (the “Sale and Purchase Agreements”) with two independent third parties, Bond Light Limited (“Bond Light”) and Big Meg Limited (“Big Meg”), respectively. Pursuant to the Sale and Purchase Agreements, Interpath Profits shall dispose of the entire issued share capital and the related shareholders’ loans of two wholly-owned subsidiaries of Interpath Profits, namely Lead Joy Investments Limited (“Lead Joy”) and Measure Up Profits Limited (“Measure Up”), to Bond Light and Big Meg, respectively. The consideration for the Lead Joy disposal and Measure Up disposal amounted to RMB99,500,000 and RMB242,000,000,

respectively. Lead Joy indirectly owned a 90% equity interest in the 惠州高爾夫球場有限公司 and Measure Up owns a 100% equity interest in the 惠州怡海房地產開發有限公司 (collectively the “Disposal Groups”). The transactions are expected to be completed in August 2010. Details of the disposals are set out in the announcement of the Company dated 14 April 2010.

The assets and liabilities related to the Disposal Groups have been presented as held for sale pursuant to Interpath Profits’ directors’ resolution passed on 13 March 2010 in respect of their approval to negotiate the disposal of the Disposal Groups. In accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of the Disposal Groups have been presented as assets and liabilities of disposal groups classified as held for sale under current assets and current liabilities, respectively.

The major classes of the assets and liabilities of the Disposal Groups classified as held for sale as at 31 March 2010 are as follows:

|   | <i>Notes</i> | <b>2010</b><br><i>HK\$’000</i> |
|---|--------------|--------------------------------|
| <b>Assets</b>   |              |                                |
| Property, plant and equipment   | <i>14</i>    | 98,434                         |
| Prepaid land lease payments   | <i>16</i>    | 30,670                         |
| Properties under development  |              | 40,379                         |
| Prepayments, deposits and other receivables                                     |              | 366                            |
| Cash and bank balances  |              | <u>2,854</u>                   |
| Assets classified as held for sale  |              | <u>172,703</u>                 |
| <b>Liabilities</b>  |              |                                |
| Deferred income, other payables and accruals                                    |              | 16,815                         |
| Membership deposits   |              | 3,050                          |
| Amount due to a minority shareholder  |              | 702                            |
| Other loan  |              | <u>100,000</u>                 |
| Liabilities directly associated with the assets classified as held for sale     |              | <u>120,567</u>                 |
| Net assets directly associated with disposal groups classified as held for sale |              | <u><u>52,136</u></u>           |
| <b>Equity</b>   |              |                                |
| Exchange fluctuation reserve  |              | <u>2,136</u>                   |
| Equity associated with disposal groups classified as held for sale              |              | <u><u>2,136</u></u>            |

The other loan included in the Disposal Group of HK\$100,000,000 is secured by the Group’s 30% equity interest in Measure Up. This loan is repayable on 10 December 2010 and bears interest at 6% per annum.

- (ii) On 31 March 2009, the Group signed a sale and purchase agreement with an independent third party regarding the disposal of the Group’s entire interest in an associate, Fuzhou Jiandi Concrete Co., Ltd., accordingly, the interest was classified as an asset held for sale. As at 31 March 2009, the carrying amount of the interest approximated to the sale consideration as per the sales and purchase agreement less any expected costs to complete the transaction. The transaction was completed on 31 May 2009 when the share transfer was approved by the local PRC government authorities.



**31. ACCOUNTS PAYABLE**

An aged analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

|                    | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|--------------------|-----------------|-----------------------|-----------------|
|                    | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Current to 90 days | 25,544          | 36,713                | 12,469          |
| 91 to 180 days     | 2               | 260                   | 4               |
| 181 to 360 days    | 1,043           | 277                   | 597             |
| Over 360 days      | 6,272           | 7,019                 | 7,878           |
|                    | <u>32,861</u>   | <u>44,269</u>         | <u>20,948</u>   |

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

**32. OTHER PAYABLES AND ACCRUALS**

|                   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     | <b>2008</b>     | <b>Company<br/>2009</b> | <b>2010</b>     |
|-------------------|-----------------|-----------------------|-----------------|-----------------|-------------------------|-----------------|
|                   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Deposits received | 5,678           | 3,120                 | 38,121          | –               | –                       | –               |
| Other payables    | 31,484          | 63,433                | 38,855          | –               | –                       | –               |
| Accruals          | 92,517          | 104,563               | 80,539          | 786             | 1,421                   | 1,192           |
|                   | <u>129,679</u>  | <u>171,116</u>        | <u>157,515</u>  | <u>786</u>      | <u>1,421</u>            | <u>1,192</u>    |

Other payables are non-interest-bearing and repayable on demand.

**33. AMOUNTS DUE TO RELATED COMPANIES**

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

## 34. INTEREST-BEARING BANK AND OTHER BORROWINGS

## Group

|                               | 2008                                 |                 |                 | 2009                                 |                 |                 | 2010                                 |                 |                 |
|-------------------------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|
|                               | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> |
| <b>Current</b>                |                                      |                 |                 |                                      |                 |                 |                                      |                 |                 |
| Bank loans – secured          | 7.74 to 10.94                        | 2008 to 2009    | 14,409          | 5.94 to 13.50                        | 2009 to 2010    | 25,990          | 3.14 to 9.72                         | 2010 to 2011    | 55,549          |
| Bank overdrafts – secured     | Prime rate + 0.5                     | On demand       | 25,934          | Prime rate + 0.50                    | On demand       | 23,568          | Prime rate + 0.50                    | On demand       | 41,623          |
| Trust receipt loans – secured | Prime rate + 0.875                   | 2008            | 19,766          | Prime rate + 0.875                   | 2009            | 22,355          | Prime rate + 0.875                   | 2010            | 15,377          |
| Other loans – secured         |                                      |                 | –               | 12.00                                | 2009 to 2010    | 20,000          | 12.00                                | 2010 to 2011    | 10,000          |
| Other loan – unsecured        |                                      |                 | –               | 13.00                                | 2009            | 5,650           | 10.00                                | 2010            | 11,400          |
|                               |                                      |                 | 60,109          |                                      |                 | 97,563          |                                      |                 | 133,949         |
| Convertible notes (note 36)   |                                      |                 | –               | 4.00                                 | 2009            | 15,721          | –                                    | –               | –               |
|                               |                                      |                 | <u>60,109</u>   |                                      |                 | <u>113,284</u>  |                                      |                 | <u>133,949</u>  |
| <b>Non-current</b>            |                                      |                 |                 |                                      |                 |                 |                                      |                 |                 |
| Bank loans – secured          | 7.74 to 8.69                         | 2010 to 2015    | 39,654          | 5.94 to 6.83                         | 2011 to 2015    | 32,205          | 3.14 to 6.83                         | 2011 to 2015    | 59,499          |
| Other loan – secured          | –                                    | –               | –               | –                                    | –               | –               | 12.00                                | 2011            | 5,000           |
|                               |                                      |                 | <u>39,654</u>   |                                      |                 | <u>32,205</u>   |                                      |                 | <u>64,499</u>   |
| Convertible notes (note 36)   | 4.00                                 | 2009            | 15,274          |                                      |                 | –               |                                      |                 | –               |
|                               |                                      |                 | <u>115,037</u>  |                                      |                 | <u>145,489</u>  |                                      |                 | <u>198,448</u>  |

## Company

|                             | 2008                                 |                 |                 | 2009                                 |                 |                 | 2010                                 |                 |                 |
|-----------------------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|--------------------------------------|-----------------|-----------------|
|                             | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> | <i>Contractual interest rate (%)</i> | <i>Maturity</i> | <i>HK\$'000</i> |
| <b>Current</b>              |                                      |                 |                 |                                      |                 |                 |                                      |                 |                 |
| Convertible notes (note 36) | –                                    | –               | –               | 4.00                                 | 2009            | 15,721          | –                                    | –               | –               |
|                             |                                      |                 | <u>–</u>        |                                      |                 | <u>15,721</u>   |                                      |                 | <u>–</u>        |
| <b>Non-current</b>          |                                      |                 |                 |                                      |                 |                 |                                      |                 |                 |
| Convertible notes (note 36) | 4.00                                 | 2009            | 15,274          | –                                    | –               | –               | –                                    | –               | –               |
|                             |                                      |                 | <u>15,274</u>   |                                      |                 | <u>–</u>        |                                      |                 | <u>–</u>        |

|   | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     | <b>2008</b>     | <b>Company<br/>2009</b> | <b>2010</b>     |
|---|-----------------|-----------------------|-----------------|-----------------|-------------------------|-----------------|
|   | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i>         | <i>HK\$'000</i> |
| Analysed into:  |                 |                       |                 |                 |                         |                 |
| Bank loans, overdrafts and trust receipt loans repayable: |                 |                       |                 |                 |                         |                 |
| Within one year or on demand                              | 60,109          | 71,913                | 112,549         | –               | –                       | –               |
| In the second year  | 7,819           | 7,910                 | 8,300           | –               | –                       | –               |
| In the third to fifth years, inclusive                    | 18,431          | 16,159                | 48,463          | –               | –                       | –               |
| Beyond five years   | 13,404          | 8,136                 | 2,736           | –               | –                       | –               |
|   | <u>99,763</u>   | <u>104,118</u>        | <u>172,048</u>  | <u>–</u>        | <u>–</u>                | <u>–</u>        |
| Other borrowings repayable:                               |                 |                       |                 |                 |                         |                 |
| Within one year or on demand                              | –               | 41,371                | 21,400          | –               | 15,721                  | –               |
| In the second year  | 15,274          | –                     | 5,000           | 15,274          | –                       | –               |
|   | <u>15,274</u>   | <u>41,371</u>         | <u>26,400</u>   | <u>15,274</u>   | <u>15,721</u>           | <u>–</u>        |
|   | <u>115,037</u>  | <u>145,489</u>        | <u>198,448</u>  | <u>15,274</u>   | <u>15,721</u>           | <u>–</u>        |

The carrying amounts of these bank and other borrowings approximate to their fair values as at the end of the reporting period. The fair value of bank and other borrowings has been calculated by discounting the expected future cash flows at the prevailing interest rates.

The Group's banking facilities are secured by:

- (i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong of HK\$83,880,000, HK\$38,413,000 and HK\$42,900,000 as at 31 March 2008, 2009 and 2010, respectively (note 14);
- (ii) the pledge of the Group's investment properties situated in Mainland China of HK\$134,040,000, HK\$181,704,000 and HK\$210,330,000 as at 31 March 2008, 2009 and 2010, respectively (note 15);
- (iii) the pledge of the Group's leasehold land situated in Hong Kong of HK\$5,996,000, HK\$5,857,000 and HK\$5,718,000 as at 31 March 2008, 2009 and 2010, respectively (note 16);
- (iv) the pledge of one of the Group's financial assets at fair value through profit or loss of HK\$1,117,000, HK\$1,130,000 and HK\$1,140,000 as at 31 March 2008, 2009 and 2010, respectively (note 21);
- (v) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of nil, HK\$79,065,000 and HK\$38,528,000 as at 31 March 2008, 2009 and 2010, respectively (note 24); and
- (vi) the pledge of the Group's deposits of HK\$21,465,000, HK\$31,331,000 and HK\$31,324,000 as at 31 March 2008, 2009 and 2010, respectively (note 29).

In addition, certain banking facilities are secured by corporate guarantees executed by the Company.

As at 31 March 2009, except for a loan amounting to HK\$5,650,000 which is unsecured, bears interest at 13% per annum and repayable on 9 December 2009 the remaining other loan amounting to HK\$20,000,000 is secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK\$34,684,000 (note 24), repayable in four equal instalments of HK\$5,000,000 each commencing on 28 December 2009 and bears interest at 12% per annum and all loan instalments are repayable within one year.

As at 31 March 2010, except for a loan amounting to HK\$11,400,000 which is unsecured, bears interest at 10% per annum and repayable on 10 September 2010, the remaining other loan amounting to HK\$15,000,000 is secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK\$33,071,000 (note 24), repayable in three equal quarterly instalments of HK\$5,000,000 each commencing on 28 December 2010 and bears interest at 12% per annum.

### 35. DEFERRED TAX

The movements in deferred tax asset and liabilities during the Relevant Periods are as follows:

#### Deferred tax asset Group and Company

|   | <b>Losses available<br/>for offsetting<br/>against future<br/>taxable profits</b><br><i>HK\$'000</i> |
|---|--|
| At 1 April 2007   | 262  |
| Deferred tax charged to the income statement<br>during the year ( <i>note 10</i> )                  | <u>(262)</u>   |
| Deferred tax asset at 31 March 2008, 1 April 2008, 31 March 2009,<br>1 April 2009 and 31 March 2010 | <u><u>–</u></u>  |

**Deferred tax liabilities****Group**

|   | <b>Accelerated<br/>tax<br/>depreciation</b><br><i>HK\$'000</i> | <b>Revaluation<br/>of<br/>properties</b><br><i>HK\$'000</i> | <b>Withholding<br/>taxes</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|---|--|---|---|---------------------------------|
| At 1 April 2007   | 239  | 11,510  | –   | 11,749                          |
| Deferred tax debited to equity during the year                                  | –  | 2,876   | –   | 2,876                           |
| Reversal of deferred tax liability upon disposal of a leasehold building        | –  | (378)   | –   | (378)                           |
| Deferred tax liabilities at 31 March 2008 and 1 April 2008                      | 239  | 14,008  | –   | 14,247                          |
| Deferred tax charged to the income statement during the year ( <i>note 10</i> ) | –  | 649   | 3,108   | 3,757                           |
| Deferred tax debited to equity during the year                                  | –  | 1,225   | –   | 1,225                           |
| Exchange realignment  | –  | 23  | –   | 23                              |
| Deferred tax liabilities at 31 March 2009 and 1 April 2009                      | 239  | 15,905  | 3,108   | 19,252                          |
| Deferred tax charged to the income statement during the year ( <i>note 10</i> ) | –  | 2,292   | 908   | 3,200                           |
| Deferred tax debited to equity during the year                                  | –  | 1,408   | –   | 1,408                           |
| Exchange realignment  | –  | 34  | –   | 34                              |
| Deferred tax liabilities at 31 March 2010                                       | <u>239</u>   | <u>19,639</u>   | <u>4,016</u>                                    | <u>23,894</u>                   |

The Group has estimated tax losses arising in Hong Kong of HK\$581,745,000, HK\$577,390,000 and HK\$580,753,000 as at 31 March 2008, 2009 and 2010, respectively, that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of HK\$15,362,000, HK\$15,155,000 and HK\$10,774,000 as at 31 March 2008, 2009 and 2010, respectively, that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

**36. CONVERTIBLE NOTES**

On 24 April 2006, the Company issued 4% convertible notes with a total nominal value of HK\$15,750,000. These notes had a three-year term and were issued at par, giving total proceeds of HK\$15,750,000. Interest was payable half-yearly in arrears at a nominal annual interest rate of 4%. These notes were convertible at any time from the first anniversary of the issue date to the thirtieth day prior to the maturity date, at the holder's option, into 35,000,000 ordinary shares of the Company at an initial conversion price of HK\$0.45 per share.

The fair value of the liability component of the convertible notes was determined, upon issuance, using the prevailing market interest rate for similar debt without a conversion option of 7% and is carried as a long term liability. The remainder of the proceeds was allocated to the conversion option that is recognised and included in shareholders' equity.

The convertible notes were fully redeemed upon maturity during the year ended 31 March 2010.

The convertible notes have been split as to the liability and equity components, as follows:

|  | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|--|-----------------|-----------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| <b>Nominal value</b>   |                 |                 |                 |
| At 1 April   | 15,750          | 15,750          | 15,750          |
| Redemption during the year   | —               | —               | (15,750)        |
| At 31 March  | <u>15,750</u>   | <u>15,750</u>   | <u>—</u>        |
| <b>Liability component</b>   |                 |                 |                 |
| At 1 April   | 14,856          | 15,274          | 15,721          |
| Redemption during the year   | —               | —               | (15,750)        |
| Interest expense   | 1,050           | 1,077           | 67              |
| Interest paid  | (632)           | (630)           | (38)            |
| At 31 March ( <i>note 34</i> )   | <u>15,274</u>   | <u>15,721</u>   | <u>—</u>        |
| <b>Equity component</b>  |                 |                 |                 |
| At 1 April   | 1,259           | 1,259           | 1,259           |
| Transfer to retained profits on redemption   | —               | —               | (1,259)         |
| At 31 March  | <u>1,259</u>    | <u>1,259</u>    | <u>—</u>        |
| <b>37. SHARE CAPITAL</b>   |                 |                 |                 |
| <b>Shares</b>  |                 |                 |                 |
|  | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|  | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Authorised:  |                 |                 |                 |
| 1,500,000,000 ordinary shares of HK\$0.10 each   | <u>150,000</u>  | <u>150,000</u>  | <u>150,000</u>  |
| Issued and fully paid:   |                 |                 |                 |
| 572,738,017, 566,973,017 and 566,973,017 ordinary shares of HK\$0.10 each as at 31 March 2008, 2009 and 2010, respectively | <u>57,274</u>   | <u>56,697</u>   | <u>56,697</u>   |

A summary of the transactions during the Relevant Periods, with reference to the movements in the Company's issued ordinary share capital is as follows:

|   | Number of<br>shares in<br>issue | Issued<br>capital<br><i>HK\$'000</i> | Share<br>premium<br>account<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|---------------------------------|--------------------------------------|--|--------------------------|
| At 1 April 2007                                     | 572,683,017                     | 57,268                               | 122,563  | 179,831                  |
| Repurchase of shares                                | (745,000)                       | (74)                                 | (179)  | (253)                    |
| Exercise of share options                           | 800,000                         | 80                                   | 258  | 338                      |
|   | <u>572,738,017</u>              | <u>57,274</u>                        | <u>122,642</u>                                 | <u>179,916</u>           |
| Share repurchase expenses                           | –                               | –                                    | (2)  | (2)                      |
| Share issue expenses                                | –                               | –                                    | (147)  | (147)                    |
| At 31 March 2008 and 1 April 2008                   | 572,738,017                     | 57,274                               | 122,493  | 179,767                  |
| Repurchase of shares                                | <u>(5,765,000)</u>              | <u>(577)</u>                         | <u>(686)</u>                                   | <u>(1,263)</u>           |
|   | <u>566,973,017</u>              | <u>56,697</u>                        | <u>121,807</u>                                 | <u>178,504</u>           |
| Share repurchase expenses                           | –                               | –                                    | (17)   | (17)                     |
| At 31 March 2009, 1 April 2009 and<br>31 March 2010 | <u>566,973,017</u>              | <u>56,697</u>                        | <u>121,790</u>                                 | <u>178,487</u>           |

During the year ended 31 March 2008, the Company repurchased a total of 745,000 of its own shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK\$0.335 to HK\$0.34 per share, for a total consideration, before expenses, of HK\$253,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$74,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$179,000 paid for the repurchased shares and the share repurchase expenses of HK\$2,000 were charged against the share premium account.

During the year ended 31 March 2008, 800,000 share options were exercised at an exercise price of HK\$0.34 per share (note 38) for a total consideration, before expenses, of HK\$272,000, together with a release of the share option reserve amounting to HK\$66,000, which was credited to the share premium account.

During the year ended 31 March 2009, the Company repurchased a total of 5,765,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.12 to HK\$0.32 per share, for a total consideration, before expenses, of HK\$1,263,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK\$577,000 was transferred from retained profits to the capital redemption reserve. The premium of HK\$686,000 paid for the repurchased shares and the share repurchase expenses of HK\$17,000 were charged against the share premium account.

Subsequent to 31 March 2010 and upto the Latest Practicable Date, the Company repurchased a total of 5,900,000 of its own shares on the Stock Exchange at prices ranging from HK\$0.52 to HK\$0.60 per share, for a total consideration, before expenses, of HK\$3,281,000.

#### Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the Financial Information.

**38. SHARE OPTION SCHEME**

On 14 August 2002, the share option scheme of the Company adopted on 21 May 1997 ceased to operate and a new share option scheme (the “Scheme”) was adopted on the same day to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. The options granted under the old scheme will remain in force and effect.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the Scheme include the Company’s directors, including independent non-executive directors, the Company’s shareholders and other employees of the Group. The Scheme became effective on 14 August 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and expiring on the last date of such period.

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

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



**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

The following share options were outstanding under the Scheme during the year ended 31 March 2008:

| Name or category of participant | Number of share options |                         |                           |                         |                   | Date of grant of share options* | Exercise period of share options     | Exercise price of share options*<br><i>HK\$ per share</i> | At grant date of options***<br><i>HK\$ per share</i> | Immediately before the exercise date***<br><i>HK\$ per share</i> | At exercise date of options<br><i>HK\$ per share</i> |
|---------------------------------|-------------------------|-------------------------|---------------------------|-------------------------|-------------------|---------------------------------|--------------------------------------|---|--|--|--|
|                                 | At 1 April 2007         | Granted during the year | Exercised during the year | Expired during the year | At 31 March 2008  |                                 |                                      |   |  |  |  |
|                                 |                         |                         |                           |                         |                   |                                 |                                      |   |  |  |  |
| Directors                       |                         |                         |                           |                         |                   |                                 |                                      |   |  |  |  |
| Ho Chung Tai, Raymond           | 400,000                 | -                       | (400,000)                 | -                       | -                 | 4 March 2006                    | 5 March 2006 to 4 March 2008         | 0.34  | 0.34   | 0.4  | 0.4  |
|                                 | -                       | 150,000                 | -                         | -                       | 150,000           | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
| Siu Man Po                      | 400,000                 | -                       | (400,000)                 | -                       | -                 | 4 March 2006                    | 5 March 2006 to 4 March 2008         | 0.34  | 0.34   | 0.4  | 0.4  |
|                                 | -                       | 150,000                 | -                         | -                       | 150,000           | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
| Tjia Boen Sien                  | -                       | 500,000                 | -                         | -                       | 500,000           | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
| Wang Jing Ning                  | -                       | 1,000,000               | -                         | -                       | 1,000,000         | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
| Keung Kwok Cheung               | -                       | 2,500,000               | -                         | -                       | 2,500,000         | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
| Ong Chi King                    | -                       | 5,000,000               | -                         | -                       | 5,000,000         | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
|                                 | <u>800,000</u>          | <u>9,300,000</u>        | <u>(800,000)</u>          | <u>-</u>                | <u>9,300,000</u>  |                                 |                                      |   |  |  |  |
| Other employees, in aggregate   |                         |                         |                           |                         |                   |                                 |                                      |   |  |  |  |
|                                 | 10,450,000              | -                       | -                         | (10,450,000)            | -                 | 23 December 2006                | 27 December 2006 to 26 December 2007 | 0.6   | 0.58   | -  | -  |
|                                 | -                       | 17,900,000              | -                         | -                       | 17,900,000        | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4   | 0.34   | -  | -  |
|                                 | <u>10,450,000</u>       | <u>17,900,000</u>       | <u>-</u>                  | <u>(10,450,000)</u>     | <u>17,900,000</u> |                                 |                                      |   |  |  |  |
| Total                           | <u>11,250,000</u>       | <u>27,200,000</u>       | <u>(800,000)</u>          | <u>(10,450,000)</u>     | <u>27,200,000</u> |                                 |                                      |   |  |  |  |

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

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

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

The following share options were outstanding under the Scheme during the year ended 31 March 2009:

| Name or category of participant         | Number of share options |                         |                  | Date of grant of share options* | Exercise period of share options     | Exercise price of share options**<br><i>HK\$ per share</i> | At grant date of options***<br><i>HK\$ per share</i> |
|---|-------------------------|-------------------------|------------------|---------------------------------|--------------------------------------|--|--|
|   | At 1 April 2008         | Expired during the year | At 31 March 2009 |                                 |                                      |  |  |
| Directors                               |                         |                         |                  |                                 |                                      |  |  |
| Ho Chung Tai, Raymond                   | 150,000                 | (150,000)               | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Siu Man Po                              | 150,000                 | (150,000)               | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Tjia Boen Sien                          | 500,000                 | (500,000)               | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Wang Jing Ning                          | 1,000,000               | (1,000,000)             | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Keung Kwok Cheung                       | 2,500,000               | (2,500,000)             | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Ong Chi King (resigned on 27 June 2008) | 5,000,000               | (5,000,000)             | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
|   | <u>9,300,000</u>        | <u>(9,300,000)</u>      | <u>–</u>         |                                 |                                      |  |  |
| Other employees, in aggregate           | 17,900,000              | (17,900,000)            | –                | 29 January 2008                 | 11 February 2008 to 10 February 2009 | 0.4  | 0.34   |
| Total                                   | <u>27,200,000</u>       | <u>(27,200,000)</u>     | <u>–</u>         |                                 |                                      |  |  |

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

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

\*\*\* The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options.

For the year ended 31 March 2008, the fair value of the share options granted was HK\$379,000 (HK\$0.014 each). No share option was granted for the years ended 31 March 2009 and 2010.

The fair value of equity-settled share options granted was estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 March 2008:

|                                     | <b>2008</b> |
|-------------------------------------|-------------|
| Dividend yield (%)                  | 0.00        |
| Expected volatility (%)             | 23.00       |
| Historical volatility (%)           | 23.00       |
| Risk-free interest rate (%)         | 2.58        |
| Expected life of option (year)      | 1.00        |
| Weighted average share price (HK\$) | 0.34        |

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the year ended 31 March 2008, 10,450,000 share options expired on 26 December 2007 and an amount of HK\$1,015,000 was transferred from the share option reserve to retained profits in respect of these options. For the year ended 31 March 2009, 27,200,000 share options expired on 10 February 2009 and an amount of HK\$379,000 was transferred from the share option reserve to retained profits in respect of these options.

As at 31 March 2008, 2009 and 2010, the Company had 27,200,000, nil and nil share options outstanding under the Scheme, respectively.

Subsequent to 31 March 2010, on 14 April 2010, a total of 30,700,000 share options were granted to certain of the executive directors and employees of the Group under the Scheme in respect of their services to the Group in the forthcoming year. These share options have an exercise price of HK\$0.57 per share and an exercise period ranging from 14 April 2010 to 13 April 2011. The price of the Company's shares at the date of grant was HK\$0.57 per share.

At the date of this report, the Company had 30,700,000 share options outstanding under the Scheme, which represented approximately 5.5% of the Company's shares in issue as at that date.

## 39. RESERVES

## (a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of the Financial Information.

## (b) Company

|  | Notes | Share<br>premium<br>account<br>HK\$'000 | Contributed<br>surplus<br>HK\$'000 | Share<br>option<br>reserve<br>HK\$'000 | Capital<br>redemption<br>reserve<br>HK\$'000 | Retained<br>profits/<br>accumulated<br>losses)<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------|---|------------------------------------|--|--|--|-------------------|
| At 1 April 2007  |       | 122,563                                 | 155,531                            | 1,081                                  | 9,362  | (401)  | 288,136           |
| Total comprehensive income<br>for the year                     | 11    | -                                       | -                                  | -                                      | -  | (5,198)  | (5,198)           |
| Repurchase of shares   | 37    | (179)                                   | -                                  | -                                      | 74   | (74)   | (179)             |
| Exercise of share options                                      | 37    | 258                                     | -                                  | (66)                                   | -  | -  | 192               |
| Share repurchase expenses                                      | 37    | (2)                                     | -                                  | -                                      | -  | -  | (2)               |
| Share issue expenses   | 37    | (147)                                   | -                                  | -                                      | -  | -  | (147)             |
| Share options expired during<br>the year                       | 38    | -                                       | -                                  | (1,015)                                | -  | 1,015  | -                 |
| Equity-settled share option<br>arrangements                    | 38    | -                                       | -                                  | 379                                    | -  | -  | 379               |
| At 31 March 2008 and<br>1 April 2008                           |       | 122,493                                 | 155,531                            | 379                                    | 9,436  | (4,658)  | 283,181           |
| Total comprehensive income<br>for the year                     | 11    | -                                       | -                                  | -                                      | -  | (4,795)  | (4,795)           |
| Repurchase of shares   | 37    | (686)                                   | -                                  | -                                      | 577  | (577)  | (686)             |
| Share repurchase expenses                                      | 37    | (17)                                    | -                                  | -                                      | -  | -  | (17)              |
| Share options expired during<br>the year                       | 38    | -                                       | -                                  | (379)                                  | -  | 379  | -                 |
| At 31 March 2009 and<br>1 April 2009                           |       | 121,790                                 | 155,531                            | -                                      | 10,013                                       | (9,651)  | 277,683           |
| Total comprehensive income<br>for the year                     | 11    | -                                       | -                                  | -                                      | -  | 20,326   | 20,326            |
| Transfer of reverse upon<br>redemption of convertible<br>notes | 36    | -                                       | -                                  | -                                      | -  | 1,259  | 1,259             |
| Proposed final 2010<br>dividend                                | 12    | -                                       | -                                  | -                                      | -  | (11,315)   | (11,315)          |
| At 31 March 2010   |       | 121,790                                 | 155,531                            | -                                      | 10,013                                       | 619  | 287,953           |

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 21 May 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium, is less than the realisable value of its assets.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.3 to the Financial Information. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

#### 40. BUSINESS COMBINATION

On 27 January 2010, the Group acquired the entire issued capital of Mellink Holdings Limited (“Mellink Holdings”) (formerly known as Hong Kong Okabe Company Limited). Mellink Holdings is an investment holding company and indirectly holds a 90% equity interest in 惠州高爾夫球場有限公司 (collectively the “Mellink Group”). The acquisition was completed on 30 March 2010 and the purchase consideration of HK\$106,450,000 was fully settled during the year ended 31 March 2010. Details of the acquisition are set out in the circular of the Company dated 10 March 2010.

As further detailed in note 30 to the Financial Information, subsequent to 31 March 2010, on 7 April 2010, the Group entered into two sale and purchase agreements to dispose of the Mellink Group and another disposal group to two independent third parties.

The fair values of the identifiable assets and liabilities of the Mellink Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

|  | <i>Notes</i> | <b>Fair value<br/>recognised<br/>on<br/>acquisition<br/>HK\$'000</b> | <b>Carrying<br/>amount<br/>HK\$'000</b> |
|--|--------------|--|---|
| Net assets acquired:   |              |  |   |
| Property, plant and equipment  | <i>14</i>    | 98,138   | 98,138                                  |
| Prepaid land lease payments  | <i>16</i>    | 30,670   | 21,208                                  |
| Prepayments, deposits and other receivables  |              | 323  | 323                                     |
| Cash and bank balances   |              | 2,749  | 2,749                                   |
| Deferred income, other payables and accruals   |              | (16,128)   | (16,128)                                |
| Amount due to a minority shareholder   |              | (702)  | (702)                                   |
| Membership deposits  |              | (3,050)  | (3,050)                                 |
|  |              | 112,000  | 102,538                                 |
| Excess over the cost of business combination recognised in the consolidated income statement |              |  |   |
|  |              | (2,893)  |   |
|  |              | 109,107  |   |
| Satisfied by:  |              |  |   |
| Cash consideration   |              | 106,450  |   |
| Relevant costs for the acquisition   |              | 2,657  |   |
| Satisfied by cash  |              |  |   |
|  |              | 109,107  |   |

**APPENDIX I**
**FINANCIAL INFORMATION OF THE GROUP**

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

|  |                         |
|--|-------------------------|
|  | <i>HK\$'000</i>         |
| Cash consideration   | (106,450)               |
| Relevant costs for the acquisition   | (2,657)                 |
| Cash and bank balances acquired  | <u>2,749</u>            |
| Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries | <u><u>(106,358)</u></u> |

The consolidated statements of financial position of Mellink Group as at 30 September 2007, 2008 and 2009 and 31 March 2010, and its consolidated income statements, consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 30 September 2007, 2008 and 2009 and six months ended 31 March 2010 as extracted from the management accounts are as follows:

**Consolidated income statement**

|  | Year ended<br>30<br>September<br>2007<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2008<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2009<br><i>HK\$'000</i> | Six months<br>ended 31<br>March 2010<br><i>HK\$'000</i> |
|--|--|--|--|---|
| REVENUE                                | 16,028   | 18,058   | 18,449   | 7,631   |
| Cost of sales                          | <u>(14,768)</u>  | <u>(16,870)</u>  | <u>(16,342)</u>  | <u>(8,315)</u>  |
| Gross profit/(loss)                    | 1,260  | 1,188  | 2,107  | (684)   |
| Other income                           | 977  | 810  | 529  | 8,616   |
| Administrative expenses                | (14,295)   | (18,280)   | (15,548)   | (4,566)   |
| Other operating income/(expenses), net | <u>(1,025)</u>   | <u>1,606</u>   | <u>(108)</u>   | <u>2,225</u>  |
| PROFIT/(LOSS) BEFORE TAX               | (13,083)   | (14,676)   | (13,020)   | 5,591   |
| Income tax expense                     | <u>—</u>   | <u>—</u>   | <u>—</u>   | <u>—</u>  |
| PROFIT/(LOSS) FOR THE YEAR/PERIOD      | <u><u>(13,083)</u></u>                                   | <u><u>(14,676)</u></u>                                   | <u><u>(13,020)</u></u>                                   | <u><u>5,591</u></u>                                     |
| Attributable to:                       |  |  |  |   |
| Owners of the parent                   | (13,083)   | (14,676)   | (13,020)   | 5,591   |
| Minority interests                     | <u>—</u>   | <u>—</u>   | <u>—</u>   | <u>—</u>  |
|  | <u><u>(13,083)</u></u>                                   | <u><u>(14,676)</u></u>                                   | <u><u>(13,020)</u></u>                                   | <u><u>5,591</u></u>                                     |

## Consolidated statement of comprehensive income

|  | Year ended<br>30<br>September<br>2007<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2008<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2009<br><i>HK\$'000</i> | Six months<br>ended 31<br>March 2010<br><i>HK\$'000</i> |
|--|--|--|--|---|
| PROFIT/(LOSS) FOR THE YEAR/<br>PERIOD  | <u>(13,083)</u>  | <u>(14,676)</u>  | <u>(13,020)</u>  | <u>5,591</u>  |
| Exchange differences on translation of<br>foreign operations and other<br>comprehensive income for the year/<br>period, net of tax | <u>7,008</u>   | <u>12,347</u>  | <u>(3)</u>   | <u>545</u>  |
| TOTAL COMPREHENSIVE INCOME<br>FOR THE YEAR/PERIOD  | <u>(6,075)</u>   | <u>(2,329)</u>   | <u>(13,023)</u>  | <u>6,136</u>  |
| Attributable to:   |  |  |  |   |
| Owners of the parent   | (6,075)  | (2,329)  | (13,023)   | 6,136   |
| Minority interests   | <u>–</u>   | <u>–</u>   | <u>–</u>   | <u>–</u>  |
|  | <u>(6,075)</u>   | <u>(2,329)</u>   | <u>(13,023)</u>  | <u>6,136</u>  |

## Consolidated statement of financial position

|  | 30<br>September<br>2007<br><i>HK\$'000</i> | 30<br>September<br>2008<br><i>HK\$'000</i> | 30<br>September<br>2009<br><i>HK\$'000</i> | 31 March<br>2010<br><i>HK\$'000</i> |
|--|--|--|--|-------------------------------------|
| <b>NON-CURRENT ASSETS</b>                          |  |  |  |                                     |
| Property, plant and equipment                      | 106,436                                    | 108,282                                    | 101,274                                    | 98,138                              |
| Prepaid land lease payments                        | 21,406                                     | 21,871                                     | 20,332                                     | 19,661                              |
| Interests in an associate                          | 1,055                                      | –  | –  | –                                   |
| Due from a minority shareholder of a subsidiary    | 3,231                                      | 3,295                                      | 3,678                                      | –                                   |
| Total non-current assets                           | <u>132,128</u>                             | <u>133,448</u>                             | <u>125,284</u>                             | <u>117,799</u>                      |
| <b>CURRENT ASSETS</b>                              |  |  |  |                                     |
| Inventories  | 98   | 115  | 98   | –                                   |
| Accounts receivable                                | 92   | 214  | 92   | –                                   |
| Prepayments, deposits and other receivables        | 6,909                                      | 1,857                                      | 1,728                                      | 1,870                               |
| Due from the holding company                       | –  | –  | 10   | –                                   |
| Cash and cash equivalents                          | 12,728                                     | 17,574                                     | 15,154                                     | 2,749                               |
| Total current assets                               | <u>19,827</u>                              | <u>19,760</u>                              | <u>17,082</u>                              | <u>4,619</u>                        |
| <b>CURRENT LIABILITIES</b>                         |  |  |  |                                     |
| Accounts payable                                   | 269  | 213  | 331  | –                                   |
| Deferred income and accruals                       | 3,812                                      | 9,269                                      | 12,543                                     | 11,726                              |
| Membership deposits                                | 21,600                                     | 20,750                                     | 20,500                                     | 3,050                               |
| Amount due to a minority shareholder               | –  | –  | –  | 702                                 |
| Total current liabilities                          | <u>25,681</u>                              | <u>30,232</u>                              | <u>33,374</u>                              | <u>15,478</u>                       |
| NET CURRENT LIABILITIES                            | <u>(5,854)</u>                             | <u>(10,472)</u>                            | <u>(16,292)</u>                            | <u>(10,859)</u>                     |
| TOTAL ASSETS LESS CURRENT LIABILITIES              | <u>126,274</u>                             | <u>122,976</u>                             | <u>108,992</u>                             | <u>106,940</u>                      |
| <b>NON-CURRENT LIABILITIES</b>                     |  |  |  |                                     |
| Deferred income                                    | 14,520                                     | 13,551                                     | 12,590                                     | 4,402                               |
| Net assets   | <u>111,754</u>                             | <u>109,425</u>                             | <u>96,402</u>                              | <u>102,538</u>                      |
| <b>EQUITY</b>                                      |  |  |  |                                     |
| <b>Equity attributable to owners of the parent</b> |  |  |  |                                     |
| Issued capital                                     | 54,000                                     | 54,000                                     | 54,000                                     | 54,000                              |
| Reserves   | 57,754                                     | 55,425                                     | 42,402                                     | 48,538                              |
|  | 111,754                                    | 109,425                                    | 96,402                                     | 102,538                             |
| Minority interests                                 | –  | –  | –  | –                                   |
| Total equity                                       | <u>111,754</u>                             | <u>109,425</u>                             | <u>96,402</u>                              | <u>102,538</u>                      |



## Consolidated statement of cash flows

|   | Year ended<br>30<br>September<br>2007<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2008<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2009<br><i>HK\$'000</i> | Six months<br>ended 31<br>March 2010<br><i>HK\$'000</i> |
|---|--|--|--|---|
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>                       |  |  |  |   |
| Profit/(loss) before tax  | (13,083)   | (14,676)   | (13,020)   | 5,591   |
| Adjustments for:  |  |  |  |   |
| Interest income   | (414)  | (263)  | (137)  | (3)   |
| Loss on disposal of items of property,<br>plant and equipment         | 1,090  | 1,922  | 118  | 42  |
| Depreciation  | 7,388  | 7,950  | 7,795  | 3,893   |
| Recognition of prepaid land lease<br>payments                         | 1,279  | 1,554  | 1,551  | 777   |
|   | <u>(3,740)</u>   | <u>(3,513)</u>   | <u>(3,693)</u>   | <u>10,300</u>   |
| Decrease/(increase) in due from an<br>associate                       | (222)  | 1,055  | –  | –   |
| Movements in balances with a minority<br>shareholder of a subsidiary  | 368  | (64)   | (452)  | 4,380   |
| Decrease/(increase) in inventories                                    | (59)   | (17)   | 17   | 98  |
| Decrease/(increase) in accounts receivable                            | (16)   | (113)  | 122  | 92  |
| Decrease/(increase) in prepayments,<br>deposits and other receivables | (5,271)  | 5,609  | 131  | (142)   |
| Decrease/(increase) in due from the holding<br>company                | –  | –  | (10)   | 10  |
| Increase/(decrease) in accounts payable                               | 111  | (81)   | 118  | (332)   |
| Increase/(decrease) in deferred income and<br>accruals                | 1,231  | 4,143  | 2,308  | (9,018)   |
| Decrease in membership deposits                                       | <u>(575)</u>   | <u>(850)</u>   | <u>(250)</u>   | <u>(17,450)</u>   |
| Cash generated from/(used in) operations                              | (8,173)  | 6,169  | (1,709)  | (12,062)  |
| Interest received   | <u>414</u>   | <u>263</u>   | <u>137</u>   | <u>3</u>  |
| Net cash flows from/(used in) operating<br>activities                 | <u>(7,759)</u>   | <u>6,432</u>   | <u>(1,572)</u>   | <u>(12,059)</u>   |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>                       |  |  |  |   |
| Purchases of items of property, plant and<br>equipment                | (1,462)  | (1,701)  | (862)  | (352)   |
| Proceeds from disposal of items of<br>property, plant and equipment   | 2,594  | –  | 14   | –   |
| Proceeds from disposal of prepaid land<br>lease payments              | <u>8,088</u>   | <u>–</u>   | <u>–</u>   | <u>–</u>  |
| Net cash flows from/(used in) investing<br>activities                 | <u>9,220</u>   | <u>(1,701)</u>   | <u>(848)</u>   | <u>(352)</u>  |

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|   | Year ended<br>30<br>September<br>2007<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2008<br><i>HK\$'000</i> | Year ended<br>30<br>September<br>2009<br><i>HK\$'000</i> | Six months<br>ended 31<br>March 2010<br><i>HK\$'000</i> |
|---|--|--|--|---|
| CASH FLOW FROM A FINANCING<br>ACTIVITY                                  |  |  |  |   |
| Proceeds from issue of share and cash flow<br>from a financing activity | 9,900  | –  | –  | –   |
| NET INCREASE/(DECREASE) IN CASH<br>AND CASH EQUIVALENTS                 | 11,361   | 4,731  | (2,420)  | (12,411)  |
| Cash and cash equivalents at beginning of<br>year/period                | 1,322  | 12,728   | 17,574   | 15,154  |
| Effect of foreign exchange rate changes,<br>net                         | 45   | 115  | –  | 6   |
| CASH AND CASH EQUIVALENTS AT<br>END OF YEAR/PERIOD                      | <u>12,728</u>  | <u>17,574</u>  | <u>15,154</u>  | <u>2,749</u>  |
| ANALYSIS OF BALANCES OF CASH<br>AND CASH EQUIVALENTS                    |  |  |  |   |
| Cash and balance balances   | 8,041  | 2,163  | 2,413  | 2,749   |
| Time deposit with original maturity of less<br>than three months        | 4,687  | 15,411   | 12,741   | –   |
|   | <u>12,728</u>  | <u>17,574</u>  | <u>15,154</u>  | <u>2,749</u>  |

## 41. DISCONTINUED OPERATION

On 27 September 2007, the Company announced the decision of its board of directors to dispose of its entire interest in Fitness Concept Limited (“FCL”) and its subsidiaries (the “FCL Group”). The FCL Group is engaged in the operation of fitness centres and trading of fitness equipment and is a separate business segment. The disposal of the FCL Group was completed on 30 September 2007.

The results of the FCL Group for the year ended 31 March 2008 are presented below:

|   | <b>2008</b><br><i>HK\$'000</i> |
|---|--------------------------------|
| Revenue, other income and gains                   | 29,377                         |
| Expenses  | (37,632)                       |
| Finance costs                                     | <u>(60)</u>                    |
| Loss of the discontinued operation                | (8,315)                        |
| Gain on disposal of the FCL Group                 | <u>3,163</u>                   |
| Loss before tax from the discontinued operation   | (5,152)                        |
| Income tax expense                                | <u>8</u>                       |
| Loss for the year from the discontinued operation | <u><u>(5,144)</u></u>          |
| Attributable to:                                  |                                |
| Equity holders of the Company                     | (5,127)                        |
| Minority interests                                | <u>(17)</u>                    |
|   | <u><u>(5,144)</u></u>          |

The net cash flows incurred by the FCL Group are as follows:

|  | <b>2008</b><br><i>HK\$'000</i> |
|--|--------------------------------|
| Operating activities                     | (2,205)                        |
| Investing activities                     | (1,136)                        |
| Financing activities                     | <u>2,753</u>                   |
| Net cash outflow                         | <u><u>(588)</u></u>            |
| Loss per share:                          |                                |
| Basic, from the discontinued operation   | (0.90 cent)                    |
| Diluted, from the discontinued operation | <u><u>(0.84 cent)</u></u>      |

The calculations of basic and diluted loss per share from the discontinued operation are based on:

|  | <b>2008</b>               |
|--|---------------------------|
| Loss attributable to ordinary equity holders of the Company from the discontinued operation                          | HK\$5,127,000             |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 572,634,425               |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation                        | <u><u>608,331,739</u></u> |

## 42. DISPOSAL OF SUBSIDIARIES

|   | <i>Notes</i> | <b>2008</b><br><i>HK\$'000</i> |
|---|--------------|--------------------------------|
| Net assets disposed of:                         |              |                                |
| Property, plant and equipment                   | <i>14</i>    | 14,591                         |
| Interests in associates                         |              | (406)                          |
| Amounts due from associates                     |              | 344                            |
| Amounts due from minority shareholders          |              | 7                              |
| Inventories                                     |              | 6,136                          |
| Accounts receivable                             |              | 16,333                         |
| Provision for impairment of accounts receivable | <i>27</i>    | (13,698)                       |
| Other receivables                               |              | 10,167                         |
| Provision for impairment of other receivables   | <i>28</i>    | (192)                          |
| Cash and bank balances                          |              | 4,943                          |
| Accounts payable                                |              | (3,898)                        |
| Other payables and accruals                     |              | (31,239)                       |
| Exchange fluctuation reserve                    |              | (304)                          |
| Minority interests                              |              | (83)                           |
|   |              | <u>2,701</u>                   |
| Legal fee incurred                              |              | 136                            |
| Gain on disposal of subsidiaries                |              | <u>3,163</u>                   |
|   |              | <u><u>6,000</u></u>            |
| Satisfied by:                                   |              |                                |
| Cash  |              | <u><u>6,000</u></u>            |

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

|  | <b>2008</b><br><i>HK\$'000</i> |
|--|--------------------------------|
| Cash consideration   | 6,000                          |
| Cash and bank balances disposed of   | <u>(4,943)</u>                 |
|  | 1,057                          |
| Less: Legal fee paid   | <u>(136)</u>                   |
| Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries | <u><u>921</u></u>              |

## 43. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

**Major non-cash transaction**

During the year ended 31 March 2008, the Group's investment in an investee increased by HK\$2,400,000 by capitalising the amount advanced to that investee.

## 44. CONTINGENT LIABILITIES

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

|   | Group    |          |          | Company  |          |          |
|---|----------|----------|----------|----------|----------|----------|
|   | 2008     | 2009     | 2010     | 2008     | 2009     | 2010     |
|   | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Guarantees given to banks in connection with banking facilities granted to subsidiaries | —        | —        | —        | 159,100  | 258,100  | 266,300  |

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK\$90,939,000, HK\$108,624,000 and HK\$121,011,000 were utilised by the subsidiaries as at 31 March 2008, 2009 and 2010, respectively.

## 45. OPERATING LEASE ARRANGEMENTS

## (a) The Group as lessor

The Group leases certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2008, 2009 and 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

|   | 2008         | 2009         | 2010          |
|---|--------------|--------------|---------------|
|   | HK\$'000     | HK\$'000     | HK\$'000      |
| Within one year                         | 3,443        | 3,684        | 4,894         |
| In the second to fifth years, inclusive | 5,538        | 4,747        | 5,556         |
| After five years                        | —            | —            | 3,299         |
|   | <u>8,981</u> | <u>8,431</u> | <u>13,749</u> |

The Group recognised nil, HK\$3,905,000 and HK\$6,291,000 for the years ended 31 March 2008, 2009 and 2010, respectively, in respect of contingent rentals receivable which was calculated according to a certain percentage on the turnover of the tenants.

**(b) The Group as lessee**

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

At 31 March 2008, 2009 and 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

|   | <b>2008</b>         | <b>2009</b>          | <b>2010</b>         |
|---|---------------------|----------------------|---------------------|
|   | <i>HK\$'000</i>     | <i>HK\$'000</i>      | <i>HK\$'000</i>     |
| Within one year                         | 758                 | 2,133                | 722                 |
| In the second to fifth years, inclusive | 2,248               | 6,022                | 1,927               |
| After five years                        | <u>3,501</u>        | <u>10,050</u>        | <u>2,669</u>        |
|   | <u><u>6,507</u></u> | <u><u>18,205</u></u> | <u><u>5,318</u></u> |

The Company had no operating lease arrangements as at 31 March 2008, 2009 and 2010.

**46. COMMITMENTS**

At 31 March 2008, 2009 and 2010, neither the Group nor the Company had any significant capital commitments.

At 31 March 2010, the Group had committed to advance a loan to an associate of RMB11,428,000.

**47. RELATED PARTY TRANSACTIONS**

(a) In addition to the transactions and balances detailed elsewhere in this Financial Information, the Group had the following material transactions with related parties during the Relevant Period:

|  | <i>Notes</i> | <b>2008</b>     | <b>2009</b>     | <b>2010</b>     |
|--|--------------|-----------------|-----------------|-----------------|
|  |              | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Management fees received from associates         | <i>(i)</i>   | 807             | 831             | 1,057           |
| Management fees received from a related company  | <i>(i)</i>   | 120             | 240             | 240             |
| Interest income from a jointly-controlled entity | <i>(ii)</i>  | 586             | 441             | 216             |
| Rental income from related companies             | <i>(iii)</i> | 273             | 2,580           | 2,598           |
| Sale of properties to director                   | <i>(iv)</i>  | <u>–</u>        | <u>–</u>        | <u>8,167</u>    |

*Notes:*

- (i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.
- (ii) The interest income from a jointly-controlled entity was charged at the Hong Kong dollar prime rate plus 1% per annum on an amount due from it of HK\$7,178,000.
- (iii) Rental income was charged to FCL at HK\$45,000, HK\$45,000 and HK\$45,000 per month for the years ended 31 March 2008, 2009 and 2010, respectively. Rental income was also charged to one of FCL's subsidiaries at HK\$170,000 and HK\$171,000 per month for the years ended 31 March 2009 and 2010, respectively. Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and FCL while Mr. Keung Kwok Cheung is the director of the Company and FCL.

- (iv) The sales of properties to a director were made with reference to prices offered to the other customers of the Group. There was no outstanding balance with this director as at 31 March 2008, 2009 and 2010.
  
- (b) Outstanding balances with related parties:
  - (i) Details of the Group's balances with its jointly-controlled entity and associates as at 31 March 2008, 2009 and 2010 are included in notes 18 and 19 to the Financial Information, respectively;
  - (ii) Details of the Company's balances with its subsidiaries as at 31 March 2008, 2009 and 2010 are included in note 17 to the Financial Information;
  - (iii) Details of the Group's balances with its minority shareholders as at 31 March 2008, 2009 and 2010 are included in note 23 to the Financial Information; and
  - (iv) Details of the Group's balances with its related companies as at 31 March 2008, 2009 and 2010 are included in note 33 to the Financial Information.

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

The key management personnel of the Group are the directors of the Company. Details of their remuneration are disclosed in note 8 to the Financial Information.

## 48. FINANCIAL INSTRUMENTS BY CATEGORY

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

| 2008  | Group   |   |   |
|---|---|---|---|
| Financial assets  | Financial<br>assets at<br>fair value<br>through<br>profit or<br>loss<br><i>HK\$'000</i> | Loans and<br>receivables<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i>  |
| Amounts due from associates   | –   | 23,620                                      | 23,620  |
| Financial assets at fair value through profit or loss                                       | 2,234   | –   | 2,234   |
| Accounts receivable   | –   | 56,850                                      | 56,850  |
| Financial assets included in prepayments, deposits and other receivables ( <i>note 28</i> ) | –   | 14,319                                      | 14,319  |
| Cash and cash equivalents   | –   | 31,087                                      | 31,087  |
| Pledged deposits  | –   | 21,465                                      | 21,465  |
|   | <u>2,234</u>  | <u>147,341</u>                              | <u>149,575</u>  |
| <br>  |   |   |   |
| Financial liabilities   |   |   | Financial<br>liabilities at<br>amortised<br>cost<br><i>HK\$'000</i> |
| Accounts payable  |   |   | 32,861  |
| Financial liabilities included in other payables and accruals ( <i>note 32</i> )            |   |   | 31,484  |
| Amounts due to associates   |   |   | 547   |
| Amounts due to minority shareholders  |   |   | 17,360  |
| Amounts due to related companies  |   |   | 23,813  |
| Convertible notes   |   |   | 15,274  |
| Interest-bearing bank borrowings  |   |   | <u>99,763</u>   |
|   |   |   | <u>221,102</u>  |



| 2009   | Group  |                                  |  |
|--|--|----------------------------------|--|
| <b>Financial assets</b>  |  |                                  |  |
|  | <b>Financial<br/>assets at<br/>fair value<br/>through<br/>profit or<br/>loss</b> | <b>Loans and<br/>receivables</b> | <b>Total</b>   |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>                  | <i>HK\$'000</i>  |
| Amounts due from associates  | –  | 26,650                           | 26,650   |
| Financial assets at fair value through profit or loss  | 2,260  | –                                | 2,260  |
| Accounts receivable  | –  | 59,472                           | 59,472   |
| Financial assets included in prepayments, deposits and<br>other receivables ( <i>note 28</i> ) | –  | 9,147                            | 9,147  |
| Cash and cash equivalents  | –  | 53,807                           | 53,807   |
| Pledged deposits   | –  | 31,331                           | 31,331   |
|  | <u>2,260</u>   | <u>180,407</u>                   | <u>182,667</u>   |
| <b>Financial liabilities</b>   |  |                                  |  |
|  |  |                                  | <b>Financial<br/>liabilities at<br/>amortised<br/>cost</b> |
|  |  |                                  | <i>HK\$'000</i>  |
| Accounts payable   |  |                                  | 44,269   |
| Financial liabilities included in other payables and accruals ( <i>note 32</i> )               |  |                                  | 63,433   |
| Amounts due to associates  |  |                                  | 262  |
| Amounts due to minority shareholders   |  |                                  | 19,529   |
| Amounts due to related companies   |  |                                  | 27,166   |
| Convertible notes  |  |                                  | 15,721   |
| Interest-bearing bank and other borrowings   |  |                                  | 129,768  |
|  |  |                                  | <u>300,148</u>   |

| 2010  | Group   |   |                          |
|---|---|---|--------------------------|
| Financial assets  | Financial<br>assets at<br>fair value<br>through<br>profit or<br>loss<br><i>HK\$'000</i> | Loans and<br>receivables<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Amounts due from associates   | –   | 27,108                                      | 27,108                   |
| Financial assets at fair value through profit or loss                                       | 2,280   | –   | 2,280                    |
| Accounts receivable   | –   | 71,294                                      | 71,294                   |
| Financial assets included in prepayments, deposits and other receivables ( <i>note 28</i> ) | –   | 13,890                                      | 13,890                   |
| Cash and cash equivalents   | –   | 73,608                                      | 73,608                   |
| Pledged deposits  | –   | 31,324                                      | 31,324                   |
|   | <u>2,280</u>  | <u>217,224</u>                              | <u>219,504</u>           |

**Financial liabilities**

|  | Financial<br>liabilities at<br>amortised<br>cost<br><i>HK\$'000</i> |
|--|---|
| Accounts payable   | 20,948  |
| Financial liabilities included in other payables and accruals ( <i>note 32</i> ) | 38,855  |
| Amounts due to associates  | 54  |
| Amounts due to minority shareholders   | 24,465  |
| Amounts due to related companies   | 18,444  |
| Interest-bearing bank and other borrowings                                       | 198,448   |
|  | <u>301,214</u>  |

**Company****Financial assets**

|                           | Loans and receivables   |                         |                         |
|---------------------------|-------------------------|-------------------------|-------------------------|
|                           | 2008<br><i>HK\$'000</i> | 2009<br><i>HK\$'000</i> | 2010<br><i>HK\$'000</i> |
| Cash and cash equivalents | <u>72</u>               | <u>64</u>               | <u>94</u>               |

|                   | Company  |                 |                 |
|-------------------|--|-----------------|-----------------|
|                   | <b>Financial liabilities at amortised cost</b> |                 |                 |
|                   | <b>2008</b>                                    | <b>2009</b>     | <b>2010</b>     |
|                   | <i>HK\$'000</i>                                | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Convertible notes | <u>15,274</u>                                  | <u>15,721</u>   | <u>–</u>        |

#### 49. FAIR VALUE HIERARCHY

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments:

|          |  |
|----------|--|
| Level 1: | fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities   |
| Level 2: | fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly                 |
| Level 3: | fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs) |

As at 31 March 2008, 2009 and 2010, the financial instruments measured at fair value held by the Group comprised equity investments at fair value through profit or loss and was classified as Level 1.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

#### 50. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, available-for-sale investments, financial assets at fair value through profit or loss, balances with associates, minority shareholders and related companies, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, accounts payable, deposits and other receivables, and other payables, which arise directly from its operations.

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

##### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate in Hong Kong and Mainland China.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 34 to the Financial Information. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, other loans, cash and bank balances, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated income statement as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

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

| <b>Group</b>     | <b>Increase/<br/>(decrease)<br/>in basis<br/>points</b> | <b>Increase/<br/>(decrease)<br/>in profit<br/>before tax<br/>HK\$'000</b> | <b>Increase/<br/>(decrease)<br/>in equity*<br/>HK\$'000</b> |
|------------------|---|---|---|
| <b>2008</b>      |   |   |   |
| Hong Kong dollar | 100   | (541)   | –   |
| Hong Kong dollar | (100)   | 541   | –   |
| <b>2009</b>      |   |   |   |
| Hong Kong dollar | 100   | (1,005)   | –   |
| Hong Kong dollar | (100)   | 1,005   | –   |
| <b>2010</b>      |   |   |   |
| Hong Kong dollar | 100   | (1,777)   | –   |
| Hong Kong dollar | (100)   | 1,777   | –   |

\* Excluding retained profits

#### Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

|   | <b>%</b> | <b>Increase/<br/>(decrease)<br/>in profit<br/>before tax<br/>HK\$'000</b> | <b>Increase/<br/>(decrease)<br/>in equity*<br/>HK\$'000</b> |
|---|----------|---|---|
| <b>2008</b>                                 |          |   |   |
| If Hong Kong dollar weakens against RMB     | 5        | (4,895)   | –   |
| If Hong Kong dollar strengthens against RMB | (5)      | 4,895   | –   |
| <b>2009</b>                                 |          |   |   |
| If Hong Kong dollar weakens against RMB     | 5        | (1,963)   | –   |
| If Hong Kong dollar strengthens against RMB | (5)      | 1,963   | –   |
| <b>2010</b>                                 |          |   |   |
| If Hong Kong dollar weakens against RMB     | 5        | (5,390)   | –   |
| If Hong Kong dollar strengthens against RMB | (5)      | 5,390   | –   |

\* Excluding retained profits

**Credit risk**

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise amounts due from associates, financial assets at fair value through profit or loss, other receivables, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable and other receivables are disclosed in notes 27 and 28 to the Financial Information, respectively.

**Liquidity risk**

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against its financial assets, and the maintenance of a current ratio, defined as current assets over current liabilities, at above one so as to enhance a stable liquidity.

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

**Group**

|   | 2008                     |                                      |  |                             |                             | Total<br>HK\$'000 |
|---|--------------------------|--------------------------------------|--|-----------------------------|-----------------------------|-------------------|
|   | On<br>demand<br>HK\$'000 | Less<br>than 3<br>months<br>HK\$'000 | 3 to less<br>than 12<br>months<br>HK\$'000 | 1 to 5<br>years<br>HK\$'000 | Over 5<br>years<br>HK\$'000 |                   |
| Accounts payable  | –                        | 32,861                               | –  | –                           | –                           | 32,861            |
| Financial liabilities<br>included in other<br>payable and accruals<br>(note 32) | 31,484                   | –                                    | –  | –                           | –                           | 31,484            |
| Amounts due to<br>associates  | 547                      | –                                    | –  | –                           | –                           | 547               |
| Amounts due to<br>minority shareholders   | 17,360                   | –                                    | –  | –                           | –                           | 17,360            |
| Amounts due to related<br>companies   | 23,813                   | –                                    | –  | –                           | –                           | 23,813            |
| Convertible notes   | –                        | –                                    | –  | 15,750                      | –                           | 15,750            |
| Interest-bearing bank<br>borrowings   | 45,700                   | 1,817                                | 16,643                                     | 34,704                      | 14,786                      | 113,650           |
|   | <u>118,904</u>           | <u>34,678</u>                        | <u>16,643</u>                              | <u>50,454</u>               | <u>14,786</u>               | <u>235,465</u>    |

## Group

|  | 2009                     |                                       |                             |                             | Total<br>HK\$'000 |
|--|--------------------------|---------------------------------------|-----------------------------|-----------------------------|-------------------|
|  | On<br>demand<br>HK\$'000 | Less<br>than 12<br>months<br>HK\$'000 | 1 to 5<br>years<br>HK\$'000 | Over 5<br>years<br>HK\$'000 |                   |
| Accounts payable   | –                        | 44,269                                | –                           | –                           | 44,269            |
| Financial liabilities included in other<br>payables and accruals (note 32) | 63,433                   | –                                     | –                           | –                           | 63,433            |
| Amounts due to associates  | 262                      | –                                     | –                           | –                           | 262               |
| Amounts due to minority<br>shareholders                                    | 19,529                   | –                                     | –                           | –                           | 19,529            |
| Amounts due to related companies   | 27,166                   | –                                     | –                           | –                           | 27,166            |
| Convertible notes  | –                        | 15,750                                | –                           | –                           | 15,750            |
| Interest-bearing bank and other<br>borrowings                              | 23,568                   | 79,434                                | 29,379                      | 8,622                       | 141,003           |
|  | <u>133,958</u>           | <u>139,453</u>                        | <u>29,379</u>               | <u>8,622</u>                | <u>311,412</u>    |
|  |                          |                                       |                             |                             |                   |
|  | 2010                     |                                       |                             |                             |                   |
|  | On<br>demand<br>HK\$'000 | Less<br>than 12<br>months<br>HK\$'000 | 1 to 5<br>years<br>HK\$'000 | Over 5<br>years<br>HK\$'000 | Total<br>HK\$'000 |
| Accounts payable   | –                        | 20,948                                | –                           | –                           | 20,948            |
| Financial liabilities included in other<br>payables and accruals (note 32) | 38,855                   | –                                     | –                           | –                           | 38,855            |
| Amounts due to associates  | 54                       | –                                     | –                           | –                           | 54                |
| Amounts due to minority<br>shareholders                                    | 24,465                   | –                                     | –                           | –                           | 24,465            |
| Amounts due to related companies   | 18,444                   | –                                     | –                           | –                           | 18,444            |
| Interest-bearing bank and other<br>borrowings                              | 41,623                   | 98,940                                | 71,842                      | 2,806                       | 215,211           |
|  | <u>123,441</u>           | <u>119,888</u>                        | <u>71,842</u>               | <u>2,806</u>                | <u>317,977</u>    |

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

## Company

|  | 2008                  |                                    |                          | Total<br>HK\$'000 |
|--|-----------------------|------------------------------------|--------------------------|-------------------|
|  | On demand<br>HK\$'000 | Less than<br>12 months<br>HK\$'000 | 1 to 5 years<br>HK\$'000 |                   |
| Convertible notes  | –                     | –                                  | 15,750                   | 15,750            |
| Guarantee given to banks in<br>connection with banking facilities<br>granted to subsidiaries | 90,939                | –                                  | –                        | 90,939            |
|  | <u>90,939</u>         | <u>–</u>                           | <u>15,750</u>            | <u>106,689</u>    |

|  | <b>2009</b>                         |   |  | <b>Total</b><br><i>HK\$'000</i> |
|--|-------------------------------------|---|--|---------------------------------|
|  | <b>On demand</b><br><i>HK\$'000</i> | <b>Less than<br/>12 months</b><br><i>HK\$'000</i> | <b>1 to 5 years</b><br><i>HK\$'000</i> |                                 |
| Convertible notes  | –                                   | 15,750  | –                                      | 15,750                          |
| Guarantee given to banks in connection with banking facilities granted to subsidiaries | 108,624                             | –   | –                                      | 108,624                         |
|  | <u>108,624</u>                      | <u>15,750</u>                                     | <u>–</u>                               | <u>124,374</u>                  |
|  | <b>2010</b>                         |   |  | <b>Total</b><br><i>HK\$'000</i> |
|  | <b>On demand</b><br><i>HK\$'000</i> | <b>Less than<br/>12 months</b><br><i>HK\$'000</i> | <b>1 to 5 years</b><br><i>HK\$'000</i> |                                 |
| Guarantee given to banks in connection with banking facilities granted to subsidiaries | 121,011                             | –   | –                                      | 121,011                         |
|  | <u>121,011</u>                      | <u>–</u>  | <u>–</u>                               | <u>121,011</u>                  |

### Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2008, 2009 and 2010.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to associates, minority shareholders and related companies, and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital includes convertible notes and equity attributable to owners of the Company. The gearing ratios as at the ends of the reporting periods were as follows:

|  | <b>2008</b>     | <b>Group<br/>2009</b> | <b>2010</b>     |
|--|-----------------|-----------------------|-----------------|
|  | <i>HK\$'000</i> | <i>HK\$'000</i>       | <i>HK\$'000</i> |
| Accounts payable                             | 32,861          | 44,269                | 20,948          |
| Other payables and accruals                  | 129,679         | 171,116               | 157,515         |
| Amounts due to associates                    | 547             | 262                   | 54              |
| Amounts due to minority shareholders         | 17,360          | 19,529                | 24,465          |
| Amounts due to related companies             | 23,813          | 27,166                | 18,444          |
| Interest-bearing bank and other borrowings   | 99,763          | 129,768               | 198,448         |
| Less: Cash and cash equivalents              | <u>(31,087)</u> | <u>(53,807)</u>       | <u>(73,608)</u> |
| Net debt                                     | 272,936         | 338,303               | 346,266         |
| Convertible notes, the liability component   | 15,274          | 15,721                | –               |
| Equity attributable to owners of the Company | <u>457,573</u>  | <u>474,047</u>        | <u>508,829</u>  |
| Total capital                                | 472,847         | 489,768               | 508,829         |
| Capital and net debt                         | <u>745,783</u>  | <u>828,071</u>        | <u>855,095</u>  |
| Gearing ratio                                | <u>37%</u>      | <u>41%</u>            | <u>40%</u>      |

## 51. EVENTS AFTER THE REPORTING PERIOD

As detailed in note 30 to the Financial Information, on 7 April 2010, Interpath Profits entered into two sale and purchase agreements with Bond Light and Big Meg, respectively, in respect of the disposals of the entire issued share capital of Lead Joy and Measure Up, respectively.

- (a) The consolidated statement of financial position of Lead Joy and its subsidiaries as at 31 March 2010, and its consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows since its establishment on 11 September 2009 to 31 March 2010 are as follows:

## (i) Consolidated income statement

|   | <b>Period from<br/>11 September 2009<br/>to 31 March 2010</b> |
|---|---|
|   | <i>HK\$'000</i>   |
| REVENUE                                       | –   |
| Excess over the cost of business combinations | 2,893   |
| Administrative expenses                       | <u>(54)</u>   |
| PROFIT BEFORE TAX                             | 2,839   |
| Income tax expense                            | <u>–</u>  |
| PROFIT FOR THE PERIOD                         | <u><u>2,839</u></u>   |
| Attributable to:                              |   |
| Owner of the company                          | <u><u>2,839</u></u>   |

## (ii) Consolidated statement of comprehensive income

|   | <b>Period from<br/>11 September 2009<br/>to 31 March 2010</b> |
|---|---|
|   | <i>HK\$'000</i>   |
| PROFIT FOR THE PERIOD                                 | 2,839   |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | <u>–</u>  |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD             | <u><u>2,839</u></u>   |
| Attributable to:                                      |   |
| Owner of the company                                  | <u><u>2,839</u></u>   |



## (iii) Consolidated statement of financial position

|  | <b>31 March<br/>2010</b><br><i>HK\$'000</i> |
|--|---|
| <b>NON-CURRENT ASSETS</b>                    |   |
| Property, plant and equipment                | 98,138                                      |
| Prepaid land lease payments                  | <u>28,433</u>                               |
| Total non-current assets                     | <u>126,571</u>                              |
| <b>CURRENT ASSETS</b>                        |   |
| Prepayments, deposits and other receivables  | 2,560                                       |
| Cash and bank balances                       | <u>2,749</u>                                |
| Total current assets                         | <u>5,309</u>                                |
| <b>CURRENT LIABILITIES</b>                   |   |
| Deferred income, other payables and accruals | 11,726                                      |
| Membership deposits                          | 3,050                                       |
| Amount due to the immediate holding company  | 109,161                                     |
| Amount due to a minority shareholder         | <u>702</u>                                  |
| Total current liabilities                    | <u>124,639</u>                              |
| NET CURRENT LIABILITIES                      | <u>(119,330)</u>                            |
| TOTAL ASSETS LESS CURRENT LIABILITIES        | <u>7,241</u>                                |
| <b>NON-CURRENT LIABILITIES</b>               |   |
| Deferred Income                              | <u>4,402</u>                                |
| Net assets                                   | <u><u>2,839</u></u>                         |
| <b>EQUITY</b>                                |   |
| Issued capital                               | –   |
| Reserves                                     | <u>2,839</u>                                |
| Total equity                                 | <u><u>2,839</u></u>                         |

## (iv) Consolidated statement of cash flows

|  | <b>Period from<br/>11 September 2009<br/>to 31 March 2010<br/>HK\$'000</b> |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Profit before tax  | 2,839  |
| Adjustment for:  |  |
| Excess over the cost of business combinations                                      | <u>(2,893)</u>   |
| Net cash flows from operating activities   | <u>(54)</u>  |
| <b>CASH FLOW FROM AN INVESTING ACTIVITY</b>  |  |
| Acquisition of subsidiaries and cash flow used in an investing activity            | <u>(106,358)</u>   |
| <b>CASH FLOW FROM A FINANCING ACTIVITY</b>   |  |
| Advance from the immediate holding company and cash flow from a financing activity | <u>109,161</u>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                                   | <b>2,749</b>   |
| Cash and cash equivalents at beginning of period                                   | <u>–</u>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                                  | <b><u>2,749</u></b>  |
| <b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>                            |  |
| Cash and bank balances   | <u><u>2,749</u></u>  |

- (b) The consolidated statements of financial position of Measure Up and its subsidiaries as at 31 March 2008, 2009 and 2010, and its consolidated income statements, consolidated statements of comprehensive income and consolidated statements of cash flows for the years ended 31 March 2008, 2009 and 2010 are as follows:

## (i) Consolidated income statement

|                          | <b>Year ended 31 March</b> |                     |                     |
|--------------------------|----------------------------|---------------------|---------------------|
|                          | <b>2008</b>                | <b>2009</b>         | <b>2010</b>         |
|                          | <i>HK\$'000</i>            | <i>HK\$'000</i>     | <i>HK\$'000</i>     |
| REVENUE                  | –                          | –                   | –                   |
| Other income and gains   | 34                         | 38                  | 3                   |
| Administrative expenses  | (2,625)                    | (1,026)             | (369)               |
| Finance costs            | <u>–</u>                   | <u>–</u>            | <u>(263)</u>        |
| <b>LOSS BEFORE TAX</b>   | <b>(2,591)</b>             | <b>(988)</b>        | <b>(629)</b>        |
| Income tax expense       | <u>–</u>                   | <u>–</u>            | <u>–</u>            |
| <b>LOSS FOR THE YEAR</b> | <b><u>(2,591)</u></b>      | <b><u>(988)</u></b> | <b><u>(629)</u></b> |
| Attributable to:         |                            |                     |                     |
| Owner of the company     | <u>(2,591)</u>             | <u>(988)</u>        | <u>(629)</u>        |

## (ii) Consolidated statement of comprehensive income

|   | Year ended 31 March |                  |                  |
|---|---------------------|------------------|------------------|
|   | 2008<br>HK\$'000    | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| LOSS FOR THE YEAR   | (2,591)             | (988)            | (629)            |
| OTHER COMPREHENSIVE INCOME                                |                     |                  |                  |
| Exchange differences on translation of foreign operations | 2,573               | 401              | 332              |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX       | (18)                | (587)            | (297)            |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR                   | <u>(18)</u>         | <u>(587)</u>     | <u>(297)</u>     |
| Attributable to:  |                     |                  |                  |
| Owner of the company                                      | <u>(18)</u>         | <u>(587)</u>     | <u>(297)</u>     |

## (iii) Consolidated statement of financial position

|   | 31 March         |                  |                  |
|---|------------------|------------------|------------------|
|   | 2008<br>HK\$'000 | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| NON-CURRENT ASSETS                            |                  |                  |                  |
| Property, plant and equipment                 | 656              | 635              | 296              |
| CURRENT ASSETS                                |                  |                  |                  |
| Properties under development                  | 31,085           | 38,069           | 40,379           |
| Prepayments, deposits and other receivables   | 62               | 115              | 43               |
| Amount due from the immediate holding company | –                | –                | 59,075           |
| Cash and bank balances                        | 3,041            | 2,358            | 105              |
| Total current assets                          | <u>34,188</u>    | <u>40,542</u>    | <u>99,602</u>    |
| CURRENT LIABILITIES                           |                  |                  |                  |
| Other payables and accruals                   | 90               | 1,775            | 687              |
| Amount due to an intermediate holding company | 20,784           | 23,784           | –                |
| Amount due to a fellow subsidiary             | 55               | 290              | –                |
| Amounts due to minority shareholders          | 13,820           | 15,820           | –                |
| Other loan                                    | –                | –                | 100,000          |
| Total current liabilities                     | <u>34,749</u>    | <u>41,669</u>    | <u>100,687</u>   |
| NET CURRENT LIABILITIES                       | <u>(561)</u>     | <u>(1,127)</u>   | <u>(1,085)</u>   |
| Net assets/(liabilities)                      | <u>95</u>        | <u>(492)</u>     | <u>(789)</u>     |
| EQUITY  |                  |                  |                  |
| Issued capital                                | 1                | 1                | 1                |
| Reserves                                      | 94               | (493)            | (790)            |
| Total equity                                  | <u>95</u>        | <u>(492)</u>     | <u>(789)</u>     |

## (iv) Consolidated statement of cash flows

|  | Year ended 31 March |                  |                  |
|--|---------------------|------------------|------------------|
|  | 2008<br>HK\$'000    | 2009<br>HK\$'000 | 2010<br>HK\$'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                     |                  |                  |
| Loss before tax  | (2,591)             | (988)            | (629)            |
| Adjustments for:   |                     |                  |                  |
| Finance costs  | –                   | –                | 263              |
| Interest income  | (34)                | (15)             | (3)              |
| Loss on disposal of items of property, plant and equipment         | –                   | 17               | 2                |
| Depreciation   | 69                  | 140              | 126              |
|  | (2,556)             | (846)            | (241)            |
| Increase in properties under development                           | (11,498)            | (6,890)          | (1,983)          |
| Decrease/(increase) in prepayments, deposits and other receivables | (38)                | (52)             | 74               |
| Increase/(decrease) in other payables and accruals                 | 35                  | 1,684            | (1,103)          |
| Cash used in operations  | (14,057)            | (6,104)          | (3,253)          |
| Interest paid  | –                   | –                | (263)            |
| Net cash flows used in operating activities                        | (14,057)            | (6,104)          | (3,516)          |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                     |                  |                  |
| Interest received  | 34                  | 15               | 3                |
| Purchases of items of property, plant and equipment                | (728)               | (131)            | –                |
| Net cash flows from/(used in) investing activities                 | (694)               | (116)            | 3                |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                        |                     |                  |                  |
| Advance from/(repayment to) minority shareholders                  | 5,600               | 2,000            | (15,820)         |
| Advance from/(repayment to) an intermediate holding company        | 8,400               | 3,000            | (23,784)         |
| Advance to the immediate holding company                           | –                   | –                | (58,862)         |
| Advance from/(repayment to) a fellow subsidiary                    | 11                  | 235              | (290)            |
| New other loan   | –                   | –                | 100,000          |
| Net cash flows from financing activities                           | 14,011              | 5,235            | 1,244            |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                   | <b>(740)</b>        | <b>(985)</b>     | <b>(2,269)</b>   |
| Cash and cash equivalents at beginning of year                     | 3,515               | 3,041            | 2,358            |
| Effect of foreign exchange rate changes, net                       | 266                 | 302              | 16               |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>                    | <b>3,041</b>        | <b>2,358</b>     | <b>105</b>       |
| <b>ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS</b>            |                     |                  |                  |
| Cash and bank balances   | 3,041               | 2,358            | 105              |

**52. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group in respect of any period subsequent to 31 March 2010.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong  
23 July 2010

**2. MANAGEMENT DISCUSSION AND ANALYSIS****FOR THE YEAR ENDED 31 MARCH 2010****BUSINESS REVIEW**

The Group's turnover for the year ended 31 March 2010 was HK\$498,747,000 which represented a decrease of 29% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$26,951,000 representing an increase of 114% as compared with last year. Earning per share is approximately HK4.75 cents.

During the year, the Group completed projects such as fitting out works for a residential house at Pollock's Path, Hong Kong, air-conditioning and electrical works for Ocean Park redevelopment project – Amazing Asian Animals, Hong Kong, term contract for telemetry and plant control installation of Water Supplies Department and building services installation for the construction of primary schools in Sham Tseng, Hong Kong. In current year, turnover generated from the construction and contracting business decreased by 58% as compared to last year, this is mainly due to the residual effect of the financial tsunami of last year where there are usually a time lag between the granting of the project and the generation of project revenue.

On 6 May 2009, Deson Development Holdings Limited (“DDHL”), a wholly-owned subsidiary of the Company entered into a shareholders' agreement with Skill Achieve Investments Limited (“Skill Achieve”), an independent third party, pursuant to which the parties agreed to form a joint venture company named Deson Development International Holdings Investment Limited (“DDIHIL”). DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited (“ZJC”), a state-owned enterprise in PRC as reorganised under a reorganisation scheme. ZJC is principally engaged in the businesses of construction investment management and construction contracting in PRC as a main contractor.

According to the above mentioned shareholders' agreement and a supplementary agreement dated 25 June 2009, the issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million, and Skill Achieve shall advance a total amount of RMB116 million, to DDIHIL.

More to note, during the year ended 31 March 2010, the Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. Since customers commenced to pick up confidence in the property market after the held back from purchase during the financial tsunami, as such, sales generated from this segment increased by 154% as compared to that of last year. In September 2007, Asian Villas City Square was awarded one of the “Top 100 Best Property

in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

On 27 January 2010, Lead Joy, an indirectly non wholly-owned subsidiary of the Company, entered into an agreement with third parties in relation to the acquisition of the entire shareholding interests in Mellink Holdings, and therefore Mellink Holdings' non wholly-owned subsidiary Huizhou Golf. Huizhou Golf is principally engaged in golf club operation, it owns a piece of land located at Huizhou, PRC, with a total site area of approximately 1,008,725 sq. metres, on which Huizhou Golf operates a golf course and is contiguous with the sites already owned by the Group. The acquisition would result in the consolidation of the site owned by Huizhou Golf with its golf club environment and facilities with the adjacent residential development sites already owned by the Group, which was expected to enhance both the attractiveness of the residential properties and therefore their value, and also the combined value of the consolidated sites. Subsequent to the reporting period, the Group had entered into sales and purchase agreements in relation to the disposal of such subsidiaries, for details please refer to the annual report of the Company for the year ended 31 March 2010, under the section heading "Events after the reporting period".

## FINANCIAL REVIEW

### Turnover

During the year, the Group's turnover amounted to HK\$499 million, decreased by 29% as compared to last year. The decrease was mainly due to the residual effect of last year's financial tsunami in the construction and contracting segment, where there are usually a time lag between the grant of project and the generation of project revenue. On the other hand, customers commenced to pick up confident in the property market after the held back from purchase during the financial tsunami, as such, the decrease in construction and contracting segment was partly offset by the notable growth in the property development and investment segment. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$249 million, HK\$241 million, HK\$8 million respectively, which represent a decrease by 58%, an increase by 154% and a decrease by 32% respectively as compared to last year.

### Gross profit margin

During the year, the Group's gross profit margin was approximately 24%, up by 8% as compared to last year's 16%, this is mainly contributed from the property development and investment business because the percentage of turnover from the property development and investment segment over the total turnover increased from last year's 14% to this year's 48%, where the gross profit margin of this segment generally have a much higher gross profit margin than the other main segment-construction contracting segment, as a result, the overall gross profit margin is higher than last year.

**Liquidity and financial resources**

As at 31 March 2010, the Group had total assets of HK\$1,184,288,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$670,526,000, HK\$508,829,000 and HK\$4,933,000, respectively. The Group's current ratio at 31 March 2010 was 1.54 compared to 1.60 at 31 March 2009.

The gearing ratio for the Group is 15% (2009: 10%). It was calculated based on the non-current liabilities of HK\$88,393,000 (2009: HK\$51,457,000) and long term capital (equity and non-current liabilities) of HK\$602,155,000 (2009: HK\$529,111,000). The increment was mainly a result of the long-term construction loans obtained from bank for the property development business during the year.

**Capital expenditure**

During the year, total capital expenditure for the year was approximately HK\$17 million, which are mainly used in the purchase of investment properties and the related leasehold improvements in connection with the property investment business in Hainan, PRC.

**Contingent liabilities**

As at 31 March 2010, there were no significant contingent liabilities for the Group.

**Commitments**

As at 31 March 2010, there were no significant capital commitments for the Group. As at 31 March 2010, the Group had committed to advance a loan to an associate of RMB11,428,000.

**Charges on group assets**

As at 31 March 2010, assets with carrying value of HK\$363,011,000 were pledged as security for the Group's banking facilities.

**Treasury policies**

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development project in Kaifeng, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance this project. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.



**Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

**FOR THE YEAR ENDED 31 MARCH 2009****BUSINESS REVIEW**

The Group's turnover for the year was HK\$698,194,000 which represented an increase of 16% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK\$12,570,000 representing a decrease of 26% as compared with last year. Earning per share is approximately HK2.20 cents.

During the year, the Group completed projects such as the main contractor for development of Good Hope School at Ngau Chi Wan, Hong Kong, renovation of external wall finishing of Saint Joseph's Catholic Church, Hong Kong, building services installation for the construction of primary schools in Yuen Long and Shamshuipo, Hong Kong, additional columbarium at Diamond Hill, Hong Kong, decoration of Prada shop at Xian, PRC, supply and installation of granite and marble for Jiu Guang Department Store, Life Style Mall in Suzhou, PRC. In current year, the Group continued the strong growth in last year and generated 33% more revenue in this segment as compared to that of last year.

More to note, during the year, the Group had completed phase IV of Asian Villas City Square, Haikou, Hainan Province and Phase I of Century Place, Kaifeng, Henan Province. The Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. However, due to the global economic downturn commencing from the third quarter of 2008, PRC economy was unavoidably affected by it, and the undermined consumer sentiment seriously affected the customers' purchase attitude of long term capital assets, therefore, sales generated from this segment decreased by 26% as compared to that of last year. In September 2007, Asian Villas City Square was awarded one of the "Top 100 Best Property in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

**FINANCIAL REVIEW****Turnover**

During the year, the Group's turnover surged to HK\$698 million, increased by 16% as compared to last year, and is the highest turnover in history. The impetus behind such notable growth can largely be traced to our effective efforts to expand our customer base in the construction and contracting segment in the last two years, the construction and contracting segment itself also set a new high record in history. Such growth is partly offset by the contraction in the property development and investment segment where customers are tended to delay the purchase long term capital asset when confronting the financial tsunami. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$591 million, HK\$95 million, HK\$12 million respectively, which represent an increase by 33%, a decrease by 26% and a decrease by 53% respectively as compared to last year. For the fitness centre operation and fitness equipment trading business, since the Group had disposed of its 100% interest in Fitness Concept Limited on 30 September 2007, half year's result in this business was accounted for in the last year, and no turnover is generated from this business in this year.

**Gross profit margin**

During the year under review, the Group's gross profit margin from the continuing operations was approximately 16%, up by 2% as compared to last year's 14%, this is mainly contributed from the construction contracting business, which the segment gross profit margin is up by 3% due to the supply and installation of granite and marble conducted during the year in PRC, which had a comparatively higher gross profit margin as compared to other tradition construction contracting work.

**Liquidity and financial resources**

As at 31 March 2009, the Group had total assets of HK\$989,277,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$511,623,000, HK\$474,047,000 and HK\$3,607,000, respectively. The Group's current ratio at 31 March 2009 was 1.60 compared to 1.80 at 31 March 2008.

The gearing ratio for the Group is 10% (2008: 13%). It was calculated based on the non-current liabilities of HK\$51,457,000 (2008: HK\$69,175,000) and long term capital (equity and non-current liabilities) of HK\$529,111,000 (2008: HK\$529,273,000). The improvement was mainly derived from the decrease in the level of long term borrowings of the Group during the year.

**Capital expenditure**

Total capital expenditure for the year was approximately HK\$7 million, which are mainly used in the purchase of leasehold improvements in connection with the property investment business in PRC.

**Contingent liabilities**

At the balance sheet date, there were no significant contingent liabilities for the Group.

**Commitments**

At the balance sheet date, there were no significant commitments for the Group.

**Charges on group assets**

Assets with carrying value of HK\$372,184,000 were pledged as security for the Group's banking facilities.

**Treasury policies**

The Director will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, PRC, the Group will take consideration on the Renminbi fund planning to adequately finance these projects. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

**Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi. Since some of the Group's business are based in the PRC, the continuing appreciation of RMB inevitably increase the development cost and operating cost, however, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

**FOR THE YEAR ENDED 31 MARCH 2008****BUSINESS REVIEW**

The Group's turnover for the year from the continuing operations was HK\$599,787,000 which represented an increase of 51% as compared with last year. The profit attributable to equity holders of the Company amounted to approximately HK\$16,893,000 representing an increase of 120% as compared with last year. Basic earning per share for the year was approximately HK2.95 cents.

During the year, the Group completed projects such as the main contractor for construction of four residential houses at 10 Pollock's Path (formerly Sky Height), the Peak, Hong Kong, fitting out works for Club Monaco at New World Tower, Hong Kong, interior fitting out works at De Beers at Landmark, Hong Kong and air-conditioning and mechanical ventilation installation at Hong Kong School of Creativity, Hong Kong. In the current year,

the Group had successfully enhanced its customer base by locating some new customers, and as a result generated more revenue in this segment. This can be shown by the 63% increase in the segment sales as compared to that of last year.

More to note, during the year, the Group sold certain units in Phase I and Phase III of Asian Villas City Square, Haikou, Hainan Province, and certain apartments and villas in Parkview Garden, Shanghai, which contributed a meaningful turnover and profit to the Group. The Group also benefited from the increase of property prices in the People's Republic of China (the "PRC"). The enthusiastic sales response together with the upward property price trend were demonstrated by the 14% increase in the segment sales as compared to last year. In September 2007, Asian Villas City Square was awarded one of the "Top 100 Best Property in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲(博鰲)房地產領袖峰會.

On 25 September 2007, the Group entered into a sales and purchase agreement with Ideal Choice Holdings Limited, a company wholly-owned by Mr. Tjia Boen Sien, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, in relation to the disposal of 100% interest in Fitness Concept Limited and the related shareholder's loan, at a total consideration of HK\$6,000,000. Fitness Concept Limited and its subsidiaries are principally engaged in the operation of fitness centres and trading of fitness equipment business. Before the disposal, the fitness centre operation and fitness equipment trading business generated turnover in the amount of HK\$28 million to the Group during the year.

The Group also enjoyed contribution from an available-for-sale investment – Gain Huge Limited, which the Group holds a 10% shareholding interest. This company is principally engaged in property development in Hong Kong. After the disposal of land interest during the year, the dividend income derived from this available-for-sale investment amounted to HK\$6.8 million.

## **FINANCIAL REVIEW**

### **Turnover**

During the year, the Group's turnover surged to HK\$628 million (including the turnover generated from discontinued operation of HK\$28 million), an increase of 38% as compared to last year, and is the third highest turnover in its history. The turnover generated from the construction contracting segment and the property development and investment segment each also were the second highest in its history. The impetus behind such notable growth can largely be traced to our effective efforts to expand our customer base in the construction and contracting segment, such as main contractor for redevelopment of Good Hope School at Ngau Chi Wan, Hong Kong with a contract value of HK\$182 million and decoration work for a hotel in Beijing, the PRC has commenced and generated meaningful turnover to the Group. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK\$446 million, HK\$128 million, HK\$26 million respectively, which represent increases by 63%, 14% and 160% respectively as compared to last year. For the fitness centre operation

and fitness equipment trading business, since the Group had disposed of its 100% interest in Fitness Concept Limited on 30 September 2007, only half year's result in this segment is accounted for in the report, so the turnover generated from this segment dropped by 51% as compared to last year.

### **Gross profit margin**

During the year under review, the Group's gross profit margin from the continuing operations was approximately 14%, down by 1% as compared to last year's 15%, which is the dilution effect from the 63% increase in segment turnover from construction contracting business, where its turnover represents 74% of the total turnover from the continuing operations and historically the gross profit margin from this segment is comparatively low at 6%.

### **Liquidity and financial resources**

As at 31 March 2008, the Group had total assets of HK\$860,953,000, which is financed by total liabilities, shareholders' equity and minority interests of HK\$400,855,000, HK\$457,573,000 and HK\$2,525,000, respectively. The Group's current ratio at 31 March 2008 was 1.8 compared to 1.8 at 31 March 2007.

The gearing ratio for the Group is 13% (2007: 21%). It was calculated based on the long term borrowings of HK\$69,175,000 (2007: HK\$110,767,000) and long term capital of HK\$529,273,000 (2007: HK\$527,509,000). The improvement was mainly derived from the decrease in the level of long term borrowings of the Group during the year.

### **Capital expenditure**

Total capital expenditure for the year was approximately HK\$56 million, which were mainly used in the decoration of investment properties, leasehold improvements and equipment in connection with the fitness centres operations business in the PRC.

### **Contingent liabilities**

At the balance sheet date, there were no significant contingent liabilities for the Group.

### **Commitments**

At the balance sheet date, there were no significant commitments for the Group.

### **Charges on group assets**

Assets with an aggregate carrying value of HK\$246,498,000 were pledged as security for the Group's banking facilities.

**Treasury policies**

The Directors will continue to follow a prudent policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business. In view of the expected development for the property development projects in Kaifeng and Huizhou, the PRC, the Group will take consideration on the Renminbi fund planning to adequately finance these projects. Interest for the current bank borrowings were mainly on floating rate basis and the bank borrowings were principally denominated in Hong Kong dollars and Renminbi, hence, there is no significant exposure to foreign exchange rate fluctuations.

**Exchange risk exposure**

The Group's receivables and payables were denominated mainly in Hong Kong dollar and Renminbi ("RMB"). Since some of the Group's business are based in the PRC, the continuing appreciation of RMB will inevitably increase its development and operating costs. However, the fluctuation in RMB is still mild for the time being and the PRC operation is naturally hedged by the future RMB receivables, therefore the management does not foresee any significant foreign currency exposure.

**3. INDEBTEDNESS****Borrowing**

As at the close of business on 31 May 2010, the Group had:

- (a) secured bank loans of approximately HK\$238,648,000;
- (b) secured loan from an independent third party of approximately HK\$100,000,000;
- (c) unsecured other loan from an independent third party of approximately HK\$11,400,000;
- (d) unsecured amounts due to associates of approximately HK\$54,000;
- (e) unsecured amounts due to minority shareholders of subsidiaries of approximately HK\$22,465,000; and
- (f) unsecured amounts due to related companies of approximately HK\$17,413,000.

As at 31 May 2010, the Group's secured bank and other borrowings were secured by (i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong; (ii) the pledge of the Group's investment properties situated in Mainland China; (iii) the pledge of the Group's leasehold land situated in Hong Kong; (iv) the pledge of one of the Group's financial assets at fair value through profit or loss; (v) the pledge of certain of the Group's completed properties held for sale situated in Mainland China;

(vi) the pledge of certain of the Group's time deposits; (vii) the pledge of the Group's 30% equity interest in an indirectly owned subsidiary; and (viii) the assignments of rental income from leases of certain of the Group's investment properties.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal accounts payables and bills payable in the ordinary course of business, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar indebtedness, finance leases or hire purchase commitments, or liabilities under acceptance of acceptance credits as at the close of business on 31 May 2010.

#### **Contingent liabilities**

As at 31 May 2010, there were no significant contingent liabilities for the Group.

#### **Capital commitments**

As at 31 May 2010, there were no significant capital commitments for the Group.

The Directors have confirmed that up to the Latest Practicable Date, there has been no material change in the indebtedness, contingent liabilities and capital commitments of the Group since 31 May 2010.

### **4. WORKING CAPITAL**

The Directors are of the opinion that after taking into account the credit facilities and internal resources available to the Remaining Group and the net sale proceeds expected to be received from the Lead Joy Disposal and the Measure Up Disposal, the Remaining Group has sufficient working capital for at least 12 months from the date of this circular.

The Directors are not aware of any matter or fact which will render the Remaining Group not having sufficient working capital for its requirements after completion of the two disposals.

### **5. FINANCIAL AND TRADING PROSPECTS**

The Remaining Group is principally engaged in (i) the construction business, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical services, mainly in Hong Kong and the PRC; (ii) property development and investment; and (iii) trading of medical equipment, provision of related installation and maintenance services. It is the Remaining Group's strategy to place emphasis on strengthening its property development and investment business and may make additional land acquisitions to enhance its land bank, specifically in the second and third tier cities in the PRC where market trends and growth potential are more promising. The Group has no specific investment plan in relation to any particular project currently.

**1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP**

The accompanying unaudited pro forma financial information of the Remaining Group has been prepared to illustrate the effect of the disposals of the entire equity interests in Lead Joy Investments Limited and its subsidiaries and Measure Up Profits Limited and its subsidiaries (the “Disposals”).

The unaudited pro forma consolidated statement of financial position of the Remaining Group as at 31 March 2010 is prepared based on the audited consolidated statement of financial position of the Group as at 31 March 2010 as extracted from the audited financial statements of the Group for the year ended 31 March 2010, after giving effect to the pro forma adjustments as explained in the accompanying notes, for the purpose of illustrating the effect of the Disposals on the financial position of the Group as if the Disposals had taken place on 31 March 2010.

The unaudited pro forma consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Remaining Group for the year ended 31 March 2010 are prepared based on the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 March 2010 as extracted from the audited financial statements of the Group for the year ended 31 March 2010, after giving effect to the pro forma adjustments as explained in the accompanying notes, for the purpose of illustrating the effect of the Disposals on the results and cash flows of the Group as if the Disposals had taken place on 1 April 2009.

A narrative description of the pro forma adjustments of the Disposals that are (i) directly attributable to the transactions; (ii) expected to have a continuing impact on the Group; and (iii) factually supportable, are summarised in the accompanying notes.

The accompanying Unaudited Pro Forma Financial Information is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information does not purport to describe the financial position that would have been presented had the Disposals been completed. Further, the accompanying Unaudited Pro Forma Financial Information does not purport to predict the Remaining Group’s future financial position.

The accompanying Unaudited Pro Forma Financial Information should be read in conjunction with the Financial Information of the Group as set out in Appendix I and other financial information elsewhere in the Circular.



**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

**(i) Unaudited Pro Forma Consolidated Statement of Financial Position**

|  | <b>Consolidated<br/>statement<br/>of financial<br/>position of<br/>the Group<br/>as at</b> |                                 |                                 |                                 |                                 | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|--|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|  | <b>31 March<br/>2010</b>   | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Remaining<br/>Group</b>  |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|  | <i>Note (1)</i>  | <i>Note (2)</i>                 | <i>Note (3)</i>                 | <i>Note (8)</i>                 | <i>Note (9)</i>                 |   |
| <b>NON-CURRENT ASSETS</b>  |  |                                 |                                 |                                 |                                 |   |
| Property, plant and equipment  | 66,312   |                                 |                                 |                                 |                                 | 66,312  |
| Investment properties  | 210,330  |                                 |                                 |                                 |                                 | 210,330   |
| Prepaid land lease payments  | 5,579  |                                 |                                 |                                 |                                 | 5,579   |
| Interest in a jointly-controlled entity  | –  |                                 |                                 |                                 |                                 | –   |
| Interests in associates  | 3,772  |                                 |                                 |                                 |                                 | 3,772   |
| Available-for-sale investments   | –  |                                 |                                 |                                 |                                 | –   |
| Financial assets at fair value through profit or loss                          | 2,280  |                                 |                                 |                                 |                                 | 2,280   |
| Amount due from an investee  | –  |                                 |                                 |                                 |                                 | –   |
| <b>Total non-current assets</b>  | <b>288,273</b>   |                                 |                                 |                                 |                                 | <b>288,273</b>  |
| <b>CURRENT ASSETS</b>  |  |                                 |                                 |                                 |                                 |   |
| Amounts due from associates  | 27,108   |                                 |                                 |                                 |                                 | 27,108  |
| Amount due from group company  | –  |                                 |                                 | (59,075)                        | 59,075                          | –   |
| Properties held for sale   | 486,262  |                                 |                                 |                                 |                                 | 486,262   |
| Gross amount due from contract customers                                       | 2,641  |                                 |                                 |                                 |                                 | 2,641   |
| Inventories  | 1,526  |                                 |                                 |                                 |                                 | 1,526   |
| Accounts receivable  | 71,294   |                                 |                                 |                                 |                                 | 71,294  |
| Prepayments, deposits and other receivables                                    | 29,549   |                                 |                                 |                                 |                                 | 29,549  |
| Cash and cash equivalents  | 73,608   |                                 | 112,000                         |                                 | 199,691                         | 385,299   |
| Pledged deposits   | 31,324   |                                 |                                 |                                 |                                 | 31,324  |
|  | 723,312  |                                 |                                 |                                 |                                 | 1,035,003   |
| Assets of disposal groups/<br>non-current asset classified<br>as held for sale | 172,703  | (131,880)                       |                                 | (40,823)                        |                                 | –   |
| <b>Total current assets</b>  | <b>896,015</b>   |                                 |                                 |                                 |                                 | <b>1,035,003</b>  |

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

|  | <b>Consolidated<br/>statement<br/>of financial<br/>position of<br/>the Group<br/>as at</b> |                                 |                                 |                                 |                                 | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|--|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|  | <b>31 March<br/>2010</b>   | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> |   |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|  | <i>Note (1)</i>  | <i>Note (2)</i>                 | <i>Note (3)</i>                 | <i>Note (8)</i>                 | <i>Note (9)</i>                 |   |
| <b>CURRENT LIABILITIES</b>   |  |                                 |                                 |                                 |                                 |   |
| Gross amount due to contract customers   | 42,677   |                                 |                                 |                                 |                                 | 42,677  |
| Accounts payable   | 20,948   |                                 |                                 |                                 |                                 | 20,948  |
| Other payables and accruals  | 157,515  |                                 |                                 |                                 |                                 | 157,515   |
| Amounts due to associates  | 54   |                                 |                                 |                                 |                                 | 54  |
| Amounts due to minority shareholders   | 24,465   |                                 |                                 |                                 |                                 | 24,465  |
| Amounts due to related companies   | 18,444   |                                 |                                 |                                 |                                 | 18,444  |
| Amount due to group company  | –  | (109,161)                       | 109,161                         |                                 |                                 | –   |
| Tax payable  | 63,514   |                                 |                                 |                                 |                                 | 63,514  |
| Convertible notes  | –  |                                 |                                 |                                 |                                 | –   |
| Interest-bearing bank and other borrowings   | 133,949  |                                 |                                 |                                 |                                 | 133,949   |
|  | <u>461,566</u>   |                                 |                                 |                                 |                                 | <u>461,566</u>  |
| Liabilities directly associated with the assets of disposal groups classified as held for sale | 120,567  | (19,880)                        |                                 | (100,687)                       |                                 | –   |
| Total current liabilities  | <u>582,133</u>   |                                 |                                 |                                 |                                 | <u>461,566</u>  |
| <b>NET CURRENT ASSETS</b>  | <u>313,882</u>   |                                 |                                 |                                 |                                 | <u>573,437</u>  |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b>   | <u>602,155</u>   |                                 |                                 |                                 |                                 | <u>861,710</u>  |
| <b>NON-CURRENT<br/>LIABILITIES</b>   |  |                                 |                                 |                                 |                                 |   |
| Interest-bearing bank and other borrowings   | 64,499   |                                 |                                 |                                 |                                 | 64,499  |
| Deferred tax liabilities   | 23,894   |                                 |                                 |                                 |                                 | 23,894  |
| Total non-current liabilities  | <u>88,393</u>  |                                 |                                 |                                 |                                 | <u>88,393</u>   |
| Net assets   | <u>513,762</u>   |                                 |                                 |                                 |                                 | <u>773,317</u>  |

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

|   | Consolidated<br>statement<br>of financial<br>position of<br>the Group<br>as at |                         |                         |                         |                         | Unaudited<br>pro forma<br>of the<br>Remaining<br>Group |
|---|--|-------------------------|-------------------------|-------------------------|-------------------------|--|
|   | 31 March<br>2010   | Pro forma<br>adjustment | Pro forma<br>adjustment | Pro forma<br>adjustment | Pro forma<br>adjustment |  |
|   | <i>HK\$'000</i>  | <i>HK\$'000</i>         | <i>HK\$'000</i>         | <i>HK\$'000</i>         | <i>HK\$'000</i>         | <i>HK\$'000</i>  |
|   | <i>Note (1)</i>  | <i>Note (2)</i>         | <i>Note (3)</i>         | <i>Note (8)</i>         | <i>Note (9)</i>         |  |
| EQUITY  |  |                         |                         |                         |                         |  |
| Equity attributable to owners<br>of the Company |  |                         |                         |                         |                         |  |
| Issued capital                                  | 56,697   |                         |                         |                         |                         | 56,697   |
| Reserves  | 440,817  |                         | –                       |                         | 155,733                 | 596,550  |
| Proposed final dividend                         | <u>11,315</u>  |                         |                         |                         |                         | <u>11,315</u>  |
|   | 508,829  |                         |                         |                         |                         | 664,562  |
| Minority interests                              | <u>4,933</u>   |                         | –                       |                         | 103,822                 | <u>108,755</u>   |
| Total equity                                    | <u><u>513,762</u></u>  |                         |                         |                         |                         | <u><u>773,317</u></u>                                  |

**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

**(ii) Unaudited Pro Forma Consolidated Income Statement**

|   | <b>Consolidated<br/>income<br/>statement<br/>of the<br/>Group for<br/>the year<br/>ended<br/>31 March<br/>2010</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|---|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|   | <i>HK\$'000</i>  | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|   | <i>Note (1)</i>  | <i>Note (4)</i>                 | <i>Note (5)</i>                 | <i>Note (10)</i>                | <i>Note (11)</i>                |   |
| REVENUE                                       | 498,747  |                                 |                                 |                                 |                                 | 498,747   |
| Cost of sales                                 | <u>(378,246)</u>   |                                 |                                 |                                 |                                 | <u>(378,246)</u>  |
| Gross profit                                  | 120,501  |                                 |                                 |                                 |                                 | 120,501   |
| Other income and gains                        | 12,110   |                                 | 2,839                           | (3)                             | 296,416                         | 311,362   |
| Fair value gain on investment properties, net | 9,167  |                                 |                                 |                                 |                                 | 9,167   |
| Excess over the cost of business combinations | 2,893  | (2,893)                         |                                 |                                 |                                 | –   |
| Administrative expenses                       | (61,744)   | 54                              |                                 | 369                             |                                 | (61,321)  |
| Other operating expenses, net                 | (10,902)   |                                 |                                 |                                 |                                 | (10,902)  |
| Finance costs                                 | (8,455)  |                                 |                                 | 263                             |                                 | (8,192)   |
| Share of profits and losses of:               |  |                                 |                                 |                                 |                                 | –   |
| A jointly-controlled entity                   | (620)  |                                 |                                 |                                 |                                 | (620)   |
| Associates                                    | <u>(227)</u>   |                                 |                                 |                                 |                                 | <u>(227)</u>  |
| PROFIT BEFORE TAX                             | 62,723   |                                 |                                 |                                 |                                 | 359,768   |
| Income tax expense                            | <u>(34,139)</u>  |                                 |                                 |                                 | (33,930)                        | <u>(68,069)</u>   |
| PROFIT FOR THE YEAR                           | <u>28,584</u>  |                                 |                                 |                                 |                                 | <u>291,699</u>  |
| Attributable to:                              |  |                                 |                                 |                                 |                                 |   |
| Owners of the Company                         | 26,951   | (1,703)                         | 1,703                           | 377                             | 157,492                         | 184,820   |
| Minority interests                            | <u>1,633</u>   | <u>(1,136)</u>                  | <u>1,136</u>                    | <u>252</u>                      | <u>104,994</u>                  | <u>106,879</u>  |
|   | <u>28,584</u>  |                                 |                                 |                                 |                                 | <u>291,699</u>  |

## (iii) Unaudited Pro Forma Consolidated Statement of Comprehensive Income

|   | Consolidated<br>statement of<br>comprehensive<br>income of<br>the Group<br>for the<br>year ended<br>31 March<br>2010<br><i>HK\$'000</i><br><i>Note (1)</i> | Pro forma<br>adjustment<br><i>HK\$'000</i><br><i>Note (4)</i> | Pro forma<br>adjustment<br><i>HK\$'000</i><br><i>Note (5)</i> | Pro forma<br>adjustment<br><i>HK\$'000</i><br><i>Note (10)</i> | Pro forma<br>adjustment<br><i>HK\$'000</i><br><i>Note (11)</i> | Unaudited<br>pro forma<br>of the<br>Remaining<br>Group<br><i>HK\$'000</i> |
|---|--|---|---|--|--|---|
| PROFIT FOR THE YEAR   | <u>28,584</u>  | (2,839)   | 2,839   | 629  | 262,486  | <u>291,699</u>  |
| OTHER COMPREHENSIVE<br>INCOME   |  |   |   |  |  |   |
| Surplus on revaluation of<br>leasehold buildings                            | 7,595  |   |   |  |  | 7,595   |
| Income tax effect   | <u>(1,408)</u>   |   |   |  |  | <u>(1,408)</u>  |
|   | 6,187  |   |   |  |  | 6,187   |
| Share of other comprehensive<br>income of associates                        | 214  |   |   |  |  | 214   |
| Release of capital reserve<br>upon disposal of an<br>associate              | (119)  |   |   |  |  | (119)   |
| Release of exchange<br>fluctuation reserve upon<br>disposal of an associate | (524)  |   |   |  |  | (524)   |
| Release of exchange<br>fluctuation reserve upon<br>disposal of subsidiaries | –  |   |   |  | (3,228)  | (3,228)   |
| Exchange differences on<br>translation of foreign<br>operations             | <u>2,250</u>   |   |   | (332)  |  | <u>1,918</u>  |
| OTHER COMPREHENSIVE<br>INCOME FOR THE YEAR,<br>NET OF TAX                   | <u>8,008</u>   |   |   |  |  | <u>4,448</u>  |
| TOTAL COMPREHENSIVE<br>INCOME FOR THE YEAR                                  | <u>36,592</u>  |   |   |  |  | <u>296,147</u>  |
| Attributable to:  |  |   |   |  |  |   |
| Owners of the Company   | 34,782   | (1,703)   | 1,703   | 178  | 155,555  | 190,515   |
| Minority interests  | <u>1,810</u>   | <u>(1,136)</u>  | <u>1,136</u>  | <u>119</u>   | <u>103,703</u>   | <u>105,632</u>  |
|   | <u>36,592</u>  |   |   |  |  | <u>296,147</u>  |

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**
**(iv) Unaudited Pro Forma Consolidated Statement of Cash Flows**

|  | <b>Consolidated<br/>statement<br/>of cash<br/>flows of<br/>the Group<br/>for the<br/>year ended<br/>31 March<br/>2010</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|--|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|  | <i>HK\$'000</i>   | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|  | <i>Note (1)</i>   | <i>Note (6)</i>                 | <i>Note (7)</i>                 | <i>Note (12)</i>                | <i>Note (13)</i>                |   |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |   |                                 |                                 |                                 |                                 |   |
| Profit before tax  | 62,723  | (2,839)                         | 2,839                           | 629                             | 296,416                         | 359,768   |
| Adjustments for:   |   |                                 |                                 |                                 |                                 |   |
| Finance costs  | 8,455   |                                 |                                 | (263)                           |                                 | 8,192   |
| Share of profits and losses of:                              |   |                                 |                                 |                                 |                                 |   |
| A jointly-controlled entity                                  | 620   |                                 |                                 |                                 |                                 | 620   |
| Associates   | 227   |                                 |                                 |                                 |                                 | 227   |
| Interest income  | (2,271)   |                                 |                                 | 3                               |                                 | (2,268)   |
| Fair value gain on investment properties, net                | (9,167)   |                                 |                                 |                                 |                                 | (9,167)   |
| Excess over the cost of business combinations                | (2,893)   | 2,893                           |                                 |                                 |                                 | –   |
| Gain on disposal of associates                               | (2,155)   |                                 |                                 |                                 |                                 | (2,155)   |
| Loss on disposal of items of property, plant and equipment   | 61  |                                 |                                 | (2)                             |                                 | 59  |
| Gain on disposal of subsidiaries                             | –   |                                 | (2,839)                         |                                 | (296,416)                       | (299,255)   |
| Depreciation   | 3,837   |                                 |                                 | (126)                           |                                 | 3,711   |
| Recognition of prepaid land lease payments                   | 139   |                                 |                                 |                                 |                                 | 139   |
| Provision for inventories                                    | 133   |                                 |                                 |                                 |                                 | 133   |
| Impairment of an amount due from a jointly-controlled entity | 2,851   |                                 |                                 |                                 |                                 | 2,851   |
| Impairment of an amount due from an associate                | 12,860  |                                 |                                 |                                 |                                 | 12,860  |
| Impairment of accounts receivable                            | 3,129   |                                 |                                 |                                 |                                 | 3,129   |
| Reversal of impairment of accounts receivable                | (4,802)   |                                 |                                 |                                 |                                 | (4,802)   |
| Impairment of other receivables                              | –   |                                 |                                 |                                 |                                 | –   |
| Reversal of impairment of other receivables                  | (798)   |                                 |                                 |                                 |                                 | (798)   |
|  | 72,949  |                                 |                                 |                                 |                                 | 73,244  |
| Decrease in completed properties                             | 101,534   |                                 |                                 |                                 |                                 | 101,534   |

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

|  | Consolidated<br>statement<br>of cash<br>flows of<br>the Group<br>for the<br>year ended |                         |                         |                         |                         | Unaudited<br>pro forma<br>of the<br>Remaining<br>Group |
|--|--|-------------------------|-------------------------|-------------------------|-------------------------|--|
|  | 31 March<br>2010   | Pro forma<br>adjustment | Pro forma<br>adjustment | Pro forma<br>adjustment | Pro forma<br>adjustment |  |
|  | <i>HK\$'000</i>  | <i>HK\$'000</i>         | <i>HK\$'000</i>         | <i>HK\$'000</i>         | <i>HK\$'000</i>         |  |
|  | <i>Note (1)</i>  | <i>Note (6)</i>         | <i>Note (7)</i>         | <i>Note (12)</i>        | <i>Note (13)</i>        |  |
| Increase in properties under development                         | (98,768)   |                         |                         | 1,983                   |                         | (96,785)   |
| Decrease in gross amount due from contract customers             | 3,264  |                         |                         |                         |                         | 3,264  |
| Increase in inventories  | (162)  |                         |                         |                         |                         | (162)  |
| Increase in accounts receivable                                  | (10,074)   |                         |                         |                         |                         | (10,074)   |
| Decrease in prepayments, deposits and other receivables          | 1,721  |                         |                         | (74)                    |                         | 1,647  |
| Increase in gross amount due to contract customers               | 4,051  |                         |                         |                         |                         | 4,051  |
| Decrease in accounts payable                                     | (23,505)   |                         |                         |                         |                         | (23,505)   |
| Decrease in other payables and accruals                          | (13,412)   |                         |                         | 1,103                   |                         | (12,309)   |
| Cash generated from operations                                   | 37,598   |                         |                         |                         |                         | 40,905   |
| Interest paid  | (15,295)   |                         |                         | 263                     |                         | (15,032)   |
| Hong Kong profits tax paid                                       | –  |                         |                         |                         |                         | –  |
| Overseas taxes paid  | (15,407)   |                         |                         |                         | (33,930)                | (49,337)   |
| Net cash flows from/(used in) operating activities               | 6,896  |                         |                         |                         |                         | (23,464)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                      |  |                         |                         |                         |                         |  |
| Interest received  | 2,271  |                         |                         | (3)                     |                         | 2,268  |
| Dividends received from associates                               | 2,729  |                         |                         |                         |                         | 2,729  |
| Purchases of items of property, plant and equipment              | (1,393)  |                         |                         |                         |                         | (1,393)  |
| Additions to investment properties                               | (15,134)   |                         |                         |                         |                         | (15,134)   |
| Proceeds from disposal of items of property, plant and equipment | 219  |                         |                         |                         |                         | 219  |
| Acquisition of subsidiaries                                      | (106,358)  | 106,358                 |                         |                         |                         | –  |
| Disposal of subsidiaries   | –  | (109,161)               | 112,000                 | 98,756                  | 233,621                 | 335,216  |
| Disposal of associates   | 9,029  |                         |                         |                         |                         | 9,029  |

**APPENDIX II**
**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

|  | <b>Consolidated<br/>statement<br/>of cash<br/>flows of<br/>the Group<br/>for the<br/>year ended<br/>31 March<br/>2010</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|--|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|  | <i>HK\$'000</i>   | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|  | <i>Note (1)</i>   | <i>Note (6)</i>                 | <i>Note (7)</i>                 | <i>Note (12)</i>                | <i>Note (13)</i>                |   |
| Advance to a jointly-controlled entity             | (3,471)   |                                 |                                 |                                 |                                 | (3,471)   |
| Advances to associates, net                        | (20,679)  |                                 |                                 |                                 |                                 | (20,679)  |
| Decrease in pledged deposits                       | <u>7</u>  |                                 |                                 |                                 |                                 | <u>7</u>  |
| Net cash flows from/(used in) investing activities | <u>(132,780)</u>  |                                 |                                 |                                 |                                 | <u>308,791</u>  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>        |   |                                 |                                 |                                 |                                 |   |
| Repurchase of the Company's shares                 | –   |                                 |                                 |                                 |                                 | –   |
| Share repurchase expenses                          | –   |                                 |                                 |                                 |                                 | –   |
| Redemption of convertible bonds                    | (15,750)  |                                 |                                 |                                 |                                 | (15,750)  |
| New bank and other borrowings                      | 220,738   |                                 |                                 | (100,000)                       |                                 | 120,738   |
| Repayment of bank and other borrowings             | (70,678)  |                                 |                                 |                                 |                                 | (70,678)  |
| Advances to related companies, net                 | (8,722)   |                                 |                                 |                                 |                                 | (8,722)   |
| Advances from minority shareholders                | 4,936   |                                 |                                 |                                 |                                 | 4,936   |
| Dividends paid to minority shareholders            | <u>(484)</u>  |                                 |                                 |                                 |                                 | <u>(484)</u>  |
| Net cash flows from financing activities           | <u>130,040</u>  |                                 |                                 |                                 |                                 | <u>30,040</u>   |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>   | <b>4,156</b>  |                                 |                                 |                                 |                                 | <b>315,367</b>  |
| Cash and cash equivalents at beginning of year     | 30,239  |                                 |                                 | (2,358)                         |                                 | 27,881  |
| Effect of foreign exchange rate changes, net       | <u>444</u>  |                                 |                                 | (16)                            |                                 | <u>428</u>  |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>    | <b><u>34,839</u></b>  |                                 |                                 |                                 |                                 | <b><u>343,676</u></b>   |



**APPENDIX II**

**UNAUDITED PRO FORMA FINANCIAL  
INFORMATION OF THE REMAINING GROUP**

|  | <b>Consolidated<br/>statement<br/>of cash<br/>flows of<br/>the Group<br/>for the<br/>year ended<br/>31 March<br/>2010</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Pro forma<br/>adjustment</b> | <b>Unaudited<br/>pro forma<br/>of the<br/>Remaining<br/>Group</b> |
|--|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
|  | <i>HK\$'000</i>   | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>                 | <i>HK\$'000</i>   |
|  | <i>Note (1)</i>   | <i>Note (6)</i>                 | <i>Note (7)</i>                 | <i>Note (12)</i>                | <i>Note (13)</i>                |   |
| <b>ANALYSIS OF BALANCES<br/>OF CASH AND CASH<br/>EQUIVALENTS</b>   |   |                                 |                                 |                                 |                                 |   |
| Cash and bank balances and<br>cash and cash equivalents<br>stated in the statement of<br>financial position                | 73,608  |                                 | 112,000                         |                                 | 199,691                         | 385,299   |
| Bank overdrafts, secured   | (41,623)  |                                 |                                 |                                 |                                 | (41,623)  |
| Cash and bank balances<br>attributable to assets of<br>disposal groups/non-current<br>asset classified as held for<br>sale | <u>2,854</u>  | (2,749)                         |                                 | (105)                           |                                 | <u>—</u>  |
| Cash and cash equivalents as<br>stated in the statement of<br>cash flows   | <u><u>34,839</u></u>  |                                 |                                 |                                 |                                 | <u><u>343,676</u></u>   |

**(v) Notes to Unaudited Pro Forma Financial Information**

- (1) The consolidated statement of financial position of the Group as at 31 March 2010, the consolidated income statement, the consolidated statement of comprehensive income and the consolidated statement of cash flows for the year ended 31 March 2010 are extracted from the audited financial statements of the Group for the year ended 31 March 2010.
- (2) The adjustment reflects the de-consolidation of the assets and liabilities of the Lead Joy Group as at 31 March 2010, assuming that the disposal had taken place on 31 March 2010.
- (3) The adjustment reflects (i) the estimated net cash proceeds of approximately HK\$112,000,000 in connection with the disposal of the Lead Joy Group and (ii) the disposal of the amount receivable by the Remaining Group from the Lead Joy Group of HK\$109,161,000 by the Group.

In accordance with the disposal agreement, the consideration is RMB99,500,000 (equivalent to approximately HK\$113,430,000). The estimated net cash proceeds are calculated by deducting the estimated expenses of approximately HK\$1,430,000 to be incurred in connection with the disposal. Since the actual expenses to be incurred in connection with the disposal may be different from the estimated amount, the net cash proceeds on the disposal may then be different from the amount described above.

- (4) The adjustment reflects the de-consolidation of the results of the Lead Joy Group for the year ended 31 March 2010, assuming that the establishment of the Lead Joy Group and the disposal had both taken place on 1 April 2009.
- (5) The adjustment reflects the assumed gain on disposal of the Lead Joy Group assuming that the disposal had taken place on 1 April 2009.

The assumed gain on disposal is calculated based on (i) the estimated net cash proceeds of HK\$112,000,000; and (ii) the disposal of the amount receivable by the Remaining Group from the Lead Joy Group of HK\$109,161,000. All funds transfer between the Remaining Group and the Lead Joy Group during the year ended 31 March 2010 are assumed made on 1 April 2009.

- (6) The adjustment reflects the exclusion of the cash flows of the Lead Joy Group for the year ended 31 March 2010, assuming that the establishment of the Lead Joy Group and its disposal had both taken place on 1 April 2009.
- (7) The adjustment reflects the estimated net cash proceeds from the disposal of the Lead Joy Group, assuming that the establishment of Lead Joy Group and its the disposal had taken place on 1 April 2009.

- (8) The adjustment reflects the de-consolidation of the assets and liabilities of the Measure Up Group as at 31 March 2010, assuming that the disposal had taken place on 31 March 2010.
- (9) The adjustment reflects (i) estimated net cash proceeds of approximately HK\$199,691,000 in connection with the disposal of Measure Up Group and (ii) the assumption of the amount payable by the Remaining Group to the Measure Up Group of HK\$59,075,000 by the purchaser.

In accordance with the disposal agreement, the consideration is RMB242,000,000 (equivalent to approximately HK\$275,880,000). The estimated net cash proceeds are calculated by deducting the estimated capital gain tax and expenses of approximately HK\$76,189,000 to be incurred in connection with the disposal. Since the actual capital gain tax and expenses to be incurred in connection with the disposal may be different from the estimated amount, the net cash proceeds on the disposal may then be different from the amount described above.

- (10) The adjustment reflects the de-consolidation of the results of the Measure Up Group for the year ended 31 March 2010, assuming that the disposal had taken place on 1 April 2009.
- (11) The adjustment reflects the assumed gain (after capital gain tax) on the disposal of the Measure Up Group assuming that the disposal had taken place on 1 April 2009.

The assumed gain (after capital gain tax) on disposal is calculated based on (i) the estimated net cash proceeds of HK\$199,691,000; (ii) the net liabilities of the Measure Up Group attributed to the Group of HK\$492,000 as at 1 April 2009; (iii) the assumption of the amount payable by the Remaining Group to the Measure Up Group of HK\$59,075,000 by the purchaser; and (iv) the release of exchange fluctuation reserve associated with the Measure Up Group of HK\$3,228,000. All funds transfer between the Remaining Group and the Measure Up Group during the year ended 31 March 2010 are assumed made on 1 April 2009.

- (12) The adjustment reflects the exclusion of the cash flows of the Measure Up Group for the year ended 31 March 2010, assuming that the disposal had taken place on 1 April 2009.
- (13) The adjustment reflects the estimated net cash proceeds from the disposal of the Measure Up Group, assuming that the disposal had taken place on 1 April 2009.
- (14) The above pro forma adjustments have no continuing effect on the Group.

**2. LETTER FROM THE REPORTING ACCOUNTANTS**

*The following is a text of a report prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Remaining Group as set out in Section 1 of Appendix II of this circular.*



The Board of Directors  
Deson Development International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information of Deson Development International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) (the “Unaudited Pro Forma Financial Information”) set out in Appendix II to the Company’s circular dated 23 July 2010 (the “Circular”) in connection with the proposed disposals (the “Disposals”) of the entire equity interests in Lead Joy Investments Limited (“Lead Joy”, together with its subsidiaries, the “Lead Joy Group”) and Measure Up Profits Limited (“Measure Up”, together with its subsidiaries, the “Measure Up Group”), pursuant to the sale and purchase agreements both dated 7 April 2010. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Disposals might have affected the relevant financial information presented in respect of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in the accompanying introduction and the notes to the Unaudited Pro Forma Financial Information in Section 1 of Appendix II to the Circular.

**Respective responsibilities of directors of the Company and the reporting accountants**

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the unaudited evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or a review made in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 31 March 2010 or any future date; or
- the results and cash flows of the Group for the year ended 31 March 2010 or any future periods.

**Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and

- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,  
**Ernst & Young**  
*Certified Public Accountants*  
18th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong  
23 July 2010

**B.I. Appraisals Limited**  
**保柏國際評估有限公司**

Registered Professional Surveyors, Valuers &amp; Property Consultants

Unit 1301, 13/F, Tung Wai Commercial Building,  
Nos.109-111 Gloucester Road, Wan Chai, Hong Kong  
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Email: info@biappraisals.com.hk  
Website: www.bigroupchina.com

23 July 2010

The Directors  
Deson Development International Holdings Limited  
11th Floor, Nanyang Plaza  
57 Hung To Road  
Kwun Tong  
Kowloon

Dear Sirs,

**Re: Portfolio of properties held by Deson Development International Holdings Limited and/or its subsidiaries in Hong Kong and the People's Republic of China (the "PRC")**

In accordance with the instructions from Deson Development International Holdings Limited (hereinafter referred to as the "Company") for us to value various properties held by the Company and/or its subsidiaries (hereinafter together referred to as the "Group") in Hong Kong and in the PRC (hereinafter referred to as the "Properties"), we confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of each of the Properties as at 31 May 2010 (hereinafter referred to as the "Date of Valuation").

It is our understanding that this valuation document is to be used by the Company for disclosure purpose in relation to the proposed disposal of the entire shareholding interests in Lead Joy Investments Limited and of the entire shareholding interests in Measure Up Profits Limited.

This letter, forming part of our valuation report, states the scope of instructions, identifies the properties being valued, explains the basis and methodology of our valuations, and lists out the assumptions and the title investigation we have made in the course of our valuations, as well as the limiting conditions.

**BASIS OF VALUATION**

Our valuation of each of the Properties is our opinion of its market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

We have valued the Properties on the basis that each of them is considered individually. We have not allowed for any discount for the Properties to be sold to a single party nor taken into account any effect on the values if the Properties are to be offered for sale at the same time as a portfolio.

In valuing Property 1, the Government Lease of which has expired before 30 June 1997, we have taken into account the provisions contained in the Basic Law that such lease has been extended without any additional payment of premium until 30 June 2047 and that an annual rent equivalent to three per cent. of the ratable value of the property from time to time will be charged from the date of extension.

Our valuations have been carried out in accordance with The HKIS Valuation Standards on Properties (1st Edition 2005) issued by the Hong Kong Institute of Surveyors and under generally accepted valuation procedures and practices, which are in compliance with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited.

### **VALUATION METHODOLOGY**

In arriving at our opinion of value of each of the properties in Group I and Group II, which are held and occupied by the Group in Hong Kong and in the PRC respectively, we have adopted the Direct Comparison Method assuming such property is capable of being sold in existing state with the benefit of immediate vacant possession. Comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighted against all the respective advantages and disadvantages of such property in order to arrive at a fair comparison of value.

In arriving at our opinion of value of each of the properties in Group III, which are held for sale by the Group, we have adopted the Direct Comparison Method as mentioned above or, wherever appropriate, the Investment Method by taking into account the current rent(s) passing and the reversionary potential of such properties.

In valuing Property 7 in Group III, which is a golf and resort complex held for sale by the Group in the PRC, we, having considered the general and inherent characteristics of this property, have adopted the Depreciated Replacement Cost (“DRC”) Method. The DRC Method is based on an estimate of the market value for the existing use of the land in the property, and the costs to reproduce or replace in new condition the buildings and structures being valued in accordance with current construction costs for similar buildings and structures in the locality, with allowance for accrued depreciation as evidenced by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The market value of the land of these properties have been determined from market-based evidence by analyzing similar sales transactions or offerings of comparable properties.

The valuation on Property 7 is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation. We need to state that our opinion of value



of this property is not necessarily intended to represent the amount that might be realized from disposal of the land or various buildings and structures in this property on piece meal basis in the open market.

In valuing the properties in Group IV, which is held for investment by the Group in the PRC, we have adopted the Investment Method by taking into account the current rent(s) passing and the reversionary potential of such properties.

The property in Group V, which is held under development by the Group in the PRC, is valued in accordance with the latest development proposal provided to us and by adopting the Direct Comparison Method mentioned above. We have assumed that all consents, approvals and licences from relevant government authorities have been granted without onerous conditions or undue time delay, which might affect their values. In addition, we have also taken into consideration the construction costs that have already been expended and the outstanding construction costs that will be expended to complete the development to reflect the quality of the completed development.

It is a normal practice to provide, apart from the market value, an opinion on “capital value when completed” for reference. The “capital value when completed” for the property represents our estimate of the value of such property assuming that it would have been completed at the Date of Valuation.

#### **VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the properties are sold on the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement that would serve to affect the values of such properties. In addition, no account has been taken of any option or right of pre-emption concerning or effecting sales of the Properties and no forced sale situation in any manner is assumed in valuations.

We have assumed that the Properties have been constructed, occupied and used in full compliance with, and without contravention of all ordinances, except only where otherwise stated. We have further assumed that all consents, approvals, required licences, permits, certificates and authorizations have been obtained, except only where otherwise stated, for the use of the Properties upon which our valuations are based.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature that could affect their values.

**TITLE INVESTIGATION**

We have caused searches to be made at the Land Registry for those properties located in Hong Kong. However, we have not scrutinized the original documents to ascertain ownership or to verify any amendments that may not appear on the copies handed to us. All documents have been used for reference only.

Regarding those properties located in the PRC, we have been provided by the Group with copies of title documents and copies of the legal opinions dated 23 July 2010 prepared by Shanghai Keenmore Law Firm, the Company's legal advisers as to PRC laws (hereinafter referred to as the "PRC Legal Adviser"). In the course of our valuations, we have relied on the advice given by the Company and on the opinions of the PRC Legal Adviser regarding the title to and the interest of the Group in such properties.

**SITE INSPECTION**

We have inspected the exterior and, where possible, the interior of the Properties. In the course of our inspections, we did not note any serious defects. No structural surveys have been made nor have any tests been carried out on any of the building services provided in the Properties. We are not able to report whether the Properties are free of rot, infestation or any other structural defects.

We have not carried out site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the areas shown on the documents and site and floor plans handed to us are correct. Dimensions, measurements and areas included in the valuation certificates attached are based on information contained in the documents provided to us by the Group and are therefore approximations only.

**LIMITING CONDITIONS**

We have relied to a considerable extent on the information provided by the Group and accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, particulars of occupancy, tenancy summary, site and floor areas and all other relevant matters in the identification of the properties in which the Group has valid interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We were also advised by the Group that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

**CURRENCY**

Unless otherwise stated, all monetary amounts stated in our valuation certificates are in Hong Kong Dollars (HK\$). The exchange rate adopted in our valuations of the PRC properties is HK\$1 = RMB0.875, which was approximately the prevailing exchange rate as at the Date of Valuation.

**REMARKS**

We hereby confirm that we have neither present nor prospective interests in the Group, the Properties or the values reported herein.

Our Summary of Values and valuation certificates are attached.

Yours faithfully,  
For and on behalf of  
**B.I. APPRAISALS LIMITED**  
**William C. K. Sham**  
*Registered Professional Surveyor (G.P.)*  
*China Real Estate Appraiser*  
*MRICS, MHKIS, MCIREA*  
*Executive Director*

*Note:* Mr. William C. K. Sham is a qualified valuer on the approved List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors. Mr. Sham has over 25 years' experience in the valuation of properties in Hong Kong and has over 10 years' experience in asset valuation in the People's Republic of China and the Asia Pacific regions.

## SUMMARY OF VALUES

| Property   | Market value<br>in existing<br>state as at<br>31 May 2010<br>(HK\$) | Interest<br>attributable to<br>the Group<br>(%) | Value<br>attributable<br>to the Group<br>as at<br>31 May 2010<br>(HK\$) |
|--|---|---|---|
| <b>Group I – Properties held and occupied by the Group in Hong Kong</b>  |   |   |   |
| 1. Unit 01, 02, 03, 04, 05, 06,<br>07 and 08 on 11th Floor,<br>Nanyang Plaza,<br>No. 57 Hung To Road,<br>Kwun Tong,<br>Kowloon,<br>Hong Kong   | 69,800,000  | 100   | 69,800,000  |
| 2. Flat A on 2nd Floor,<br>Cheung Yick Industrial<br>Building,<br>No. 12 On Yip Street,<br>Chai Wan,<br>Hong Kong  | 7,000,000   | 100   | 7,000,000   |
| <b>Group II – Properties held and occupied by the Group in the PRC</b>   |   |   |   |
| 3. Unit 02 on Level 3A and Car<br>Parking Space Nos. 31, 32,<br>33, 34, 35, 36, 37 and 38 on<br>Basement 1, Zhongda Square,<br>989 Dongfang Road,<br>Lujiazui,<br>Pudong District,<br>Shanghai,<br>the PRC | 13,900,000  | 100   | 13,900,000  |
| 4. Units 1, 2, 23 and 24 on<br>Level 27 of Block 1,<br>第一商業廣場 (Top City),<br>No. 1 Xiaokejia Lane,<br>Jinjiang District,<br>Chengdu City,<br>Sichuan Province,<br>the PRC                                  | 2,500,000   | 100   | 2,500,000   |

| Property  | Market value<br>in existing<br>state as at<br>31 May 2010<br>(HK\$) | Interest<br>attributable to<br>the Group<br>(%) | Value<br>attributable<br>to the Group<br>as at<br>31 May 2010<br>(HK\$) |
|---|---|---|---|
| <b>Group III – Properties held for sale by the Group in the PRC</b>   |   |   |   |
| 5. The unsold portions of Park View, Nos. 206, 208, 218, 220, 222, 228 and 238 Baise Road, Xuhui District, Shanghai, the PRC          | 156,300,000   | 100   | 156,300,000   |
| 6. Various unsold units of No. 8 Long Ting Hu, Century Place, Xi Men Da Jie, Longting District, Kaifeng City, Henan Province, the PRC | 38,100,000  | 100   | 38,100,000  |
| 7. Huizhou Golf & Resort Club, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC                                   | 185,100,000   | 54  | 99,954,000  |
| 8. Eight parcels of land off Guangshan Road, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC                     | 107,400,000   | 60  | 64,440,000  |

| Property   | Market value<br>in existing<br>state as at<br>31 May 2010<br>(HK\$) | Interest<br>attributable to<br>the Group<br>(%) | Value<br>attributable<br>to the Group<br>as at<br>31 May 2010<br>(HK\$) |
|--|---|---|---|
| 9. Various unsold units of Phases I to IV of Asian Villas City Square, Asian Villas, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC  | 293,000,000   | 100   | 293,000,000   |
| 10. Shops 027 to 032 of Block 1, 011 to 025 of Block 2 and 001 to 008 of Block 3, Zhong Yang Jie, Asian Villas City Square, Asian Villas, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC | 63,800,000  | 100   | 63,800,000  |
| <b>Group IV – Properties held for investment by the Group in the PRC</b>   |   |   |   |
| 11. Whole of Level 5, 第一商業廣場 (Top City), No. 1 Xiaokejia Lane, Jinjiang District, Chengdu City, Sichuan Province, the PRC  | 57,000,000  | 100   | 57,000,000  |
| 12. Oscar Hotel (excluding Units 2 to 7 on Level 1), No. 12 Haixiu Avenue, Meilan District, Haikou City, Hainan Province, the PRC  | 154,200,000   | 100   | 154,200,000   |

| Property  | Market value<br>in existing<br>state as at<br>31 May 2010<br>(HK\$) | Interest<br>attributable to<br>the Group<br>(%) | Value<br>attributable<br>to the Group<br>as at<br>31 May 2010<br>(HK\$) |
|---|---|---|---|
| <b>Group V – Property held under development by the Group in the PRC</b>  |   |   |   |
| 13. The development site for<br>Stage II of Century Place,<br>Xi Men Da Jie,<br>Longting District,<br>Kaifeng City,<br>Henan Province,<br>the PRC | 303,600,000   | 100   | 303,600,000   |
| <b>Total:</b>   | <b><u>1,451,700,000</u></b>   |   | <b><u>1,323,594,000</u></b>   |

## VALUATION CERTIFICATE

## Group I – Properties held and occupied by the Group in Hong Kong

| Property   | Description and tenure  | Particulars of occupancy  | Market value in existing state as at 31 May 2010                        |
|--|---|---|---|
| 1. Units 01, 02, 03, 04, 05, 06, 07 and 08 on 11th Floor, Nanyang Plaza, No. 57 Hung To Road, Kwun Tong, Kowloon<br><br>An aggregate 190/6624th equal and undivided parts or shares of and in Kun Tong Inland Lot No. 46 | Nanyang Plaza, completed in about 1995, is a 31-storey industrial/ office building situated on the northeastern side of Hung To Road at that section between Tsun Yip Street and Hoi Yuen Road, within the Kwun Tong district, Kowloon.<br><br>The property comprises all 8 units on 11th Floor of the subject building.<br><br>The total gross floor area and the total saleable area of the property are approximately 1,965.09 sq.m. (21,152 sq.ft.) and 1,414.72 sq.m. (15,228 sq.ft.) respectively.<br><br>Kun Tong Inland Lot No. 46 is held from the Government under a Government Lease for a term of 21 years less the last three days commencing from 1 July 1955, renewed for a further term of 21 years, which has been statutorily extended until 30 June 2047.<br><br>The annual Government Rent for the property is HK\$67,320 (part). | The property is currently occupied by the Group for office use. | HK\$69,800,000<br><br>(Value attributable to the Group: HK\$69,800,000) |

*Notes:*

- 1) The registered owner of the property is Deson Development Limited, via an Assignment dated 31 August 1999, registered vide Memorial No. UB7873912.
- 2) We have been advised that Deson Development Limited is a wholly owned subsidiary of the Company.
- 3) The property is subject to the following encumbrances:
  - a) Legal charge/mortgage to secure banking facilities in favour of Standard Chartered Bank dated 31 August 1999, registered vide Memorial No. UB7873913; and
  - b) Deed of variation of legal charge Memorial No. UB7873913 in favour of Standard Chartered Bank (Hong Kong) Limited dated 19 August 2004, registered vide Memorial No. UB9329129.
- 4) The property falls within an area zoned “Other Specified Uses” under Kwun Tong Outline Zoning Plan No. S/K14S/16 dated 15 July 2008.



## VALUATION CERTIFICATE

| Property   | Description and tenure  | Particulars of occupancy  | Market value in existing state as at 31 May 2010                             |
|--|---|---|--|
| <p>2. Flat A on 2nd Floor, Cheung Yick Industrial Building, No. 12 On Yip Street, Chai Wan, Hong Kong</p> <p>36/766th equal and undivided parts or shares of and in Chai Wan Inland Lot No. 52</p> | <p>Cheung Yick Industrial Building, completed in about 1973, is a 14-storey industrial building situated on the northeastern side of On Yip Street at the junction with Sun On Street within the Chai Wan district, Hong Kong.</p> <p>The property comprises an industrial unit on 2nd Floor of the subject building.</p> <p>The saleable area of the property is approximately 461.91 sq.m. (4,972 sq.ft.).</p> <p>Chai Wan Inland Lot No. 52 is held from the Government under Conditions of Sale No. 9888 for a term of 75 years commencing from 29 March 1971, renewable for a further term of 75 years.</p> <p>The annual Government Rent for Chai Wan Inland Lot No. 52 is HK\$206.</p> | <p>The property is currently occupied by the Group for storage purpose.</p> | <p>HK\$7,000,000</p> <p>(Value attributable to the Group: HK\$7,000,000)</p> |

*Notes:*

- 1) The registered owner of the property is Deson Development Limited, via an Assignment dated 27 November 1992, registered vide Memorial No. UB5526260.
- 2) We have been advised that Deson Development Limited is a wholly owned subsidiary of the Company.
- 3) The property is subject to the following encumbrances:
  - a) Legal charge to secure general banking facilities in favour of Hua Chiao Commercial Bank Limited vide Memorial No. UB5611761 dated 22 March 1993; and
  - b) Deed of security in favour of Bank of China (Hong Kong) Limited vide Memorial No. UB8650258 dated 7 March 2002.
- 4) The property falls within an area zoned "Industrial" under Chai Wan Outline Zoning Plan No. S/H20/17 dated 8 November 2005.

## VALUATION CERTIFICATE

## Group II – Properties held and occupied by the Group in the PRC

| Property   | Description and tenure  | Particulars of occupancy | Market value in existing state as at 31 May 2010 |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
|--|---|--------------------------|--|--|--|---------|----------|------|--------|-------|--------------------|--------|-------|--------------|----------------------|---------------------|---|--|
| 3. Unit 02 on Level 3A and Car Parking Space Nos. 31, 32, 33, 34, 35, 36, 37 and 38 on Basement 1, Zhongda Square, No. 989 Dongfang Road, Lujiazui, Pudong District, Shanghai, the PRC | <p>Zhongda Square, completed in about 1996, is a 28-storey commercial/office complex erected on a 2-storey basement car park. It is located on Dongfang Road at its junction with Pudian Road within Lujiazui in Pudong District of Shanghai.</p> <p>The property comprises a unit on Level 3A and eight car parking spaces on Basement 1 of the subject building.</p> <p>The total gross floor area of the property is approximately 879.79 sq.m. (9,470 sq.ft.), the breakdowns of which are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th></th> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Unit</td> <td>533.71</td> <td>5,745</td> </tr> <tr> <td>Car parking spaces</td> <td>346.08</td> <td>3,725</td> </tr> <tr> <td><b>Total</b></td> <td><b><u>879.79</u></b></td> <td><b><u>9,470</u></b></td> </tr> </tbody> </table> |                          | Approximate Gross Floor Area                     |  |  | (sq.m.) | (sq.ft.) | Unit | 533.71 | 5,745 | Car parking spaces | 346.08 | 3,725 | <b>Total</b> | <b><u>879.79</u></b> | <b><u>9,470</u></b> | <p>The property is currently occupied by the Group for the office and car parking uses.</p> | <p>HK\$13,900,000</p> <p>(Value attributable to the Group: HK\$13,900,000)</p> |
|  | Approximate Gross Floor Area  |                          |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
|  | (sq.m.)   | (sq.ft.)                 |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
| Unit   | 533.71  | 5,745                    |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
| Car parking spaces   | 346.08  | 3,725                    |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
| <b>Total</b>   | <b><u>879.79</u></b>  | <b><u>9,470</u></b>      |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |
|  | <p>The land use rights of the property have been granted for composite use for a term from 25 December 2007 to 21 December 2043.</p>  |                          |  |  |  |         |          |      |        |       |                    |        |       |              |                      |                     |   |  |

## Notes:

- Pursuant to a set of Shanghai Certificate of Real Estate Ownership (Certificate No.: Hu Fang Di Pu Zi (2008) No. 004376) dated 14 January 2008 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of the property together with its the land use rights are vested in 景達物業有限公司 (Penmark Limited).
- We have been advised that Penmark Limited is a wholly owned subsidiary of the Company.
- We noted from the above-mentioned Shanghai Certificate of Real Estate Ownership that the type of building as well as the usage of the subject unit is “office building” and “workshop” respectively. In the course of our valuation, we have assumed that the existing use as an office is in compliance with the permitted use.

- 4) The opinion of the Legal Adviser is summarized as below:
- (a) Penmark Limited is a company duly formed under the laws of Hong Kong.
  - (b) Penmark Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is not subject to any lease or mortgage. Besides, Penmark Limited has not entered into any agreement with a third party for transfer, sale, mortgage, lease/licence, or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Real Estate Ownership

Obtained

## VALUATION CERTIFICATE

| Property   | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 31 May 2010                             |
|--|--|---|--|
| 4. Units 1, 2, 23 and 24 on Level 27 of Block 1, 第一商業廣場 (Top City), No. 1 Xiaokejia Lane, Jinjiang District, Chengdu City, the PRC | <p>Top City, completed in about 2006, is a commercial/office complex consisting of two office blocks erected over a 5-storey commercial podium with two floors of car park basement. It is located on Xiaokejia Lane within the Chun Xi Commercial Hub (春熙商圈) in Jinjiang District of Chengdu City.</p> <p>The property comprises four office units on Level 27 of Block 1.</p> <p>The total gross floor area of the property is approximately 273.75 sq.m. (2,947 sq.ft.).</p> <p>The land use rights of the property have been granted for other commercial/services uses for a term due to expire on 2 November 2044.</p> | The property is currently occupied by the Group for office use. | <p>HK\$2,500,000</p> <p>(Value attributable to the Group: HK\$2,500,000)</p> |

*Notes:*

- 1) Pursuant to 4 sets of Certificate of State-owned Land Use (Certificate Nos.: Jin Guo Yong (2007) Nos. 3346, 3347, 3351 and 3352) all dated 20 April 2007 issued by Chengdu Municipal People's Government, the land use rights of the property with an aggregate allocated land use rights area of 22.31 sq.m. have been granted to Megafit (Chengdu) Recreation Development Company Limited for other commercial/services uses for a term due to expire on 2 November 2044.
- 2) Pursuant to 4 sets of Certificate of Building Ownership (Certificate Nos.: Cheng Fang Quan Zheng Jian Zi Nos. 1464013, 1464014, 1464017 and 1464018) all dated 6 February 2007 issued by Chengdu Municipal Property Administration Bureau, the building ownership of the property with a total gross floor area of 273.75 sq.m. is vested in Megafit (Chengdu) Recreation Development Company Limited.
- 3) We have been advised that Megafit (Chengdu) Recreation Development Company Limited is a wholly owned subsidiary of the Company.
- 4) The opinion of the Legal Adviser is summarized as below:
  - (a) Megafit (Chengdu) Recreation Development Company Limited is a company duly formed and validly existing under the laws of the PRC.
  - (b) Megafit (Chengdu) Recreation Development Company Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

- (c) The property is not subject to any lease or mortgage. Besides, Megafit (Chengdu) Recreation Development Company Limited has not entered into any agreement with a third party for transfer, sale, mortgage, lease/licence or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:
- |                                     |          |
|-------------------------------------|----------|
| Certificate of State-owned Land Use | Obtained |
| Certificate of Building Ownership   | Obtained |

## VALUATION CERTIFICATE

## Group III – Properties held for sale by the Group in the PRC

| Property   | Description and tenure   | Particulars of occupancy | Market value in existing state as at 31 May 2010 |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
|--|--|--------------------------|--|--|---------|----------|-------------|--------|-------|------------------|----------|--------|-----------|----------|--------|-------------|----------|--------|---------|---------------|--------------|-------|------------------|----------------|--|--|
| 5. The unsold portions of Park View, Nos. 206, 208, 218, 220, 222, 228 and 238 Baise Road, Xuhui District, Shanghai, the PRC<br>(see Note 1 below) | <p>Park View, completed in about 2004, is a comprehensive development comprising 8 blocks of 14-storey apartment building, a block of 11-storey service apartment/clubhouse building, 22 blocks of 2-storey (plus a carport level) townhouses, and a 4-storey commercial/hotel building with ancillary utilities and car parking facilities. It is located on the northern side of Baise Road within Xuhui District of Shanghai.</p> <p>The property comprises the unsold portions of the subject development which include a service apartment unit, the clubhouse, the commercial/hotel building, 109 basement car parking spaces and the utility facilities.</p> <p>The total gross floor area of the property is approximately 12,188.14 sq.m. (131,193 sq.ft.), the breakdowns of which are as follows:</p> <table border="1"> <thead> <tr> <th rowspan="2">Use</th> <th colspan="2">Approximate Gross Floor Area</th> </tr> <tr> <th>(sq.m.)</th> <th>(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td>Residential</td> <td>139.67</td> <td>1,503</td> </tr> <tr> <td>Commercial/Hotel</td> <td>3,779.16</td> <td>40,679</td> </tr> <tr> <td>Clubhouse</td> <td>2,122.43</td> <td>22,846</td> </tr> <tr> <td>Car parking</td> <td>6,031.23</td> <td>64,920</td> </tr> <tr> <td>Utility</td> <td><u>115.65</u></td> <td><u>1,245</u></td> </tr> <tr> <td>Total</td> <td><u>12,188.14</u></td> <td><u>131,193</u></td> </tr> </tbody> </table> <p>The land use rights of the property have been granted for residential use for a term from 18 February 1993 to 17 February 2063.</p> | Use                      | Approximate Gross Floor Area                     |  | (sq.m.) | (sq.ft.) | Residential | 139.67 | 1,503 | Commercial/Hotel | 3,779.16 | 40,679 | Clubhouse | 2,122.43 | 22,846 | Car parking | 6,031.23 | 64,920 | Utility | <u>115.65</u> | <u>1,245</u> | Total | <u>12,188.14</u> | <u>131,193</u> | <p>The apartment unit is currently vacant, whereas the clubhouse is occupied by the Group for provision of recreational facilities to residents of Park View.</p> <p>The commercial/hotel building is currently subject to various leases for a total monthly rent of RMB118,458.92 for terms of 1 to 5 years with the latest due to expire on 31 March 2014.</p> <p>The car parking spaces are subject to various monthly licences. The total licence fee income for the year ended 31 March 2010 was approximately RMB461,000.</p> | <p>HK\$156,300,000</p> <p>(Value attributable to the Group: HK\$156,300,000)</p> |
| Use  | Approximate Gross Floor Area   |                          |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
|  | (sq.m.)  | (sq.ft.)                 |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Residential  | 139.67   | 1,503                    |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Commercial/Hotel   | 3,779.16   | 40,679                   |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Clubhouse  | 2,122.43   | 22,846                   |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Car parking  | 6,031.23   | 64,920                   |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Utility  | <u>115.65</u>  | <u>1,245</u>             |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |
| Total  | <u>12,188.14</u>   | <u>131,193</u>           |  |  |         |          |             |        |       |                  |          |        |           |          |        |             |          |        |         |               |              |       |                  |                |  |  |

## Notes:

- 1) The unsold portions of Park View include the following:
  - Unit 301 of No. 208 Baise Road;
  - Levels 1 and 2 and the basement of No. 206 Baise Road (i.e. the clubhouse);

- Levels 1 to 3 and the Roof of Nos. 218, 220 and 222 Baise Road (i.e. the commercial/hotel building);
  - The guardhouse, the garbage house, the transformer house, the basement pump house of the swimming pool, the southern and northern basement of Nos. 218, 220 and 222 of Baise Road; and
  - The basement of Block Nos. 1, 2, 3 to 6, 8 and 9 of Baise Road.
- 2) Pursuant to the Shanghai Certificate of Real Estate Ownership (Certificate No.: Hu Fang Di Xu Zi (2004) No. 013023) dated 1 April 2004 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of part of the property (including the subject service apartment unit, the clubhouse, the commercial/hotel building, the corresponding basement car park, and the ancillary utility facilities) having a total gross floor area of approximately 16,946.19 sq.m. together with its the land use rights are vested in 華勝國際置業開發(上海)有限公司 (Hua Sheng International Real Estate Development (Shanghai) Co., Ltd.).
- 3) Pursuant to the Shanghai Certificate of Real Estate Ownership (Certificate No.: Hu Fang Di Xu Zi (2009) No. 028619) dated 2 December 2009 issued by Shanghai Housing and Land Resources Administration Bureau, the ownership of the Basement Level 1 of Nos. 1 to 6 and 8 to 9) of the property, having a total gross floor area of approximately 4,729.50 sq.m. together with its the land use rights are vested in Hua Sheng International Real Estate Development (Shanghai) Co., Ltd.
- 4) We have been advised that Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. is a wholly owned subsidiary of the Company.
- 5) The opinion of the Legal Adviser is summarized as below:
- (a) Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. is a company duly formed and validly existing under the laws of the PRC.
  - (b) Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is subject to various leases and a mortgage in favour of Bank of East Asia, Limited. Apart from these, Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. has not entered into any agreement with a third party for transfer, sale or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 6) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Real Estate Ownership

Obtained

## VALUATION CERTIFICATE

| Property  | Description and tenure   | Particulars of occupancy          | Market value in existing state as at 31 May 2010                        |
|---|--|-----------------------------------|---|
| 6. Various unsold units of No. 8 Long Ting Hu, Century Place, Xi Men Da Jie, Longting District, Kaifeng City, Henan Province, the PRC | Century Place, upon completion, will be a large scale mixed commercial and residential development planned to be developed by stages on four adjacent parcels of land with a total site area of approximately 101,545.35 sq.m. (1,093,034 sq.ft.). It is located on the northern side of Xi Men Da Jie within Longting District of Kaifeng City. | The Property is currently vacant. | HK\$38,100,000<br><br>(Value attributable to the Group: HK\$38,100,000) |

No. 8 Long Ting Hu, covering a land area of approximately 19,526.85 sq.m. (210,187 sq.ft.) and completed in about late 2009, is the first stage (also designated as District E) of the proposed development. It consists of 7 blocks of 4 to 5-storey commercial/residential building and 2 blocks of 2-storey commercial building.

The property comprises 18 residential units (1 unit of Block 3 and 17 units of Block 7) and 5 commercial units (1 unit of each of Blocks 2, 4, 5, 8 and 9).

The total gross floor area of the property is approximately 4,713.58 sq.m. (50,737 sq.ft.), the breakdowns of which are as follows:

|             | Approximate Gross Floor Area |               |
|-------------|------------------------------|---------------|
|             | (sq.m.)                      | (sq.ft.)      |
| Residential | 2,169.58                     | 23,353        |
| Commercial  | 2,544.00                     | 27,384        |
| Total       | <u>4,713.58</u>              | <u>50,737</u> |

The land use rights of the property have been granted for commercial and residential uses. (See Notes 1 and 2 below).

## Notes:

- Pursuant to the Certificate of Real Estate Ownership (Certificate No.: Bian Fang Di Chan Quan Zheng No. 234310) dated 15 March 2009 issued by Kaifeng Municipal People's Government, the land use rights of a parcel of land with a site area of 19,526.85 sq.m. (of which part of the land of District E is located) have been granted to 迪臣置業發展(開封)有限公司 (Deson Property Development (Kaifeng) Co., Ltd.) for terms due to expire on 16 January 2048 for commercial use and on 16 January 2078 for residential use.



- 2) Pursuant to the Certificate of Real Estate Ownership (Certificate No.: Bian Fang Di Chan Quan Zheng No. 235385) dated 11 August 2009 issued by Kaifeng Municipal People's Government, the land use rights of a parcel of land with a site area of 62,237.19 sq.m. (of which the remaining part of the land of District E is located) have been granted to Deson Property Development (Kaifeng) Co., Ltd. for terms due to expire on 20 July 2049 for commercial use and on 20 July 2079 for residential use.
- 3) We have been advised that Deson Property Development (Kaifeng) Co., Ltd. is a wholly owned subsidiary of the Company.
- 4) Pursuant to the Filing Certificate for Completion Inspection of Construction Works dated 18 December 2009, the construction works of the subject phase of Century Place have been completed and inspected.
- 5) Pursuant to two Pre-sale (Sales) Permit of Commodity House (Permit Nos. Bian Fang Shou Zi (2008) Nos. 115 and 116) both dated 29 December 2008 and issued by Kaifeng Municipal Property Administration Bureau, the pre-sale (sales) of Blocks 1 to 6 of the subject phase of Century Place were approved to commence from 29 December 2008.
- 6) Pursuant to the Pre-sale (Sales) Permit of Commodity House (Permit No. Bian Fang Shou Zi (2009) No. 028) dated 9 June 2009 and issued by Kaifeng Municipal Property Administration Bureau, the pre-sale (sales) of Block 7 of the subject phase of Century Place were approved to commence from 9 June 2009.
- 7) We have been advised by the company that the land use rights of Century Place were acquired in 2005 and 2007 and that the total cost already expended in acquiring and developing the subject District E as at 31 March 2010 was approximately RMB107,000,000.
- 8) The opinion of the Legal Adviser is summarized as below:
  - (a) Deson Property Development (Kaifeng) Co., Ltd. is a company duly formed and validly existing under the laws of the PRC.
  - (b) Deson Property Development (Kaifeng) Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is not subject to any lease or mortgage. Besides, Deson Property Development (Kaifeng) Co., Ltd. has not entered into any agreement with a third party for transfer, sale, mortgage, lease/licence or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 9) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|  |          |
|--|----------|
| Contract for Grant of State-owned Land Use Rights                  | Obtained |
| Certificate of Real Estate Ownership (Land)                        | Obtained |
| Planning Permit for Construction Works                             | Obtained |
| Commencement Permit for Construction Works                         | Obtained |
| Filing Certificate for Completion Inspection of Construction Works | Obtained |

## VALUATION CERTIFICATE

| Property  | Description and tenure  | Particulars of occupancy   | Market value in existing state as at 31 May 2010                         |
|---|---|--|--|
| 7. Huizhou Golf & Resort Club, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC | The property is a golf and resort club developed on a site formed by two parcels of land with a total site area of approximately 1,008,724.99 sq.m. (10,857,916 sq.ft.).<br><br>The property comprises an 18-hole golf course with a total length for the fairway of 7,020 yards and four tennis courts together with fourteen blocks of 1 to 2-storey buildings including a block of 2-storey clubhouse, two blocks of 2-storey members' home, eleven blocks of 1-storey buildings as golf cart garage, repair workshop, sand warehouse, electricity plant room, guardhouse, staff quarters and staff canteen; and various blocks of ancillary buildings and structures including a driving range, a guardhouse, storages for LP gas container, petroleum and sand, sewage treatment stations, car parking shed and water tower.<br><br>The buildings and structures were completed in the period between 1997 and 2009.<br><br>The total gross floor area of the buildings in the property is approximately 9,474.41 sq.m. (101,983 sq.ft.).<br><br>The land use rights of the property have been granted for other commercial and services uses for a term due to expire in 2044 ( <i>see Notes 2 and 3</i> ). | The property is currently occupied by Huizhou Golf Course Limited Company for the operation of a golf and resort club. | HK\$185,100,000<br><br>(Value attributable to the Group: HK\$99,954,000) |

*Notes:*

- (1) Pursuant to the Contract for Grant of State-owned Land Use Right dated 9 June 1994 entered into between 惠東縣國土局 (Huidong County State-owned Land Bureau) and 惠州高爾夫球場有限公司 (Huizhou Golf Course Limited Company) ("Huizhou Golf"), the land use right of a parcel of land with a site area of approximately 1,333,200 sq.m. has been agreed to be granted to Huizhou Golf for the development of a golf course project for a term of 50 years.

- (2) Pursuant to the Certificate of State-owned Land Use (Certificate No.: Hui Dong Guo Yong (2004) No. 020103) dated 8 March 2004 issued by People's Government of Huidong County, the land use right of a parcel of land with a site area of 200,000.00 sq.m. has been granted to Huizhou Golf for a term due to expire on 17 August 2044 for other commercial and services uses.
- (3) Pursuant to the Certificate of State-owned Land Use (Certificate No.: Hui Dong Guo Yong (2004) No. 020104) dated 8 March 2004 issued by People's Government of Huidong County, the land use right of a parcel of land with a site area of 1,133,066.60 sq.m. has been granted to Huizhou Golf for a term due to expire on 25 July 2044 for other commercial and services uses.
- (4) We have been advised that eight portions of the land mentioned in Note 2 above with a total site area of 324,341.61 sq.m. have subsequently been carved out and disposed of in about 2007. Accordingly, the net site area for the property is 1,008,724.99 sq.m.
- (5) Pursuant to fourteen sets of Certificate of Real Estate Ownership issued by People's Government of Huidong County, the title to fourteen blocks of buildings in the Property with a total gross floor area of 9,474.41 sq.m. is vested in Huizhou Golf. Details of the said certificates are summarized as follows:

| <b>Certificate No.</b>                                 | <b>Date of Registration</b> | <b>Name of Building</b> | <b>No. of Storey</b> | <b>Gross Floor Area (sq.m.)</b> |
|--|-----------------------------|-------------------------|----------------------|---------------------------------|
| 粵房地證字第C0272571號<br>(Yue Fang Di Zheng Zi No. C0272571) | 28 January 2001             | Members' Home Block A   | 2                    | 1,112.28                        |
| 粵房地證字第C0272572號<br>(Yue Fang Di Zheng Zi No. C0272572) | 28 January 2001             | Senior Staff Quarters A | 1                    | 218.93                          |
| 粵房地證字第C0272573號<br>(Yue Fang Di Zheng Zi No. C0272573) | 28 January 2001             | Staff Canteen           | 1                    | 314.26                          |
| 粵房地證字第C0272574號<br>(Yue Fang Di Zheng Zi No. C0272574) | 28 January 2001             | Electricity Plant Room  | 1                    | 91.12                           |
| 粵房地證字第C0272575號<br>(Yue Fang Di Zheng Zi No. C0272575) | 28 January 2001             | Guardhouse              | 1                    | 65.29                           |
| 粵房地證字第C0272576號<br>(Yue Fang Di Zheng Zi No. C0272576) | 28 January 2001             | Female Staff Quarters   | 1                    | 641.48                          |
| 粵房地證字第C0272577號<br>(Yue Fang Di Zheng Zi No. C0272577) | 28 January 2001             | Male Staff Quarters     | 1                    | 641.62                          |
| 粵房地證字第C0272578號<br>(Yue Fang Di Zheng Zi No. C0272578) | 28 January 2001             | Repair Workshop         | 1                    | 664.29                          |
| 粵房地證字第C0272579號<br>(Yue Fang Di Zheng Zi No. C0272579) | 28 January 2001             | Guardhouse              | 1                    | 33.09                           |
| 粵房地證字第C0272580號<br>(Yue Fang Di Zheng Zi No. C0272580) | 28 January 2001             | Clubhouse               | 2                    | 3,343.17                        |
| 粵房地證字第C0272581號<br>(Yue Fang Di Zheng Zi No. C0272581) | 28 January 2001             | Senior Staff Quarters   | 1                    | 178.02                          |
| 粵房地證字第C0272582號<br>(Yue Fang Di Zheng Zi No. C0272582) | 28 January 2001             | Sand Warehouse          | 1                    | 331.38                          |

| Certificate No.  | Date of Registration | Name of Building      | No. of Storey | Gross Floor Area (sq.m.) |
|--|----------------------|-----------------------|---------------|--------------------------|
| 粵房地證字第C0272583號<br>(Yue Fang Di Zheng Zi No. C0272583) | 28 January 2001      | Golf Cart Garage      | 1             | 910.98                   |
| 粵房地證字第C0274668號<br>(Yue Fang Di Zheng Zi No. C0274668) | 27 November 2001     | Members' Home Block B | 2             | 928.50                   |

- (6) Pursuant to the Sino-foreign Co-operative Agreement for Huizhou Golf dated 16 March 1992 entered into amongst 惠州市惠鞍實業發展總公司 (Huizhou City Hui An Industry Development Head Limited, "Party A") 惠東縣農業資源開發公司 (Huidong County Agricultural Resources Development Limited, "Party B") and Mellink Investment Limited ("Party C"), all three parties agreed to set up the co-operative joint venture company of Huizhou Golf. Major terms and conditions of the Sino-foreign Co-operative Agreement are summarized as follows:
- a) The total investment and registered capital of Huizhou Golf are HK\$100,000,000 and HK\$50,000,000 respectively.
  - b) Party A is to provide the land with an area of approximately 1,500 mu as capital; Party B is to provide the supplies of water, electricity and communication and facilities for livings; and Party C is to provide the registered capital and all the investment capital.
  - c) The profit is to be distributed among the three parties on the ratio of 50% (Party A), 10% (Party B) and 40% (Party C).
  - d) The co-operative period of Huizhou Golf is for 30 years from the date of issue of the business licence.
  - e) Upon expiry of the co-operative period, the fixed assets of Huizhou Golf shall be transferred to Party A and Party B at nil consideration at a ratio of 80% and 20% respectively.
- (7) Pursuant to the Supplementary Agreement of the Sino-foreign Co-operative Agreement for Huizhou Golf dated 28 December 1993 entered into between Huizhou City Hui An Industry Development Head Limited ("Party A") and Mellink Investment Limited ("Party B"), both parties agreed to amend the Sino-foreign Co-operative Agreement after Huidong County Agricultural Resources Development Limited had withdrawn from the co-operation. Major terms and conditions of the Supplementary Agreement are summarized as follows:
- a) Party A is to be responsible for the requisition procedure for the land of approximately 1,200 mu and to provide water, electricity and communication facilities; whereas Party B is to provide the total capital investment of HK\$100,000,000.
  - b) The shareholdings in Huizhou Golf between Party A and Party B are 10% and 90% respectively.
  - c) Upon expiry of the co-operative period, the fixed assets of Huizhou Golf shall be transferred to Party A at nil consideration.
- (8) Pursuant to the Business Licence of Huizhou Golf issued by 惠州市工商行政管理局 (Huizhou Municipal Industry & Commerce Administration Bureau) dated 6 June 2007, Huizhou Golf was established on 6 November 1992 with a Registered No. 企作粵惠總字第001919號 (Qi Zuo Yue Hui Zong Zi No. 001919), the scope of business of which include to develop and operate an 18-hole golf course with ancillary facilities including golf clubhouse, members' rest-house, restaurant, business hall, etc. It also states that the period of operation is from 6 November 1993 to 5 November 2023.
- (9) We have been advised that Huizhou Golf is a 54% indirectly-owned subsidiary of the Company.

- (10) We have been further advised by the Company that the interest in the property was acquired through acquisition of the entire shareholding interest in Huizhou Golf's intermediate holding company on 30 March 2010 and that the total cost of acquisition was approximately HK\$106,450,000.
- (11) The opinion of the Legal Adviser is summarized as below:
- a) Huizhou Golf is a Sino-foreign joint venture company duly formed and validly existing under the laws of the PRC. It has obtained the relevant approvals for the operation of a golf and resort club in the property.
  - b) Huizhou Golf is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property in accordance with the relevant PRC laws.
  - c) The property is currently used in accordance with its permitted usage.
  - d) The property is not subject to any lease or mortgage. Besides, Huizhou Golf has not entered into any agreement with a third party for transfer, sale, mortgage, lease/licence or other nature in relation to its interest (whether in whole or in part) in the property.
  - e) Apart from that all fixed assets of Huizhou Golf shall be transferred to the PRC partner at nil consideration upon expiry of the co-operative period as stated in Article 74 of the Articles of Association of Huizhou Golf, Huizhou Golf has not entered into any agreement for transferring, selling, mortgaging, leasing, licensing of the property.
  - f) The property or its ownership is not involved in any seizure, distraint, realization, or other dispute or contention; and is not restricted by any onerous or unusual deed, term or condition.
- (12) In the course of our valuation, we have not taken into consideration the arrangement of the fixed asset upon expiry of the co-operative period.
- (13) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|   |          |
|---|----------|
| Contract for Grant of State-owned Land Use Rights | Obtained |
| Certificate of State-owned Land Use               | Obtained |
| Certificate of Real Estate Ownership              | Obtained |

## VALUATION CERTIFICATE

| Property  | Description and tenure   | Particulars of occupancy                                      | Market value in existing state as at 31 May 2010                                |
|---|--|---|---|
| 8. Eight parcels of land off Guangshan Road, Shi Er Tuo, Daling Town, Huidong County, Guangdong Province, the PRC | <p>The property comprises eight individual parcels of land off Guangshan Road at Shi Er Tuo, Daling Town, Huidong County. It is situated immediately adjacent to Huizhou Golf and Resort Club.</p> <p>The total site area of the property is approximately 324,341.61 sq.m. (3,491,213 sq.ft.).</p> <p>The land use rights of the property have been granted for residential use for terms due to expire on 2 November 2076.</p> | The property is currently vacant pending for detail planning. | <p>HK\$107,400,000</p> <p>(Value attributable to the Group: HK\$64,440,000)</p> |

*Notes:*

- (1) Pursuant to the Contract for Grant of State-owned Land Use Right entered into between Huidong County State-owned Land Resources Bureau and 惠州逸天園房地產開發有限公司 (Huizhou Yi Tian Yuan Real Estate Development Co., Ltd.), the land use right of a parcel of land with a site area of approximately 324,700.30 sq.m. has been agreed to be granted to Huizhou Yi Tian Yuan Real Estate Development Co., Ltd. for residential use for a term of 70 years.
- (2) Pursuant to eight sets of Certificate of State-owned Land Use (Certificate Nos.: Hui Dong Guo Yong (2007) Nos. 044034 to 044041) all dated 21 June 2007 issued by People's Government of Huidong County, the land use rights of eight parcels of land with a total site area of 324,341.61 sq.m. have been granted to 惠州怡海房地產開發有限公司 (Huizhou Yihua Property Development Ltd.) for terms due to expire on 2 November 2076 for residential use.
- (3) We have been advised by the Company that Huizhou Yi Tian Yuan Real Estate Development Co., Ltd. has subsequently renamed as Huizhou Yihua Property Development Ltd., which is a 60% indirectly-owned subsidiary of the Company.
- (4) We have been further advised by the Company that the interest in the property was acquired on 19 December 2006 and that the total costs already expended in acquiring and developing the subject as at 31 May 2010 was approximately HK\$40,400,000.
- (5) The opinion of the Legal Adviser is summarized as below:
  - (a) Huizhou Yihua Property Development Ltd. is a company duly formed and validly existing under the laws of the PRC.
  - (b) Huizhou Yihua Property Development Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.

- (c) The property is not subject to any lease or mortgage. Besides, Huizhou Yihua Property Development Ltd. has not entered into any agreement with a third party for transfer, sale, mortgage, lease/licence or other nature in relation to its interest (whether in whole or in part) in the property.
- (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- (6) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|   |          |
|---|----------|
| Contract for Grant of State-owned Land Use Rights | Obtained |
| Planning Permit of Construction Land Use          | Obtained |
| Certificate of State-owned Land Use               | Obtained |

## VALUATION CERTIFICATE

| Property         | Description and tenure   | Particulars of occupancy | Market value in existing state as at 31 May 2010 |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
|------------------|--|--------------------------|--|--|---------|----------|----------------|--|--|---------------|--------|-------|-----------|--------|-------|-----------------|--|--|--------------|-----------|---------|------------------|--|--|---------------|--------|-------|--------------|--------|-------|-----------------|--|--|---------------|----------|--------|--------------|--------|-------|---------------|------------------|----------------|---|--|
| 9.               | <p>Various unsold units of Phases I to IV of Asian Villas City Square, Asian Villas, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC</p> <p>Asian Villas is a large-scale mixed residential and commercial development developed by two stages, with the stage 2 also known as Asian Villas City Square. It covers a site with an area of approximately 61,284.56 sq.m. (659,667 sq.ft.) located on the northern side of Nanhai Avenue at its junction with Haoyuan Road within Longhua District of Haikou City.</p> <p>Asian Villas City Square, completed in about 2009, was developed by four phases. It consists mainly of 5 high-rise apartment blocks and 7 medium-rise residential blocks erected over commercial/communal podiums of 2-storey, together with 4 blocks of 2 to 4-storey commercial building, a block of nursery building and ancillary car park on basements.</p> <p>The property, being the unsold units of Asian Villas City Square, comprises 15 residential units, the whole block of a 4-storey shopping arcade in Phase II, various shop units, the nursery building and a total of 371 car parking spaces on basements.</p> <p>The total gross floor area of the property (excluding the area for the car parking spaces) is approximately 28,154.27 sq.m. (303,053 sq.ft.), the breakdown of which is as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th rowspan="2" style="text-align: left;">Use</th> <th colspan="2" style="text-align: center;">Approximate Gross Floor Area</th> </tr> <tr> <th style="text-align: center;">(sq.m.)</th> <th style="text-align: center;">(sq.ft.)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><i>Phase I</i></td> </tr> <tr> <td>– Residential</td> <td style="text-align: right;">192.74</td> <td style="text-align: right;">2,075</td> </tr> <tr> <td>– Nursery</td> <td style="text-align: right;">830.62</td> <td style="text-align: right;">8,941</td> </tr> <tr> <td colspan="3"><i>Phase II</i></td> </tr> <tr> <td>– Commercial</td> <td style="text-align: right;">24,559.95</td> <td style="text-align: right;">264,363</td> </tr> <tr> <td colspan="3"><i>Phase III</i></td> </tr> <tr> <td>– Residential</td> <td style="text-align: right;">279.64</td> <td style="text-align: right;">3,010</td> </tr> <tr> <td>– Commercial</td> <td style="text-align: right;">318.11</td> <td style="text-align: right;">3,424</td> </tr> <tr> <td colspan="3"><i>Phase IV</i></td> </tr> <tr> <td>– Residential</td> <td style="text-align: right;">1,287.88</td> <td style="text-align: right;">13,863</td> </tr> <tr> <td>– Commercial</td> <td style="text-align: right;">685.33</td> <td style="text-align: right;">7,377</td> </tr> <tr> <td><i>Total:</i></td> <td style="text-align: right;"><u>28,154.27</u></td> <td style="text-align: right;"><u>303,053</u></td> </tr> </tbody> </table> | Use                      | Approximate Gross Floor Area                     |  | (sq.m.) | (sq.ft.) | <i>Phase I</i> |  |  | – Residential | 192.74 | 2,075 | – Nursery | 830.62 | 8,941 | <i>Phase II</i> |  |  | – Commercial | 24,559.95 | 264,363 | <i>Phase III</i> |  |  | – Residential | 279.64 | 3,010 | – Commercial | 318.11 | 3,424 | <i>Phase IV</i> |  |  | – Residential | 1,287.88 | 13,863 | – Commercial | 685.33 | 7,377 | <i>Total:</i> | <u>28,154.27</u> | <u>303,053</u> | <p>The property, except for portions of the shopping arcade with a total gross floor area of approximately 16,322.17 sq.m (175,692 sq.ft.) that are subject to various tenancies is currently vacant.</p> <p>Apart from the tenancy regarding portion on Level B1 that is to be expired on 31 December 2014, all other tenancies are due to expire on 31 December 2012.</p> <p>The rental income derived from these tenancies for Year 2010 is expected to be RMB3,064,534.</p> | <p style="text-align: right;">HK\$293,000,000</p> <p style="text-align: right;">(Value attributable to the Group: HK\$293,000,000)</p> |
| Use              | Approximate Gross Floor Area   |                          |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
|                  | (sq.m.)  | (sq.ft.)                 |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| <i>Phase I</i>   |  |                          |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Residential    | 192.74   | 2,075                    |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Nursery        | 830.62   | 8,941                    |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| <i>Phase II</i>  |  |                          |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Commercial     | 24,559.95  | 264,363                  |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| <i>Phase III</i> |  |                          |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Residential    | 279.64   | 3,010                    |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Commercial     | 318.11   | 3,424                    |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| <i>Phase IV</i>  |  |                          |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Residential    | 1,287.88   | 13,863                   |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| – Commercial     | 685.33   | 7,377                    |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |
| <i>Total:</i>    | <u>28,154.27</u>   | <u>303,053</u>           |  |  |         |          |                |  |  |               |        |       |           |        |       |                 |  |  |              |           |         |                  |  |  |               |        |       |              |        |       |                 |  |  |               |          |        |              |        |       |               |                  |                |   |  |



| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 May 2010 |
|----------|------------------------|--------------------------|--|
|----------|------------------------|--------------------------|--|

The land use rights of the property have been granted for mixed commercial and residential uses for a term due to expire on 12 May 2068.

*Notes:*

- 1) Pursuant to the Certificate for State-owned Land Use (Certificate No: Hai Kou Shi Guo Yong (Ji) Zi No.S0530) issued by Haikou People's Government on 11 May 2000, the land use rights of the land of the property have been granted to 海南富迪房地產開發有限公司 (Hainan Fruitful Real Estate Development Co., Ltd., hereinafter referred to as "Hainan Fruitful") for mixed commercial and residential uses for a term due to expire on 12 May 2068.
- 2) Pursuant to the Planning Permit for Construction Land Use No. 2004023 issued by Planning Bureau on 2 February 2004, the proposed project on the subject site with a site area of 60,663.77 sq.m. was in compliance with the urban planning requirements.
- 3) Pursuant to the Temporary Planning Permit for Construction Works No. Hai Shi Gui Zheng Jian (2004) AE-0078 issued by Haikou Planning Bureau on 17 June 2004, the proposed development, having a total gross floor area of 109,745 sq.m. (plus the gross floor for the sub-structure of 22,683 sq.m.), was in compliance with the planning requirements.
- 4) Pursuant to two Permits for Construction Works Commencement Nos. 460100200409240101 and 460100200409240201 issued by Haikou Construction Bureau on 24 September 2004, the construction works having a total gross floor area of 59,495 sq.m. in the property were approved to commence.
- 5) Pursuant to two Pre-sale Permits for Real Estate Property of Haikou City Nos. (2005) Hai Fang Yu Zhi (0008) and (0009) issued by Haikou Real Estate Property Administration Bureau on 19 January 2005, the eight blocks of apartment building in Phase I of the property having a total gross floor area of 51,942.96 sq.m. are in compliance with the relevant pre-sale conditions. The said permits were valid until 19 January 2006.
- 6) Pursuant to the Underwriting Agreement dated 8 February 2002 entered into between Hainan Fruitful and Super Sight Investment Inc. (hereinafter referred to as "Super Sight"), Super Sight was appointed as the sole sales agent for the Southern Area of Asian Villas. The salient conditions stipulated in the Underwriting Agreement are summarized as follows:
  - a) Both parties agreed that the term of underwriting would be for a period from the date of the Underwriting Agreement until all constituent units are sold.
  - b) Both parties agreed that the total sum of RMB130,104,800 paid by Super Sight during the period from October 1992 to December 1998 for the development of the subject site would be treated as the underwriting fee.
  - c) Super Sight agreed to pay the necessary capital as well as the associate expenses for development of the property.
  - d) Super Sight had the exclusive right in determining the selling prices of the subject property in the PRC and overseas market.
  - e) Both parties agreed that Super Sight would have the full and exclusive right to use the sales proceeds.
  - f) Both parties agreed that the right and obligations of Super Sight under the Underwriting Agreement were assignable to another business enterprise with the prior written consent of Hainan Fruitful.

- 7) We have been advised by the Company that Super Sight is a wholly owned subsidiary of the Company.
- 8) The opinion of the Legal Adviser is summarized as below:
- (a) Hainan Fruitful is a company duly formed under the laws of the British Virgin Islands.
  - (b) Hainan Fruitful is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is subject to various leases but is not mortgaged to a third party.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
  - (e) The Underwriting Agreement (mentioned in Note 6 above) is a valid and legally binding document, which protects and restricts the rights and liabilities of the parties therein. The interest of Super Sight in the property is protected under the laws of the PRC.
- 9) We have relied on the information provided by the Company and the aforesaid legal opinion and prepared our valuation on the following assumptions:
- a) Super Sight has the exclusive right to use the sales proceeds.
  - b) The rights and obligations of Super Sight under the Underwriting Agreement are assignable to another business enterprise with the prior written consent of Hainan Fruitful.
- 10) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:
- |  |          |
|--|----------|
| Certificate for State-owned Land Use       | Obtained |
| Planning Permit for Construction Land Use  | Obtained |
| Planning Permit for Construction Works     | Obtained |
| Permit for Construction Works Commencement | Obtained |
| Pre-sale Permit for Real Estate Property   | Obtained |
| Underwriting Agreement                     | Signed   |

## VALUATION CERTIFICATE

| Property  | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 31 May 2010                            |
|---|--|---|---|
| <p>10. Shops 027 to 032 of Block 1, 011 to 025 of Block 2 and 001 to 008 of Block 3, Zhong Yang Jie, Asian Villas City Square, Asian Villas, Nanhai Avenue, Longhua District, Haikou City, Hainan Province, the PRC</p> | <p>Asian Villas is a large-scale mixed residential and commercial development developed by two stages, with the stage 2 also known as Asian Villas City Square. It covers a site with an area of approximately 61,284.56 sq.m. (659,667 sq.ft.) located on the northern side of Nanhai Avenue at its junction with Haoyuan Road within Longhua District of Haikou City.</p> <p>Asian Villas City Square, completed in about 2009, was developed by four phases. It consists mainly of 5 high-rise apartment blocks and 7 medium-rise residential blocks erected over commercial/communal podiums of 2-storey, together with 4 blocks of 2 to 4-storey commercial building, a block of nursery building and ancillary car park on basements.</p> <p>The property comprises 28 shop units each of 2 to 3-storey high and a 4-storey cinema unit within the 3 blocks of commercial building, which are collectively known as “Zhong Yang Jie”.</p> <p>The total gross floor area of the property is approximately 7,285.77 sq.m. (78,424 sq.ft.).</p> <p>The land use rights of the property have been granted for mixed commercial and residential uses for a term due to expire on 13 May 2068.</p> | <p>The property, except for portions with a total gross floor area of approximately 5,823.28 sq.m (62,682 sq.ft.) that are subject to various tenancies, is currently vacant.</p> <p>Apart from the tenancy regarding the cinema that is to be expired on 31 October 2027, all other tenancies are due to expire on 31 March 2013.</p> <p>The total monthly rental of these tenancies is approximately RMB82,105.</p> | <p>HK\$63,800,000<br/>(Value attributable to the Group: HK\$63,800,000)</p> |

*Notes:*

- 1) Pursuant to the Certificate of Building Ownership (Certificate No.: Hai Kou Shi Fang Quan Zheng Hai Fang Zi No. HK144593) dated 19 October 2006 issued by Haikou Municipal Property Administration Bureau, the building ownership of Shop 009 to Shop 025 of Block 2 in the property is vested in 江裕置業(海南)有限公司 (Jiang Yu Properties (Hainan) Company Limited).
- 2) Pursuant to two sets of Certificate of Building Ownership (Certificate No.: Hai Kou Shi Fang Quan Zheng Hai Fang Zi No. HK144594 and No. HK146140) both dated 19 October 2006 and issued by Haikou Municipal Property Administration Bureau, the building ownership of the property is vested in Jiang Yu Properties (Hainan) Company Limited.
- 3) We have been advised by the Company that Jiang Yu Properties (Hainan) Company Limited is a wholly owned subsidiary of the Company.
- 4) The opinion of the Legal Adviser is summarized as below:
  - (a) Jiang Yu Properties (Hainan) Company Limited is a company duly formed and validly existing under the laws of the PRC.
  - (b) Jiang Yu Properties (Hainan) Company Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is subject to various tenancies but is not mortgaged to a third party. Besides, Jiang Yu Properties (Hainan) Company Limited has not entered into any agreement with a third party for transfer, sale, mortgage, or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 5) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

Certificate of Building Ownership

Obtained

## VALUATION CERTIFICATE

## Group IV – Properties held for investment by the Group in the PRC

| Property  | Description and tenure   | Particulars of occupancy  | Market value in existing state as at 31 May 2010                               |
|---|--|---|--|
| 11. Whole of Level 5, 第一商業廣場 (Top City), No. 1 Xiaokejia Lane, Jinjiang District, Chengdu City, the PRC | <p>Top City, completed in about 2006, is a commercial/office complex consisting of two office blocks erected over a 5-storey commercial podium with two floors of basement car park. It is located on Xiaokejia Lane within the Chun Xi Commercial Hub (春熙商圈) in Jinjiang District of Chengdu City.</p> <p>The property comprises the whole of Level 5 of the commercial podium.</p> <p>The gross floor area of the property is approximately 4,932.97 sq.m. (53,098 sq.ft.).</p> <p>The land use rights of the property have been granted for commercial use for a term due to expire on 2 November 2044.</p> | <p>The property, except for a portion with a gross floor area of 630.00 sq.m. that is leased to a third party for the operation of a beauty and hair salon, is currently occupied by the Group for the operation of a fitness club. (See Notes 4 and 5 below)</p> | <p>HK\$57,000,000</p> <p>(Value attributable to the Group: HK\$57,000,000)</p> |

## Notes:

- Pursuant to a set of Certificate of State-owned Land Use (Certificate No.: Jin Guo Yong (2006) No. 7924) dated 23 September 2006 issued by Chengdu Municipal People's Government, the land use rights of the property with an allocated land use rights area of 401.97 sq.m. have been granted to Megafit (Chengdu) Recreation Development Company Limited for commercial use for a term due to expire on 2 November 2044.
- Pursuant to a set of Certificate of Building Ownership (Certificate No.: Cheng Fang Quan Zheng Jian Zi No. 1369811) dated 7 July 2006 issued by Chengdu Municipal Property Administration Bureau, the building ownership of the property with a gross floor area of 4,932.97 sq.m. is vested to Megafit (Chengdu) Recreation Development Company Limited
- We have been advised that Megafit (Chengdu) Recreation Development Company Limited is a wholly owned subsidiary of the Company.
- Pursuant to a set of Agreement for Use of Premises entered into between Megafit (Chengdu) Recreation Development Company Limited (Party A) and 上海美格菲健身中心有限公司(成都分公司) (Party B) on 19 March 2008, Party A agreed to provide the property together with the ancillary facilities including the internal fitting out and fitness equipment, etc. thereof to Party B for the operation of fitness centre for a co-operation period of 3 years from 1 April 2008 to 31 March 2011. Party B agreed to pay a monthly fee of RMB150,000 for the use of the premises and the equipment during the co-operation period.

- 5) Pursuant to a set of Lease Contract entered into between Megafit (Chengdu) Recreation Development Company Limited (Party A) and 成都玫川美容美髮有限公司 (Chengdu Mei Chuan Beauty and Hair Limited Company, Party B) on 21 August 2008, portion of the property with a gross floor area of 630 sq.m. was agreed to be leased to Party B for a term from 1 August 2008 to 31 December 2011 at a monthly rent of RMB52,000 inclusive of management fee with an option to renew for a further term from 1 January 2012 to 30 April 2013 at a monthly rent of RMB59,800 inclusive of management fee.
- 6) We have been advised by the Company that the property was acquired on 8 September 2005 and that the total costs of acquisition was approximately RMB32,250,000.
- 7) The opinion of the Legal Adviser is summarized as below:
- (a) Megafit (Chengdu) Recreation Development Company Limited is a company duly formed and validly existing under the laws of the PRC.
  - (b) Megafit (Chengdu) Recreation Development Company Limited is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is subject to tenancies and mortgage. Apart from these, Megafit (Chengdu) Recreation Development Company Limited has not entered into any agreement with a third party for transfer, sale, or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.
- 8) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|                                     |          |
|-------------------------------------|----------|
| Certificate of State-owned Land Use | Obtained |
| Certificate of Building Ownership   | Obtained |

## VALUATION CERTIFICATE

| Property  | Description and tenure  | Particulars of occupancy   | Market value in existing state as at 31 May 2010                                 |
|---|---|--|--|
| 12. Oscar Hotel (excluding Units 2 to 7 on Level 1), No. 12 Haixiu Avenue, Meilan District, Haikou City, Hainan Province, the PRC | <p>Oscar Hotel is a hotel in a commercial complex comprising 2 blocks of high-rise building (designated as East and West Blocks) over a 4-storey (plus 2 basement levels) commercial podium erected on a site with a site area of approximately 4,681.53 sq.m. (50,392 sq.ft.).</p> <p>The subject hotel comprises the whole of Basements 1 and 2, portions of Level 1 to 4 of the podium, and whole of Levels 5 to 21 of the West Block together with the two corridor / footbridges leading to the adjacent shopping centre. The accommodations provided therein, apart from the back-of-house area and the basement car park, include a hotel lobby, Western restaurant, cafe, shopping arcades, Chinese restaurant, karaoke, banquet hall, 3 conference rooms (on Level 19) and a total of 222 guestrooms (including 212 standard rooms, 6 suites, 2 executive suites and 2 deluxe suites).</p> <p>The property comprises all portions of Oscar Hotel except Units 2 to 7 on Level 1.</p> <p>The total gross floor area of the property, excluding the area for Basement 2 of 1,527.14 sq.m. (16,438 sq. ft.), is approximately 22,803.13 sq.m. (245,453 sq.ft.).</p> <p>The land use rights of the property have been granted for a term due to expire on 14 September 2076 for city and town mixed residential use.</p> | <p>The property is tenant-occupied and operated as a hotel. It is subject to a leasing contract for a term of three years from 1 April 2008 until 31 March 2011. (<i>See Note 6 below</i>)</p> <p>We have been advised that the rental income for the year ended 31 March 2010 was about RMB5.5 million.</p> | <p>HK\$154,200,000</p> <p>(Value attributable to the Group: HK\$154,200,000)</p> |

*Notes:*

- 1) Pursuant to the Certificate of State-owned Land Use (Certificate No.: Hai Kou Shi Guo Yong (2006) No. 005434) dated 28 September 2006 issued by Haikou Municipal People's Government, the land use rights of an area of 2,804.67 sq.m. in a parcel of land designated as Lot No. 01-06-01-6 with a site area of 4,681.53 sq.m. have been granted to Hainan Yahao Properties Limited for a term due to expire on 14 September 2076 for city and town mixed residential use.
- 2) Pursuant to 22 sets of Certificate of Building Ownership (Certificate No.: Hai Kou Shi Fang Quan Zheng Hai Fang Zi Nos. HK139064 and HK144968 to HK144988) all dated 10 October 2006 issued by Haikou Municipal Property Administration Bureau, the building ownership of the property (excluding Basement 2) with a total gross floor area of 23,003.13 sq.m. is vested to Hainan Yahao Properties Limited. However, we note that there are discrepancies of 935.06 sq.m. for the gross floor areas stated in the said Certificates of Building Ownership for Levels 3 and 8 and on the floor plans attached thereto. Having confirmed with the Group, we understand that the figures stated on the floor plans are correct and the total gross floor area of the property should be 22,803.13 sq.m.
- 3) We have been advised that Hainan Yahao Properties Limited is a wholly owned subsidiary of the Company.
- 4) We have been further advised by the Group that the Certificate of Building Ownership for Basement 2, which is currently used as storage and plant room purpose, has not been issued individually by the relevant government authority.
- 5) Pursuant to the Premises Leasing Contract entered into between Lin Qing and Hainan Yahao Properties Limited on 18 December 2007, Units 2 to 7 on Level 1 of the podium with a gross floor area of 476.03 sq.m. was leased by Lin Qing to Hainan Yahao Properties Limited for a term from 1 January 2008 until 31 December 2022 at an initial monthly rent of RMB22,000 payable in advance for every two years. It was agreed that the annual rental would be fixed for the first four years and thereafter increased by 3% for every four-year period.
- 6) Pursuant to the Leasing Contract entered into between Hainan Yahao Properties Limited and Hainan Lido Holiday Hotel Management Co., Ltd. on 1 April 2008, Oscar Hotel (i.e. the property together with the leased portion mentioned in Note 5 above), having a total gross floor area of 24,854.50 sq.m., was agreed to be leased by Hainan Yahao Properties Limited to Hainan Lido Holiday Hotel Management Co., Ltd. for hotel operation and shop subletting for a period of three years from 1 April 2008 until 31 March 2011 at a monthly rent calculated based on 75% of the revenue of the room department of the subject hotel.
- 7) We have been advised by the Company that the property was acquired on 15 September 2006 at a consideration of RMB35,000,000 and that the total cost already expended for the renovation of the property was approximately RMB67,000,000 with the outstanding costs of renovation works, as at the Date of Valuation amounting to RMB7,500,000.
- 8) The opinion of the Legal Adviser is summarized as below:
  - (a) Hainan Yahao Properties Limited is a company duly formed and validly existing under the laws of the PRC.
  - (b) Hainan Yahao Properties Limited, having obtained the Certificate of Real Estate Ownership, is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (c) The property is subject to a lease and mortgage. Apart from these, Hainan Yahao Properties Limited has not entered into any agreement with a third party for transfer, sale, or other nature in relation to its interest (whether in whole or in part) in the property.
  - (d) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.



- 9) We have relied on the information provided by the Group and prepared our valuation on the following assumptions:
- (a) Hainan Yahao Properties Limited is in possession of a proper legal title to the land use rights as well as the building ownership of the property (including Basement 2 which forms part of the subject hotel);
  - (b) The total gross floor area of the property is 22,803.13 sq.m.
  - (c) Hainan Yahao Properties Limited is entitled to sublet the leased portion as mentioned in Note 5 above.
  - (d) Renovation works of the property have been completed as at the Date of Valuation, and the outstanding costs of renovation works will have been settled in full.
  - (e) The design and construction of the property are in compliance with the local planning and building regulations and have been approved by relevant government authorities; and
  - (f) All consents, approvals and licences from relevant government authorities for the property have been granted without any onerous conditions or undue delay that might affect its value.
- 10) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|                                     |          |
|-------------------------------------|----------|
| Certificate of State-owned Land Use | Obtained |
| Certificate of Building Ownership   | Obtained |
| Lease Agreement                     | Signed   |

## VALUATION CERTIFICATE

## Group V – Property held under development by the Group in the PRC

| Property  | Description and tenure  | Particulars of occupancy  | Market value in existing state as at 31 May 2010                          |
|---|---|---|---|
| 13. The development site for Stage II of Century Place, Xi Men Da Jie, Longting District, Kaifeng City, Henan Province, the PRC | Century Place, upon completion in about 2012, is a large scale mixed commercial and residential development planned to be developed by stages on four adjacent parcels of land with a total site area of approximately 101,545.35 sq.m. (1,093,034 sq.ft.). It is located on the northern side of Xi Men Da Jie within Longting District of Kaifeng City. | The property, except for District G that is pending for relocation and demolition, is currently vacant and under construction. The stage of construction is up to basement level. | HK\$303,600,000<br><br>(Value attributable to the Group: HK\$303,600,000) |

The property, covering a total land area of approximately 82,018.50 sq.m. (882,847 sq.ft.) is the second stage (also designated as Districts A to D, F and G) of the proposed development. It is planned to be developed into a mixed commercial and residential complex comprising various blocks of residential buildings and commercial buildings.

The total gross floor area of the property (excluding District G) is approximately 117,633.80 sq.m. (1,266,210 sq.ft.), the breakdowns of which are as follows:

|             | Approximate Gross Floor Area |                  |
|-------------|------------------------------|------------------|
|             | (sq.m.)                      | (sq.ft.)         |
| Commercial  | 69,349.50                    | 746,478          |
| Residential | <u>48,284.30</u>             | <u>519,732</u>   |
| Total       | <u>117,633.80</u>            | <u>1,266,210</u> |

The maximum permitted gross floor area for District G is approximately 9,787.20 sq.m. (105,349 sq.ft.).

The land use rights of the property have been granted for commercial and residential uses. (See Notes 5 and 6 below).

*Notes:*

- 1) Pursuant to the Contract for Grant of State-owned Land Use Rights dated 14 June 2005 entered into between Kaifeng Municipal State-owned Land and Resources Bureau and Deson (Ningbo) Ventures Limited, the land use rights of a parcel of land designated as No. 2005-12 were agreed to be granted to Deson (Ningbo) Ventures Limited. The major terms of the said contract are summarized as follows:
- |     |                        |   |  |
|-----|------------------------|---|--|
| (a) | Site Area              | : | 83,576.10 sq.m.;   |
| (b) | Permitted uses         | : | Commercial and residential;  |
| (c) | Term of land use right | : | 40 years (for commercial use) and 70 years (for residential use) from the handover date of the land;                 |
| (d) | Land grant premium     | : | Approximately RMB20,058,246 subject to adjustment based on actual site measurement upon relocation and demolition;   |
| (e) | Plot ratio             | : | $\leq 1.25$ (subsequently approved to be adjusted to $\leq 1.48$ );  |
| (f) | Site coverage          | : | $\leq 40\%$ ;  |
| (g) | Height restriction     | : | $\leq 12$ metres (Land Parcel No. 1), $\leq 15$ metres (Land Parcel No. 2) and $\leq 10$ metres (Land Parcel No. 3); |
| (h) | Green land ratio       | : | $\geq 25\%$ ;  |
| (i) | Construction period    | : | Construction shall commence on or before 24 October 2006.  |
- 2) Pursuant to the Contract for Grant of State-owned Land Use Rights dated 25 April 2007 entered into between Kaifeng Municipal State-owned Land and Resources Bureau and Deson Property Development (Kaifeng) Co., Ltd., the land use rights of a parcel of land designated as No. 2007-4 were agreed to be granted to Deson Property Development (Kaifeng) Co., Ltd. The major terms of the said contract are summarized as follows:
- |     |                        |   |   |
|-----|------------------------|---|---|
| (a) | Site Area              | : | 12,233.97 sq.m.;  |
| (b) | Permitted uses         | : | Commercial and residential;   |
| (c) | Term of land use right | : | 40 years (for commercial use) and 70 years (for residential use) from the handover date of the land;              |
| (d) | Land grant premium     | : | Approximately RMB4,832,418 subject to adjustment based on actual site measurement upon relocation and demolition; |
| (e) | Plot ratio             | : | $\leq 0.8$ ;  |
| (f) | Site coverage          | : | $\leq 30\%$ ;   |
| (g) | Height restriction     | : | $\leq 10$ ;   |
| (h) | Green land ratio       | : | $\geq 40\%$ ;   |
| (i) | Construction period    | : | Construction shall commence within 180 days after handover of the land.   |
- 3) Pursuant to the Planning Permit of Construction Land Use No. 2005-065 dated 5 December 2005 issued by Kaifeng Municipal Construction Commission, the proposal commercial and residential project of Deson Property Development (Kaifeng) Co., Ltd. with a land area of 97,523.00 sq.m. was in compliance with the city planning requirements and was approved to proceed with the land requisition procedures.

- 4) Pursuant to the Planning Permit of Construction Land Use No. 2007-045 dated 14 August 2007 issued by Kaifeng Municipal Construction Commission, the proposal project of Deson Property Development (Kaifeng) Co., Ltd. with a land area of 12,234.00 sq.m. was in compliance with the city planning requirements and was approved to proceed with the land requisition procedures
- 5) Pursuant to the Certificate of Real Estate Ownership (Certificate No.: Bian Fang Di Chan Quan Zheng No. 234310) dated 15 March 2008 and issued by Kaifeng Municipal People's Government, the land use rights of a parcel of land with a site area of 19,526.85 sq.m. have been granted to Deson Property Development (Kaifeng) Co., Ltd. for terms due to expire on 16 January 2048 for commercial use and on 16 January 2078 for residential use.
- 6) Pursuant to two sets of Certificate of Real Estate Ownership (Certificate No.: Bian Fang Di Chan Quan Zheng No. 235384 and No. 235385) both dated 11 August 2009 and issued by Kaifeng Municipal People's Government, the land use rights of two parcels of land with an aggregate site area of 69,784.50 sq.m. have been granted to Deson Property Development (Kaifeng) Co., Ltd. for terms due to expire on 20 July 2049 for commercial use and on 20 July 2079 for residential use.
- 7) We have been advised that Deson Property Development (Kaifeng) Co., Ltd. is a wholly owned subsidiary of the Company.
- 8) It is our understanding that the Certificate of Real Estate Ownership for the land parcel mentioned in Note 4 have not yet been obtained and that the total site area of the property is 82,018.50 sq.m., which exclude the land area of 19,526.85 sq.m. for District E.
- 9) Pursuant to twelve sets of Planning Permit for Construction Works (Permit Nos.: (2009)DT Nos. 297 to 306) all dated 11 December 2009 and issued by Kaifeng Municipal Construction Commission, the construction works for Districts A and B were in compliance with the planning requirements.
- 10) Pursuant to two sets of Commencement Permit for Construction Works (Permit Nos.: 410204200912110101 and 410204200912110201) both dated 11 December 2009 and issued by Kaifeng Municipal Construction Commission, the construction works for Districts A and B having a total gross floor area of 103,701 sq.m. were in compliance with the construction works commencement requirements and were approved to commence.
- 11) We have been advised by the company that the land use rights of Century Place were acquired in 2005 and 2007 and that the total cost already expended in acquiring and developing the property as at 31 March 2010 was approximately RMB227,000,000. The outstanding cost to complete the development is estimated by the Company at approximately RMB264,000,000.
- 12) The capital value when completed of the property is reasonably estimated at RMB868,000,000.
- 13) The opinion of the Legal Adviser is summarized as below:
  - (e) Deson Property Development (Kaifeng) Co., Ltd. is a company duly formed and validly existing under the laws of the PRC.
  - (f) Deson Property Development (Kaifeng) Co., Ltd. has acted in accordance with the Contracts for State-owned Land Use Rights and obtained the development right and certain Certificates of Real Estate Ownership for the subject land. Deson Property Development (Kaifeng) Co., Ltd. is in possession of a proper legal title to the property and is entitled to transfer, sell, mortgage and lease the property.
  - (g) The property is not subject to any lease but is mortgaged to a third party. Besides, Deson Property Development (Kaifeng) Co., Ltd. has not entered into any agreement with a third party for transfer, sale, lease/licence or other nature in relation to its interest (whether in whole or in part) of the property.
  - (h) The property or its ownership is not involved in any seizure, distraint, realization, disputes or contention; and is not restricted by any onerous or unusual deed, term or condition.

- 14) The status of title and grant of major approvals, consents or licences in accordance with the information provided by the Company and the aforesaid legal opinion are as follows:

|   |                 |
|---|-----------------|
| Contract for Grant of State-owned Land Use Rights | Obtained        |
| Certificate of Real Estate Ownership (Land)       | Obtained (part) |
| Planning Permit for Construction Land Use         | Obtained        |
| Planning Permit for Construction Works            | Obtained (part) |
| Commencement Permit for Construction Works        | Obtained (part) |

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

## 2. DISCLOSURE OF INTERESTS

- (i) Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to the provisions under Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Sections 344 and 345 of the SFO) or the Model Code for Securities Transactions by Directors of Listed Companies, or which would have to be, pursuant to Section 352 of the SFO, entered in the register referred to herein:

| Name of Director                   | Capacity                                     | Number of<br>Shares | Approximate<br>percentage<br>of the<br>Company's<br>issued share<br>capital |
|------------------------------------|--|---------------------|---|
| Mr. Tjia Boen Sien<br>("Mr. Tjia") | Interest by attribution<br>( <i>Note 1</i> ) | 226,250,000         | 40.23%  |
|                                    | Beneficial Owner                             | 44,459,400          | 7.91%   |
| Mr. Wang Jing Ning                 | Beneficial Owner                             | 12,839,600          | 2.28%   |
| Mr. Wang Ke Duan                   | Beneficial Owner                             | 268,960             | 0.05%   |
| Mr. Siu Man Po                     | Beneficial Owner                             | 180,000             | 0.03%   |

*Note 1:* These Shares were held by Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands which was wholly owned by Mr. Tjia.

- (ii) Save as disclosed below, the Directors or chief executive of the Company are not aware of any other person (other than a Director or chief executive whose interests are disclosed under (i) above) who, as at the Latest Practicable Date, had an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of

Part XV of the SFO or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name of Shareholder  | Capacity                            | Number of Share | Approximate percentage of the Company's issued share capital |
|--|-------------------------------------|-----------------|--|
| Sparta Assets ( <i>Note 1</i> )                            | Beneficial Owner                    | 226,250,000     | 40.23%   |
| Mr. Tjia Boen Sien   | Interests of controlled corporation | 226,250,000     | 40.23%   |
|  | Directly beneficially own           | 44,459,400      | 7.91%  |
| Penta Investment Advisers Limited ("Penta")                | Investment manager                  | 100,990,000     | 17.96%   |
| Penta Master Fund, Ltd. ("Penta Master") ( <i>Note 2</i> ) | Beneficial Owner                    | 61,622,000      | 10.96%   |

*Notes:*

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, was beneficially interested in 226,250,000 ordinary Shares of the Company.
2. These duplicated parts of the interests of Penta held through its controlled management account, Penta Master.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section "Directors' interests and short positions in Shares and underlying Shares" above, at the Latest Practicable Date, had registered an interest or short position in the Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors had interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which fell to be disclosed under the Listing Rules.

#### 4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation (other than statutory compensation).

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position, including debts, borrowings and liabilities conditions, of the Group since 31 March 2010, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 6. LITIGATION

As at the Latest Practicable Date, the Company was not engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company.

#### 7. DIRECTORS' INTERESTS IN CONTRACTS

So far as the Directors are aware, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets of material importance to the Company which had been acquired or disposed of or leased to or which were proposed to be acquired or disposed of or leased to any member of the Group since 31 March 2010, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group taken as a whole.

#### 8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or any other member in the Group in the two years immediately preceding the date of this circular and which are or may be material:

- (a) A shareholders agreement dated 6 May 2009 entered into between Deson Development Holdings Limited (“**DDHL**”) (a wholly-owned subsidiary of the Company) and Skill Achieve Investments Limited (“**Skill Achieve**”) in relation to the formation of a joint venture company named Deson Development International Holdings Investment Limited (“**DDIHIL**”), the issued share capital of which will be owned as to 70% by Skill Achieve and as to 30% by DDHL. DDIHIL will invest in a 10% equity interest in Zhejiang Construction Investment Group Company Limited (“**ZJC**”), a state-owned enterprise in PRC as reorganized under



a reorganization scheme. So as to fund DDIHIL's investment in a 10% equity interest in the reorganized ZJC, the parties to the shareholders agreement have agreed to advance shareholder's loans to DDIHIL in proportion to their respective shareholdings in the DDIHIL. Accordingly, DDHL shall advance the total sum of RMB24 million, and Skill Achieve shall advance the total sum of RMB56 million to the JV Company.

- (b) A supplemental agreement dated 25 June 2009 entered into between DDHL and Skill Achieve in relation to the variation of the terms of the joint venture company formed under the shareholders agreement dated 6 May 2009. The issued share capital of DDIHIL will be owned as to 20% by DDHL and 80% by Skill Achieve. In order to finance the investment in the 10% equity interest in ZJC, DDHL and Skill Achieve agreed to advance shareholders' loans to DDIHIL in proportion to their respective equity interests in DDIHIL. Accordingly, DDHL shall advance a total amount of RMB29 million, and Skill Achieve shall advance a total amount of RMB116 million, to DDIHIL
- (c) A sale and purchase agreement dated 9 December 2009 entered into between Super Sight Investments Inc., as the vendor, and Mr. Wang Jing Ning (a Director of the Company), as the purchaser, in relation to the sale and purchase of the properties located at shops 201 and 202 of Phase IV of Asian Villas City Square, Southern Area, Jinpen Industrial Development Zone, Haikou, Hainan Province, PRC. The consideration of the disposal is RMB7,164,276.
- (d) The Lead Joy Agreement.
- (e) The Measure Up Agreement.
- (f) A sale and purchase agreement dated 27 January 2010 entered into between Lead Joy, an indirectly non wholly-owned subsidiary of the Company, as the purchaser, and Okabe Co. Ltd. and Mr. Sehata Shinichi, as the vendors, in relation to the acquisition of the entire issued share capital of Mellink Holdings, at the consideration of HK\$106,450,000.

## 9. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts (the "Experts") who have given their advice, letters or reports for the inclusion in this circular:

| Name                    | Qualification                 | Nature of opinion or advice | Date of Opinion |
|-------------------------|-------------------------------|-----------------------------|-----------------|
| Ernst & Young           | Certified Public Accountants' | Accountants' Report         | 23 July 2010    |
| B.I. Appraisals Limited | Chartered Surveyors           | Property Valuation Report   | 23 July 2010    |

**10. CONSENT**

The Experts have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their advice, letters, reports and references to their names in the form and context in which they appear.

As at the Latest Practicable Date, none of the Experts had any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company or any other member of the Group.

As at the Latest Practicable Date, none of the Experts had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 March 2010 (the date to which the latest published audited consolidated financial statements of the Group were made up) or proposed to be so acquired, disposed of or leased.

**11. MISCELLANEOUS**

- (a) The Company's registered office is at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.
- (b) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (c) The Company Secretary of the Company is Mr. Lam Wing Wai, Angus. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong up to and including the date of the SGM:—

- (a) the memorandum of association and bye-laws of the Company;
- (b) the audited consolidated accounts of the Group for each of the three years ended 31 March 2008, 31 March 2009 and 31 March 2010, respectively, the text of which is set out in Appendix I to this circular;

- (c) the report on unaudited pro forma financial information of the Remaining Group prepared by Ernst & Young, the text of which is set out in Appendix II to this circular;
- (d) the valuation report prepared by B.I. Appraisals Limited, the text of which is set out in Appendix III to this circular;
- (e) the written consents of the Experts; and
- (f) the material contracts referred to in the paragraph headed “Material contracts” in this appendix.

**DESON DEVELOPMENT INTERNATIONAL HOLDINGS LIMITED****迪臣發展國際集團有限公司\****(Incorporated in Bermuda with limited liability)***(Stock Code: 262)****NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting of Deson Development International Holdings Limited (the “Company”) will be held at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong, on 12 August 2010 at 11:15 a.m. for the purpose of considering and, if thought fit, passing (with or without modification) the following resolutions as ordinary resolutions of the Company:

**ORDINARY RESOLUTIONS****1. “THAT:**

- (A) the sale and purchase agreement dated 7 April 2010 (the “Lead Joy Agreement”) entered into between (i) Interpath Profits Limited as vendor; and (ii) Bond Light Limited as purchaser, in relation to the disposal of the entire issued share capital of Lead Joy Investments Limited and the rights to a shareholder’s loan due to Interpath Profits Limited from Lead Joy Investments Limited (a copy of the Lead Joy Agreement has been produced to the meeting marked “A” and initialed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (B) the directors of the Company (the “Directors”) be and are hereby authorised to do all such acts and things, sign and execute all such further documents and take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give effect to or in connection with the Lead Joy Agreement and the transactions contemplated thereunder.”

**2. “THAT:**

- (A) the sale and purchase agreement dated 7 April 2010 (the “Measure Up Agreement”) entered into between (i) Interpath Profits Limited as vendor; and (ii) Big Meg Limited as purchaser, in relation to the disposal of the entire issued share capital of Measure Up Profits Limited and the assumption by Big Meg Limited of the liabilities under the indebtedness due to Measure Up Profits Limited from Interpath Profits Limited (a copy of the Measure Up

\* *For identification only*

Agreement has been produced to the meeting marked “B” and initialed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

- (B) the directors of the Company (the “Directors”) be and are hereby authorised to do all such acts and things, sign and execute all such further documents and take such steps as the Directors may in their absolute discretion consider necessary, appropriate, desirable or expedient to implement and/or give effect to or in connection with the Measure Up Agreement and the transactions contemplated thereunder.”

By Order of the Board of  
**Deson Development International  
Holdings Limited**  
**Tjia Boen Sien**  
*Managing Director and Deputy Chairman*

Hong Kong, 23 July 2010

*Notes:*

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is appointed. A proxy need not be a shareholder of the Company.
2. In order to be valid, the proxy form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the Company branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting thereof.
3. Completion and return of the proxy form shall not preclude a shareholder from attending and voting in person at the meeting or any adjournment thereof if he or she so desires and, in such event, the instrument appointing a proxy shall be deemed to have been revoked.
4. Where there are joint holders of any share, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he/she were solely entitled to vote; but if more than one of such joint holders be present at the meeting in person or by proxy, then the one of such holders whose name stands first on the register of members in respect of such share shall alone be entitled to vote in respect thereof.
5. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll.
6. As at the date of this notice, the executive directors of the Company are Mr. Wang Ke Duan, Mr. Tjia Boen Sien, Mr. Wang Jing Ning and Mr. Keung Kwok Cheung the independent non-executive directors of the Company are Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver.