Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)

ANNUAL REPORT 2011

投資項目 Investment Project

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迪臣．世紀豪苑　Deson Century Place

本集團在中國開封市龍亭區一發展項目，佔地120,000平方米，預計發展約200,000平方米的住宅及商業綜合大樓。

The Group has a development site in Long Ting District of the City of Kai Feng with a total site area of approximately 120,000 sq.metres. It will be developed into a residential and commercial complex with a gross floor area of 200,000 sq.metres.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Wang Ke Duan *(Chairman)*
Mr. Tjia Boen Sien
(Managing Director and Deputy Chairman)
Mr. Wang Jing Ning
Mr. Keung Kwok Cheung
Dr. Ho Chung Tai, Raymond*
Mr. Siu Man Po*
Mr. Wong Shing Kay, Oliver*

(Independent non-executive directors)*

COMPANY SECRETARY

Mr. Lam Wing Wai, Angus

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank, Limited

LEGAL ADVISERS

Appleby
Morrison & Foerster

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Bank Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

FOREWORDS

I have pleasure to present to the Shareholders the Group's annual report for the year ended 31 March 2011.

During the year under review, the Group's profit attributable to owners of the Company surged to the highest in history, this is mainly contributed by the substantial gain on disposal of subsidiaries under the property development and investment business of the Group.

BUSINESS REVIEW

The Group's turnover for the year was HK$446,548,000 which represented a decrease of 10% as compared with last year. The net profit attributable to equity holders of the Company amounted to approximately HK$162,216,000 representing an increase of 508% as compared with last year. Earning per share is approximately HK28.97 cents.

The Group's major business segment during the year comprises (i) construction, as a main contractor, as well as the provision of contracting intelligent building engineering, and electrical and mechanical ("E&M") services; (ii) property development and investment; and (iii) trading of medical equipment, and provision of related installation and maintenance services.

During the year, the Group completed projects such as fitting out works for Prada shop at Tsimshatsui, Hong Kong, electrical, mechanical ventilation air conditioning, fire services for Asia Society Hong Kong Center at Admiralty, Hong Kong, new annex building and swimming pool in Tsung Tsin Christian Academy at Cheung Sha Wan, Hong Kong, and building services installation for the extension to Jockey Club Elaine Field School in Tai Po, Hong Kong. In current year, turnover generated from the property development and investment business decreased by 63% as compared to last year, this is mainly due to the property development project, section B of Phase II of Century Place, Kaifeng, PRC have not yet completed as at the end of the reporting period, and only gross floor area of 11,598 sq.m.-section D of Phase II of Century Place, Kaifeng, PRC is newly launched to the market, other than that, we were only selling the remaining units of Phase I of Century Place, Kaifeng, PRC and Asian Villas City Square, Haikou, PRC, whereas in last year Phase I of Century Place, Kaifeng and Phase IV of Asian Villas City Square, Haikou were just completed for a short period of time and many units were available for sales.

On 7 April 2010, Interpath Profits Limited ("Interpath Profits"), an indirect non wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "Lead Joy Agreement") with Bond Light Limited ("Bond Light"), an independent third party, in relation to the disposal to Bond Light of the entire issued share capital of Lead Joy Investments Limited ("Lead Joy", a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) and the rights to a shareholder's loan due to Interpath Profits from Lead Joy. The total consideration of the Lead Joy disposal is RMB99.5 million.

On 7 April 2010, Interpath Profits also entered into a sale and purchase agreement (the "Measure Up Agreement") with Big Meg Limited ("Big Meg"), an independent third party, in relation to the disposal to Big Meg of the entire issued share capital of Measure Up Profits Limited ("Measure Up", a wholly-owned subsidiary of Interpath Profits and an indirect 60% owned subsidiary of the Company) 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 million.

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 special general meeting ("SGM"). The Lead Joy Agreement and the Measure Up Agreement were approved by the Shareholders at the SGM held on 12 August 2010, and the gain on disposal of subsidiaries generated from these two agreements amounted to HK$296 million.

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. In December 2009, the Company was awarded one of the "Chinese businessman top 500 in 2009" by 華商中國市場500強評選活動組委會.

FINANCIAL REVIEW

Turnover

During the year, the Group's turnover amounted to HK$447 million, decreased by 10% as compared to last year. The decrease was mainly due to the property development project, section B of Phase II of Century Place, Kaifeng, PRC have not yet completed as at the end of the reporting period, and only gross floor area of 11,598 sq.m.-section D of Phase II of Century Place, Kaifeng, PRC is newly launched to the market, other than that, we were only selling remaining units of Phase I of Century Place, Kaifeng, PRC and Asian Villas City Square, Haikou, PRC, whereas in last year Phase I of Century Place, Kaifeng and Phase IV of Asian Villas City Square, Haikou were just completed for a short period of time and many units were available for sales. Turnover generated from construction contracting business, property development and investment business and other business amounted to approximately HK$351 million, HK$88 million, HK$8 million respectively, which represent an increase by 41%, a decrease by 63% and a decrease by 6% respectively as compared to last year.

Gross profit margin

During the year under review, the Group's gross profit margin was approximately 13%, down by 11% as compared to last year's 24%, this is mainly driven from the decrease in the percentage of turnover from the property development and investment segment over the total turnover, from last year's 48% to this year's 20%, 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 lower than last year.

Liquidity and financial resources

As at 31 March 2011, the Group had total assets of HK$1,463,540,000, which is financed by total liabilities, shareholders' equity and non-controlling interests of HK$772,347,000, HK$684,975,000 and HK$6,218,000, respectively. The Group's current ratio at 31 March 2011 was 2.06 compared to 1.54 at 31 March 2010.

The gearing ratio for the Group is 26% (2010: 15%). It was calculated based on the non-current liabilities of HK$236,685,000 (2010: HK$93,091,000) and long term capital (equity and non-current liabilities) of HK$927,878,000 (2010: HK$630,337,000). 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

Total capital expenditure for the year was approximately HK$18 million, which are mainly used in the purchase of an office in connection with the construction business in Beijing, PRC and the acquisition of an available-for-sale investment.

Contingent liabilities

At the end of the reporting date, there were no significant contingent liabilities for the Group.

Commitments

At the end of the reporting date, there were no significant capital commitments for the Group.

Charges on group assets

Details of the charges on assets of the Group are set out in note 33 to the financial statements.

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.

PROSPECT

Construction business (including E&M works)

The Group will uphold an on-going parallel development of its construction business (including E&M works) in both the PRC and Hong Kong. With its proven track records and adequate expertise in the main contracting business, in April 2006, the Group had been promoted from "List of Approved Contractors for Public Works under Group C (on probation) of the Building Category under Environment, Transport and Works Bureau of the HKSAR" to "List of Approved Contractors for Public Works under Group C of the Building Category under Environment, Transport and Works Bureau of the HKSAR". Together with the license in Group II under the "Turn-key Interior Design and Fitting-out Works" under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works" and the 11 licenses held under the "List of Approved Suppliers of Materials and Specialist Contractors for Public Works under Environment, Transport and Works Bureau of the Government of the HKSAR", enables the Group to take an active part in the construction business development (including E&M works).

During the year, new projects such as addition and alteration works for house 1 & 2 of Belleview Place, Repulse Bay Road, Hong Kong, addition and alteration works for Anfield International School, Hong Kong, mechanical ventilation air conditioning services nominated sub-contract works for the Proposed Student Hall VIII & IX development at Clear Water Bay for the Hong Kong University of Science & Technology, Hong Kong, proposed warehouse development at Yuen Long, Hong Kong, biennial term contract for the maintenance and repair of, alternations and additions to, fire services installations for health services buildings in Kowloon and New Territories East Region, Hong Kong, term contract for the design and construction of fitting-out works to buildings and lands and other properties for which the Architectural Services Department is responsible in Hong Kong, fitting out works for Asia Society Hong Kong Center at Former Explosive Magazine at Justice Drive, Admiralty, Hong Kong, fitting out works for Prada shop at Chengdu, PRC and fitting out works for Miu Miu shop at Shanghai, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK$1,009 million.

Property development and investment

Asian Villas City Square, Haikou, Hainan Province is developed into a residential and commercial complex with a total gross floor area of approximately 117,000 sq. metres. Construction was completed in prior year. Up to the date of this report, the total sales contract sum achieved amounted to approximately RMB326 million. The Group have also lease out certain completed commercial properties for sale before sales is made, so that the Group can generate temporary extra rental income before the sales.

On 9 June 2005, the Group has been granted the land use rights of a development site in Long Ting district of the city of Kaifeng. The Directors intend to develop a residential and commercial complex on the site with an estimated gross floor area of approximately 198,000 sq. metres. Up to now, gross floor area of 42,000 sq. metres had completed construction and the total sales contract sum achieved amounted to approximately RMB167 million. The remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2013.

After prolonged period of low interest environment, the global economy is on the road to recovery albeit at a different pace for different regions. Interest rate in most regions is moving upward in tandem with the increasing inflationary pressure especially from the fluctuation of oil and commodity prices at high level. These factors may have a dampening effect on consumer sentiment. Meanwhile the Central Government continues to impose restrictive monetary policy and pricing restraints to avoid overheating in the economy especially in the housing and consumer products sectors. However, barring introduction of further austerity measures by the Central Government, property prices are not expected to decrease substantively. In anticipation of progressive appreciation of Renminbi as well as enormous domestic demand, the Board remains optimistic to the property market in Mainland China and the Group will continue to place emphasis on strengthening the property development and investment business, and may acquire additional land bank to richen its land reserve, specifically in the second and third tier cities in PRC which the market trend and growth potential is consistently increasing, however, the Group has no specific investment plan in relation to any particular project currently.

Trading of medical equipment

With rising affluence especially in Hong Kong and the major cities in PRC, the consumers' increasing health awareness, especially among higher-income urban consumers, continued to create higher demand for medical equipments, and our effort in trading of medical equipment should continue to pay off in terms of sales growth and market penetration in PRC. In the coming year, we will expand our distribution channels and introducing a broader range of products to spur sales growth.

The Group remains optimistic of the medium to longer term prospects of the property sector in the PRC and continues to be committed to those projects that are being undertaken by the Group. On the other hand, the Group will continue to adopt efficacious cost management strategies and maintain tight credit control to cope with challenges and enhance competitiveness under the fluctuated operating environment.

HUMAN RESOURCES

As at 31 March 2011, the Group has 130 employees, 15 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK$44 million as compared to HK$32 million in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Company offers discretionary bonus and share options to staff based on the individual performance and the achievements of the Company's targets.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls and financial reporting matters including the review of the annual results for the year ended 31 March 2011, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprise of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver. Mr. Wong Shing Kay, Oliver is the Chairman of the committee.

SUMMARY

The Group's fruitful achievement was confirmed by the satisfactory profit attributable to owners of the Company in current year. In the future, inflation and increasing material cost will make cost control more challenging, moreover, the austerity policies and measures implemented by the PRC Government will increase pressure on the Group's management, nevertheless, with its proven track records and valuable expertise, the Group remain confident that our team's commitment and dedication will enable us to embrace the challenges ahead. We will continue strengthen the development of construction business (including E&M) and also focus on the property development and investment business in a prudent manner, and the Group will keep on seeking new opportunities and corporate development so as to accelerate the growth momentum. I believe the Group will continue to create value for shareholders on the back of the diligent efforts of all employees.

ACKNOWLEDGEMENTS

On behalf of the directors, I would like to express my gratitude to our Shareholders, business partners and customers for their continued support, I would also like to thank my colleagues for their hard work and continuous commitment over the past few years, their work has contributed significantly to our favourable results. We will carry on dedicating our efforts towards the Group's long-term development.

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
29 June 2011

The Directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) 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; (b) property development and investment; and (c) trading of medical equipment, and provision of related installation and maintenance services.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 29 to 124.

An interim dividend of HK3 cents per share was paid on 30 December 2010. The Directors recommend the payment of a final dividend of HK3.2 cents per share in respect of the year to Shareholders on the register of members on 18 August 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Taking together with the interim dividend of HK3 cents per share paid on 30 December 2010, this will make a total dividend for the year ended 31 March 2011 of HK6.2 cents per share (2010: HK2 cents per share).

Shareholders will be given the option to receive the final dividend in new shares in lieu of cash ("Scrip Dividend Arrangement"). The Scrip Dividend Arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming annual general meeting; and (2) the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

A circular containing the details of the Scrip Dividend Arrangement and the form of election for scrip dividend will be dispatched to Shareholders after the forthcoming annual general meeting.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years ended 31 March 2011, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2011	2010	2009	2008	2007
RESULTS	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)			
CONTINUING OPERATIONS					
REVENUE					
Continuing operations	**446,548**	498,747	698,194	599,787	396,334
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**290,582**	63,281	49,581	39,334	43,453
Share of profits and losses of a jointly-controlled entity	**33**	(620)	(10,708)	(243)	(3,090)
Share of profits and losses of associates	**(82)**	(227)	(259)	1,147	710
PROFIT BEFORE TAX	**290,533**	62,434	38,614	40,238	41,073
Income tax expense	**(13,383)**	(34,139)	(24,954)	(18,671)	(17,167)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**277,150**	28,295	13,660	21,567	23,906
DISCONTINUED OPERATION					
Loss for the year from discontinued operation	**–**	–	–	(5,144)	(17,271)
PROFIT FOR THE YEAR	**277,150**	28,295	13,660	16,423	6,635
Attributable to:					
Owners of the Company	**162,216**	26,662	12,570	16,893	7,684
Non-controlling interests	**114,934**	1,633	1,090	(470)	(1,049)
	277,150	28,295	13,660	16,423	6,635

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
		(restated)	(restated)	(restated)	(restated)
Total assets	**1,463,540**	1,212,470	1,000,302	876,457	906,560
Total liabilities	**(772,347)**	(675,224)	(513,442)	(403,568)	(478,297)
Non-controlling interests	**(6,218)**	(4,933)	(3,607)	(2,525)	(1,912)
	684,975	532,313	483,253	470,364	426,351

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 18.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE NOTES

Details of movements in the share capital, share options and convertible notes during the year are set out in notes 35, 36 and 32 to the financial statements, respectively.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 37(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$287,386,000, of which HK$18,076,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$130,673,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 27% (2010: 20%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 7% (2010: 6%). Purchases from the Group's five largest suppliers accounted for approximately 21% (2010: 15%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 7% (2010: 5%).

None of the Directors of the Company or any of their associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

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

Executive Directors

Mr. WANG Ke Duan	*(Chairman)*
Mr. TJIA Boen Sien#	*(Managing Director and 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*#

* audit committee members
\# remuneration committee members

DIRECTORS *(continued)*

Mr. Wang Jing Ning, Mr. Keung Kwok Cheung and Dr. Ho Chung Tai, Raymond will retire by rotation according to the Company's bye-laws and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver, and as at the date of this report still considers them to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

No Director of the Company had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Chairman

WANG Ke Duan, aged 80, is one of the co-founders of the Group. He is the Chairman of the Group. He has over 56 years' experience in the construction engineering industry in Mainland China and Hong Kong. He was the deputy general manager of Fujian Province Construction Corporation for three years prior to the establishment of the Group. He is responsible for the effective functioning of the board of director in accordance with good corporate governance practice of the Group.

Executive Directors

TJIA Boen Sien, aged 67, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Group. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management. He graduated from the Fujian Overseas Chinese University in Mainland China. Mr. Tjia is well respected and has established connections in Mainland China construction industry through his extensive experience. He has over 28 years' experience in the construction industry in Mainland China and Hong Kong. Mr. Tjia is the Vice Chairman and a committee member of Zhan Tian You Civil Engineering Development for Science and Technology; a member of China Civil Engineering Society, the People's Republic of China; a corporate member of the Chartered Institute of Building and a professional member of The Royal Institution of Chartered Surveyors in the United Kingdom.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Executive Directors *(continued)*

WANG Jing Ning, aged 55, joined the Group in 1989 and is an executive director of the Group. Mr. Wang has over 31 years' experience in hotel management and construction engineering in Mainland China and Hong Kong. He is responsible for managing the Group's projects in Mainland China.

KEUNG Kwok Cheung, aged 53, joined the Group in March 1989. He is an executive director of the Group and is in charge of the Group's engineering and contracts departments. He has over 29 years' experience in the fields of civil, structural and building engineerings and in the management of large-scale projects. He also holds an Associateship in Civil and Structural Engineering from the Hong Kong Polytechnic University and a Master degree in Business Administration. He is a fellow member of the Hong Kong Institute of Directors. He is also a member of the China Civil Engineering Society, the People's Republic of China.

Independent non-executive directors

Dr. Raymond Ho Chung-Tai, SBS, MBE, S.B. St. J., JP, aged 72, is currently a member of the fourth Legislative Council (Engineering Functional Constituency). Dr. Ho has 48 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 38 years in Hong Kong and 10 years in the United Kingdom, with direct responsibility in major projects of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, geotechnical work, environmental studies and projects as well as project management. Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom, Honorary Doctor of Business Administration from the City University of Hong Kong, Honorary Doctor of Laws from University of Manchester, United Kingdom, a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom and a bachelor degree in civil engineering from the University of Hong Kong. Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly Hong Kong Deputy to the tenth National People's Congress of the PRC, President of the Hong Kong Institution of Engineers (1987/1988), Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, member of the first, second and third Legislative Council (Engineering Functional Constituency), member of the Provisional Legislative Council, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Dr. Ho is currently Hong Kong Deputy to the eleventh National People's Congress of the PRC, Chairman of Guangdong Daya Bay Nuclear Plant and LingAo Nuclear Plant Safety Consultative Committee, Chairman of Hong Kong Trade Development Council Infrastructure Development Advisory Committee and board member of the Hong Kong Airport Authority.

Ir SIU Man-po was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the engineering profession and the community.

Mr. Siu, aged 73, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

Mr. Siu has extensive experience in construction field including the construction of Tsing Yi Power Stations in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999.

Mr. Siu is a Fellow Member of the Hong Kong Institution of Engineers and the American Society of Civil Engineers.

Mr. Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT *(continued)*

Independent non-executive directors *(continued)*

Mr. Wong Shing Kay, Oliver, aged 59, obtained his professional accounting qualifications in both Hong Kong and Canada. Mr. Wong is an associate member of the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants of the United Kingdom. Mr. Wong is also a fellow member of the Hong Kong Institute of Certified Public Accountants, an ordinary member of The Society of Chinese Accountants and Auditors, and an associate member of Certified General Accountants of Canada. Mr. Wong had worked in various renowned auditing firms in Hong Kong with over 20 years of experience in handling auditing, financial accounting and taxation matters. Mr. Wong is currently appointed as an independent non-executive director and a member of Auditing Committee of several listed companies in Hong Kong. He also assumed the duty of Financial Controller for several listed companies in both Hong Kong and Canada for over ten years. Mr. Wong is presently practicing as a Certified Public Accountant in Hong Kong. He is knowledgeable with expertise in financial accounting, taxation, import-export business and company management.

Senior management

CHAN Chi Kwong, aged 48, joined the Group in July 1992. He is a senior project manager of the Group and is responsible for the supervision of the Group's construction projects both in Hong Kong and in Mainland China. He has over 27 years' experience in the field of civil and structural engineering. He holds a Bachelor Degree of Science in Construction Management from the University of Wolverhampton.

KWOK Koon Keung, aged 43, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 21 years' experience in the industry and holds a Bachelor of Science degree in Building from South Bank University in the United Kingdom. He is a Professional Associate Member of the Royal Institute of Chartered Surveyors.

YEUNG Yam Chi, aged 49, joined the Group in April 1994. He is a senior project manager of the Group and is responsible for supervision of the Group's construction projects in Hong Kong and in Mainland China. He has over 25 years' experience in the field of civil & structural engineering and interior fitting out & decoration works. He holds a Master degree in Civil and Structural Engineering from the University of Sheffield in the United Kingdom.

LO Wing Ling, age 51, joined the Group in 2000. He is the director of Kenworth Engineering Limited and incharge of the engineering division of the Group. He is responsible for the planning and co-ordination of projects which cover the co-ordination of engineering resources, progress monitoring and work performance. Mr. Lo has over 28 years' experience in environmental engineering and building services work. He holds a Bachelor of Science degree in Mechanical Engineering, a Bachelor of Arts degree in Business Studies and a Master of Science degree in Environmental Management. He is also a director of The Hong Kong Project Management Exchange Centre.

WONG Ka Yan, aged 38, joined the Group in April 2001. She is the Financial Controller of the Group. She is responsible for monitoring all of the Group's accounting, finance and listing compliance functions. She holds a Bachelor degree in Commerce from the University of Adelaide, Australia. She is a fellow of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, she had several years' experience with an international accounting firm.

LAM Wing Wai, Angus, aged 35, joined the Group in September 2005. He is the Company Secretary and the Assistant Financial Controller of the Group. He is responsible for the listing compliance and company secretarial functions and assists the Group Financial Controller on Group's accounting issue. He holds a Bachelor degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm.

LI Ngan Mei, aged 50, joined the Group in December 1988 and is the administration manager of the Group. She has more than 26 years' experience in personnel and administration management.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the interests and short positions of the Directors in the share capital and share option of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to 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 Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia Boen Sien*	45,044,400	226,250,000	271,294,400	48.44
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.29
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Keung Kwok Cheung	300,000	–	300,000	0.05
Dr. Raymond Ho, Chung Tai	500,000	–	500,000	0.09
Mr. Siu Man Po	500,000	–	500,000	0.09

* Sparta Assets Limited ("Sparta Assets"), a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

The interests of the Directors in the share options of the Company are separately disclosed in note 36 to the financial statements.

Save as disclosed above and note 36 to the financial statements, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 36 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

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. Further details of the scheme and the share options issued under the scheme are included in note 36 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2011, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets *(Note 1)*	Beneficial owner	226,250,000	40.40
Mr. Tjia Boen Sien	Interests of controlled corporation	226,250,000	40.40
	Directly beneficially own	45,044,400	8.04
Granda Overseas Holding Co. Ltd. ("Granda") *(Note 2)*	Beneficial owner	105,065,000	18.76
Mr. Chen Huofa	Interests of controlled corporation	105,065,000	18.76
Ms. Yang Yi	Interests of controlled corporation	105,065,000	18.76

Note:

1. Sparta Assets, a company incorporated in the British Virgin Islands and wholly owned by Mr. Tjia Boen Sien, is beneficially interested in 226,250,000 ordinary shares of the Company.

2. Granda, a company incorporated in the British Virgin Islands and owned as to 50% by Mr. Chen Huofa and 50% by Ms. Yang Yi, is beneficially interested in 105,065,000 ordinary shares of the Company.

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 31 March 2011, 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year ended 31 March 2011, the Company purchased certain of its shares on the Stock Exchange and these shares were subsequently cancelled by the Company. The Company considered that it is the best way of enhancing shareholder value and that it is in the best interest of the shareholders to return a substantial part of the surplus funds to them. The summary details of those transactions are as follows:

	Number of Shares repurchased	**Price per share**		**Total price paid**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
April 2010	1,245,000	0.60	0.59	746
July 2010	5,645,000	0.56	0.52	3,062
August 2010	500,000	0.53	0.52	261
September 2010	3,875,000	0.59	0.52	2,181
October 2010	2,305,000	0.63	0.60	1,427
December 2010	740,000	0.69	0.68	509
January 2011	505,000	0.70	0.65	342
February 2011	155,000	0.67	0.63	102
March 2011	250,000	0.66	0.61	159
	15,220,000			8,789

The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$1,522,000 was transferred from retained profits to the capital redemption reserve. The premium of HK$7,267,000 paid on the repurchases shares and share repurchase expenses of HK$52,000 were charged against the share premium account.

The purchase of the Company's shares during the year was effected by the Directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

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

CONNECTED TRANSACTIONS

Continuing connected transactions

On 19 March 2008, the Group has entered into two tenancy agreements with 上海美格菲健身中心有限公司 and Fitness Concept Limited, companies owned as to 99.4% and 100% respectively by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of two properties of the Group at Sichuan, PRC and Hong Kong. The two tenancy agreements are contracted for three years commencing 1 April 2008, and the monthly rent payable are RMB150,000 and HK$45,500 respectively. The aggregate rental income earned during the year from the above tenancy agreements was HK$2,634,000. On 23 March 2011, the Group has entered into two tenancy agreements with the same parties to renew the tenancies for the same premises (but smaller area than under the existing tenancies), the renewed tenancy agreements are both contracted for three years commencing 1 April 2011, and the monthly rent payable are RMB150,000 and HK$25,500 respectively.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 46.75% and 48.44% equity interest in the Company at the time entering into the original tenancy agreements and renewed tenancy agreements respectively, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules. The transactions therefore constitute connected transactions of the Company. As each of the applicable percentage ratios of the transactions was more than 2.5% but less than 25% and the total considerations involved were less than HK$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the transactions were exempted from the independent shareholders' approval requirement and were only subject to the reporting and disclosure requirements of the Listing Rules. The transactions also constituted discloseable transactions for the Company under the Listing Rules.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that this continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

PARTICULARS OF PROPERTIES

The properties under development for sale of the Group are as follows:

Location	Group's interest	Stage of completion	Expected completion date	Expected use	Gross floor area
1 Xi Da Jie Kaifeng City Henan Province PRC	100%	Removal and demolish stage	2013	Residential/ commercial complex	The total gross floor area is 155,996 sq. m.

PARTICULARS OF PROPERTIES *(continued)*

The completed properties held for sale of the Group are as follows:

Location	Group's interest	Tenure	Current use	Gross floor area
Shops at Park View Nos. 206,208,218,220,222, 228 & 238 Baise Road Xuhui District Shanghai PRC	100%	The properties are held for a term of 70 years, commencing on 18 February 1993 and expiring on 17 February 2063	Commercial	The total gross floor area is 5,901 sq. m.
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential/ commercial complex	The total gross floor area is 116,973 sq. m.
Section D & E 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Residential	The total gross floor area is 42,255 sq. m.

The investment properties of the Group are as follows:

Location	Group's interest	Tenure	Current use	Gross floor area
12 Haixiu Avenue Meilan District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 September 2006 and expiring on 14 September 2076	Commercial	The total gross floor area is 22,803 sq. m.
Level 5 First Commercial Plaza 1 Xiaokejia Lane Jinjiang District Chengdu City PRC	100%	The properties are held for a term of 40 years, commencing on 2 November 2004 and expiring on 2 November 2044	Commercial	The total gross floor area is 4,933 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 March 2011.

AUDITORS

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

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
29 June 2011

The Company is committed to a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles (''Principles'') and the code provisions (''Code Provisions'') as set out in the Code on Corporate Governance Practices (''CG Code'') contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (''Stock Exchange'') (''Listing Rules''). The Company has complied with most of the Code Provisions save for the deviation from the Code Provision A4.1, details of which are explained below. The Company regularly reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

Summary of derivation of the CG Code:

Code Provision A4.1

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

The independent non-executive Directors are not appointed for a specific term. However, all non-executive Directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the important role of its Board of Directors (''Board'') in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholder interests while the day-to-day operations of the Company are delegated to the management. The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board. The Company has arranged appropriate insurance cover in respect of legal actions against the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the management. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

The Board has the full support of the Managing Director and the management to discharge its responsibilities.

Composition

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

The Board of the Company comprises the following Directors:

Executive Directors

Mr. Wang Ke Duan *(Chairman)*
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman) (Chairman of Remuneration Committee)*
Mr. Wang Jing Ning *(Member of Remuneration Committee)*
Mr. Keung Kwok Cheung

Independent Non-Executive Directors

Mr. Wong Shing Kay, Oliver *(Chairman of Audit Committee and Member of Remuneration Committee)*
Dr. Ho Chung Tai, Raymond *(Member of Remuneration Committee and Audit Committee)*
Mr. Siu Man Po *(Member of Remuneration Committee and Audit Committee)*

None of the members of the Board is related to one another.

During the year ended 31 March 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors will scrutinize the performance of the Company.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Any Board member is entitled to recommend suitable candidate that meet the requirements of the Listing Rules for consideration by the Board.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. In accordance with the Company's Bye-Laws, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Although the independent non-executive Directors do not have a specific term of appointment, all the existing Directors of the Company retire by rotation once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Training for Directors

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

Board Meetings

Code Provision A1.1 stipulates that the Company should hold as least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

Regular Board meetings were held during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, six full board meetings were held. Details of the attendance of the Directors are as follows:–

Executive Directors	**Directors' Attendance**
Mr. Wang Ke Duan *(Chairman)*	3/6
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	5/6
Mr. Wang Jing Ning	5/6
Mr. Keung Kwok Cheung	4/6
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	4/6
Mr. Wong Shing Kay, Oliver	5/6
Mr. Siu Man Po	4/6

Notices of regular Board meetings were served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting to give an opportunity and sufficient time to include matters in the agenda. The Board is also obligated to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the executives whenever necessary.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Managing Director, who performs similar role as Chief Executive Officer, to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Managing Director are clearly defined and set out in writing. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information and appropriate briefing on issues arising at Board meetings.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Company's day-to-day management and operations. The Managing Director is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval. The position of the Chairman is held by Mr. Wang Ke Duan while the position of the Managing Director is held by Mr. Tjia Boen Sien.

BOARD COMMITTEES

The Board has established two committees, namely, the Remuneration Committee and Audit Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Remuneration Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Mr. Siu Man Po and Mr. Wong Shing Kay, Oliver are the members of the Remuneration Committee and Mr. Tjia Boen Sien is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Managing Director and accessed to professional advice, at the Company's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee normally meets towards the end of each year for reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors and the executives and other related matters. The Remuneration Committee met two times during the year ended 31 March 2011 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors and the executives for the year under review.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of member	**Members' Attendance**
Mr. Tjia Boen Sien *(Chairman of Remuneration Committee)*	2/2
Mr. Wang Jing Ning	2/2
Dr. Ho Chung Tai, Raymond	2/2
Mr. Siu Man Po	2/2
Mr. Wong Shing Kay, Oliver	2/2

Audit Committee

The Audit Committee comprises the three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Wong Shing Kay, Oliver is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any) or external auditors before submission to the Board.

(b) To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, and risk management system and associated procedures.

(d) To review the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs, and budget.

The Audit Committee held three meetings during the year ended 31 March 2011 to review the financial results and reports, financial reporting and compliance procedures, effectiveness of internal control systems and the re-appointment of the external auditors. There is no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources is provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditors.

The Audit Committee held three meetings during the year under review. Details of the attendance of the Audit Committee Meetings are as follows:

Name of Member	**Members' Attendance**
Mr. Wong Shing Kay, Oliver *(Chairman of Audit Committee)*	3/3
Dr. Ho Chung Tai, Raymond	3/3
Mr. Siu Man Po	3/3

Nomination Committee

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure for agreeing to the appointment of its members and for nominating appropriate person for election by shareholders at the annual general meeting either to fill a casual vacancy or as an addition to the existing Directors.

AUDITORS' REMUNERATION

For the year ended 31 March 2011, the Group had engaged the Group's external auditors, Ernst & Young, to provide the following services and their respective fees charged are set out as below:

Fee charged for the year ended 31 March 2011

	HK$
Types of services:	
Audit for the Group	1,800,000
Non-audit services – taxation services	68,000
– acting as reporting accountant for the issue of a circular	390,000
Total	2,258,000

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2011.

The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2011. The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 27 to 28. Management of the Company is obligated to provide explanation and information to the Board to make informed assessment of relevant matters.

INTERNAL CONTROL

The Board has overall responsibility for maintaining sound and effective internal control system of the Group. Internal control system policies and procedures are designed to identify and manage the risks that the Group may be exposed to, thereby providing reasonable assurance regarding the achievement of corporate objectives. Controls are monitored by periodic management review. Internal financial systems also allow the Board to monitor the Group's overall financial position, to protect the Group's assets and to mitigate against material financial misstatement or loss. Through the Audit Committee of the Company, the Board has conducted reviews of the effectiveness of the system of internal control of the Company and its subsidiaries in accordance with the Code provisions on internal control. The reviews cover material controls, including financial, operational and compliance controls, risk management functions and the adequacy of staffing of the financial reporting functions.

INVESTORS RELATIONS

The Company is committed to maintain an open and effective investors relations policy and to update investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company has provided a communication platform via which the public and investor community can access to up-to-date information regarding the Group.

SHAREHOLDER RIGHTS

To ensure compliance with the newly amended CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least twenty clear business days before the annual general meeting. Voting at the forthcoming annual general meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Share Registrar, Tricor Tengis Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Deson Development International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 29 to 124, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong

29 June 2011

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
REVENUE	5	**446,548**	498,747
Cost of sales		**(387,445)**	(378,246)
Gross profit		**59,103**	120,501
Other income and gains	5	**22,149**	12,110
Fair value gain/(loss) on investment properties, net	15	**(5,314)**	9,167
Gain on disposal of subsidiaries	39	**296,128**	–
Gain on bargain purchase	38	**–**	2,893
Administrative expenses		**(78,355)**	(62,033)
Other operating income/(expenses), net		**2,978**	(10,902)
Finance costs	7	**(6,107)**	(8,455)
Share of profits and losses of:			
A jointly-controlled entity		**33**	(620)
Associates		**(82)**	(227)
PROFIT BEFORE TAX	6	**290,533**	62,434
Income tax expense	10	**(13,383)**	(34,139)
PROFIT FOR THE YEAR		**277,150**	28,295
Attributable to:			
Owners of the Company	11	**162,216**	26,662
Non-controlling interests		**114,934**	1,633
		277,150	28,295
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– For profit for the year		**28.97 cents**	4.70 cents
Diluted			
– For profit for the year		**28.91 cents**	4.70 cents

Details of the dividends paid and proposed for the year are disclosed in note 12 to the financial statements.

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
PROFIT FOR THE YEAR		**277,150**	28,295
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of leasehold land and buildings	14	**12,077**	25,041
Income tax effect	34	**(2,239)**	(4,287)
		9,838	20,754
Share of other comprehensive income of associates		**851**	214
Release of capital reserve upon disposal of an associate		**–**	(119)
Release of exchange fluctuation reserve upon disposal of an associate		**–**	(524)
Release of exchange fluctuation reserve upon disposal of subsidiaries		**(4,000)**	–
Exchange differences on translation of foreign operations		**14,505**	2,250
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**21,194**	22,575
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**298,344**	50,870
Attributable to:			
Owners of the Company		**181,954**	49,060
Non-controlling interests		**116,390**	1,810
		298,344	50,870

	Notes	31 March 2011 HK$'000	31 March 2010 HK$'000 (Restated)	1 April 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**114,407**	100,212	81,232
Investment properties	15	**214,319**	210,330	181,704
Investment in a jointly-controlled entity	17	**–**	–	–
Investments in associates	18	**17,318**	3,772	(2,408)
Financial assets at fair value through profit or loss	19	**–**	2,280	2,260
Available-for-sale investment	20	**11,584**	–	–
Total non-current assets		**357,628**	316,594	262,788
CURRENT ASSETS				
Amounts due from associates	18	**27,763**	27,108	26,650
Amounts due from non-controlling shareholders	21	**6,524**	–	–
Amount due from a related company	22	**2,223**	–	–
Properties held for sale	23	**722,056**	486,262	520,064
Financial assets at fair value through profit or loss	19	**2,380**	–	–
Gross amount due from contract customers	24	**4,282**	2,641	5,247
Inventories	25	**1,611**	1,526	1,497
Accounts receivable	26	**42,661**	71,294	59,472
Prepayments, deposits and other receivables	27	**40,497**	29,410	30,151
Cash and cash equivalents	28	**224,551**	73,608	53,807
Pledged deposits	28	**31,364**	31,324	31,331
		1,105,912	723,173	728,219
Assets of disposal groups/non-current asset classified as held for sale	29	**–**	172,703	9,295
Total current assets		**1,105,912**	895,876	737,514
CURRENT LIABILITIES				
Gross amount due to contract customers	24	**56,311**	42,677	38,626
Accounts payable	30	**29,128**	20,948	44,269
Other payables and accruals	31	**332,567**	157,515	171,116
Amounts due to associates	18	**59**	54	262
Amounts due to non-controlling shareholders	21	**3,573**	24,465	19,529
Amounts due to related companies	22	**5,000**	18,444	27,166
Tax payable		**61,055**	63,514	45,914
Convertible notes	32	**–**	–	15,721
Interest-bearing bank and other borrowings	33	**47,969**	133,949	97,563
		535,662	461,566	460,166
Liabilities directly associated with the assets of disposal groups classified as held for sale	29	**–**	120,567	–
Total current liabilities		**535,662**	582,133	460,166

	Notes	**31 March 2011 *HK$'000***	31 March 2010 *HK$'000* (Restated)	1 April 2009 *HK$'000* (Restated)
NET CURRENT ASSETS		**570,250**	313,743	277,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**927,878**	630,337	540,136
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*33*	**207,060**	64,499	32,205
Deferred tax liabilities	*34*	**29,625**	28,592	21,071
Total non-current liabilities		**236,685**	93,091	53,276
Net assets		**691,193**	537,246	486,860
EQUITY				
Equity attributable to owners of the Company				
Issued capital	*35*	**56,011**	56,697	56,697
Reserves	*37(a)*	**610,888**	464,301	425,297
Equity component of convertible notes	*32*	**–**	–	1,259
Proposed final dividend	*12*	**18,076**	11,315	–
		684,975	532,313	483,253
Non-controlling interests		**6,218**	4,933	3,607
Total equity		**691,193**	537,246	486,860

Tjia Boen Sien
Director

Wang Jing Ning
Director

	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Investment revaluation reserve HK$'000	Share option reserve HK$'000	Equity component of convertible notes HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the Company															
At 1 April 2009, as previously reported		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
Effect of changes in accounting policy	2.2	–	–	–	9,206	–	–	–	–	–	–	–	–	–	9,206	–	9,206
At 1 April 2009 (restated)		56,697	121,790	15,262	45,737	(9,121)	10,013	28,323	1,056	–	1,259	3,260	208,977	–	483,253	3,607	486,860
Profit for the year (restated)		–	–	–	–	–	–	–	–	–	–	–	26,662	–	26,662	1,633	28,295
Other comprehensive income for the year:																	
Surplus on revaluation of leasehold land and buildings, net of tax (restated)		–	–	–	20,754	–	–	–	–	–	–	–	–	–	20,754	–	20,754
Share of other comprehensive income of associates		–	–	–	–	–	–	–	214	–	–	–	–	–	214	–	214
Release of capital reserve upon disposal of an associate		–	–	–	–	(119)	–	–	–	–	–	–	–	–	(119)	–	(119)
Release of exchange fluctuation reserve upon disposal of an associate		–	–	–	–	–	–	(524)	–	–	–	–	–	–	(524)	–	(524)
Exchange differences on translation of foreign operations		–	–	–	–	–	–	2,073	–	–	–	–	–	–	2,073	177	2,250
Total comprehensive income for the year		–	–	–	20,754	(119)	–	1,549	214	–	–	–	26,662	–	49,060	1,810	50,870
Release of revaluation reserve		–	–	–	(1,258)	–	–	–	–	–	–	–	1,258	–	–	–	–
Transfer upon redemption of convertible notes	32	–	–	–	–	–	–	–	–	–	(1,259)	–	1,259	–	–	–	–
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(484)	(484)
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	–	–	–	–	(11,315)	11,315	–	–	–
At 31 March 2010		56,697	121,790*	15,262*	65,233*	(9,240)*	10,013*	29,872*#	1,270*	–*	–	3,260*	226,841*	11,315	532,313	4,933	537,246

Year ended 31 March 2011

		Attributable to owners of the Company														
		Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Reserve funds	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	Notes	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2010, as previously reported		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
Effect of changes in accounting policy	2.2	-	-	-	23,538	-	-	-	-	-	-	(54)	-	23,484	-	23,484
At 1 April 2010 (restated)		56,697	121,790	15,262	65,233	(9,240)	10,013	29,872	1,270	-	3,260	226,841	11,315	532,313	4,933	537,246
Profit for the year		-	-	-	-	-	-	-	-	-	-	162,216	-	162,216	114,934	277,150
Other comprehensive income for the year:																
Surplus on revaluation on leasehold land and building, net of tax		-	-	-	9,838	-	-	-	-	-	-	-	-	9,838	-	9,838
Share of other comprehensive income of associates		-	-	-	-	-	-	-	851	-	-	-	-	851	-	851
Release of exchange fluctuation reserve upon disposal of subsidiaries	39	-	-	-	-	-	-	(2,400)	-	-	-	-	-	(2,400)	(1,600)	(4,000)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	11,449	-	-	-	-	-	11,449	3,056	14,505
Total comprehensive income for the year		-	-	-	9,838	-	-	9,049	851	-	-	162,216	-	181,954	116,390	298,344
Release of revaluation reserve		-	-	-	(1,843)	-	-	-	-	-	-	1,843	-	-	-	-
Disposal of subsidiaries	39	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,707)	(2,707)
Repurchase of shares	35	(1,522)	(7,267)	-	-	-	1,522	-	-	-	-	(1,522)	-	(8,789)	-	(8,789)
Exercise of share options	35	836	4,680	-	-	-	-	-	-	(750)	-	-	-	4,766	-	4,766
Share repurchase expenses	35	-	(52)	-	-	-	-	-	-	-	-	-	-	(52)	-	(52)
Share issue expenses	35	-	(13)	-	-	-	-	-	-	-	-	-	-	(13)	-	(13)
Equity-settled share option arrangements	36	-	-	-	-	-	-	-	-	2,755	-	-	-	2,755	-	2,755
Dividends paid to non-controlling shareholders		-	-	-	-	-	-	-	-	-	-	-	-	-	(112,398)	(112,398)
Final 2010 dividend declared	12	-	-	-	-	-	-	-	-	-	-	113	(11,315)	(11,202)	-	(11,202)
Interim 2011 dividend	12	-	-	-	-	-	-	-	-	-	-	(16,757)	-	(16,757)	-	(16,757)
Proposed final 2011 dividend	12	-	-	-	-	-	-	-	-	-	-	(18,076)	18,076	-	-	-
At 31 March 2011		56,011	119,138*	15,262*	73,228*	(9,240)*	11,535*	38,921*	2,121*	2,005*	3,260*	354,658*	18,076	684,975	6,218	691,193

* These reserve accounts comprise the consolidated reserves of HK$610,888,000 (2010 (restated): HK$464,301,000) 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 29).

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 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.

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**290,533**	62,434
Adjustments for:			
Finance costs	*7*	**6,107**	8,455
Share of profits and losses of:			
A jointly-controlled entity		**(33)**	620
Associates		**82**	227
Interest income	*5*	**(858)**	(2,271)
Fair value loss/(gain) on investment properties, net	*15*	**5,314**	(9,167)
Gain on disposal of subsidiaries	*39*	**(296,128)**	–
Gain on bargain purchase	*38*	**–**	(2,893)
Gain on disposal of associates	*5*	**–**	(2,155)
Loss on disposal of items of property, plant and equipment	*6*	**105**	61
Depreciation	*6*	**4,836**	4,265
Provision for inventories	*6*	**64**	133
Impairment/(reversal of impairment) of an amount due from a jointly-controlled entity	*6*	**(33)**	2,851
Impairment of an amount due from an associate	*6*	**–**	12,860
Impairment of accounts receivable	*6*	**2,672**	3,129
Reversal of impairment of accounts receivable	*6*	**(5,555)**	(4,802)
Reversal of impairment of other receivables	*6*	**–**	(798)
Equity-settled share option expense	*36*	**2,755**	–
		9,861	72,949
Decrease/(increase) in completed properties		**(32,475)**	101,534
Increase in properties under development		**(177,469)**	(98,768)
Decrease/(increase) in gross amount due from contract customers		**(1,444)**	3,264
Increase in inventories		**(149)**	(162)
Decrease/(increase) in accounts receivable		**31,680**	(10,074)
Decrease/(increase) in prepayments, deposits and other receivables		**(93,085)**	1,721
Increase in gross amount due to contract customers		**13,601**	4,051
Increase/(decrease) in accounts payable		**8,276**	(23,505)
Increase/(decrease) in other payables and accruals		**189,604**	(13,412)
Cash generated from/(used in) operations		**(51,600)**	37,598
Interest paid		**(20,987)**	(15,295)
Overseas taxes paid		**(19,611)**	(15,407)
Net cash flows from/(used in) operating activities – page 36		**(92,198)**	6,896

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Net cash flows from/(used in) operating activities – page 35		**(92,198)**	6,896
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**858**	2,271
Dividends received from associates		**320**	2,729
Purchases of items of property, plant and equipment		**(6,799)**	(1,393)
Purchase of available-for-sale investment		**(11,584)**	–
Additions of investment properties		**–**	(15,134)
Proceeds from disposal of items of property, plant and equipment		**14**	219
Acquisition of subsidiaries	38	**–**	(106,358)
Disposal of subsidiaries	39	**332,406**	–
Disposal of associates		**–**	9,029
Advance to a jointly-controlled entity		**–**	(3,471)
Advances to associates, net		**(13,747)**	(20,679)
Decrease/(increase) in pledged deposits		**(40)**	7
Net cash flows from/(used in) investing activities		**301,428**	(132,780)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	35	**4,766**	–
Share issue expenses	35	**(13)**	–
Repurchase of the Company's shares	35	**(8,789)**	–
Share repurchase expenses	35	**(52)**	–
Repayment of convertible bonds	32	**–**	(15,750)
New bank and other borrowings		**230,024**	220,738
Repayment of bank and other borrowings		**(67,545)**	(70,678)
Advances to related companies, net		**(15,667)**	(8,722)
Advances from/(repayment to) non-controlling shareholders		**(28,118)**	4,936
Dividends paid		**(27,959)**	–
Dividends paid to non-controlling shareholders		**(112,398)**	(484)
Net cash flows from/(used in) financing activities		**(25,751)**	130,040
NET INCREASE IN CASH AND CASH EQUIVALENTS – page 37		**183,479**	4,156

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS – page 36		**183,479**	4,156
Cash and cash equivalents at beginning of year		**34,839**	30,239
Effect of foreign exchange rate changes, net		**6,233**	444
CASH AND CASH EQUIVALENTS AT END OF YEAR		**224,551**	34,839
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents stated in the statement of financial position	*28*	**224,551**	73,608
Bank overdrafts, secured	*33*	**–**	(41,623)
Cash and bank balances attributable to assets of disposal groups classified as held for sale	*29*	**–**	2,854
Cash and cash equivalents as stated in the statement of cash flows		**224,551**	34,839

STATEMENT OF FINANCIAL POSITION

31 March 2011

	Notes	**2011** HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	*16*	**491,873**	357,028
CURRENT ASSETS			
Prepayments	*27*	**35**	35
Cash and cash equivalents	*28*	**1,043**	94
Total current assets		**1,078**	129
CURRENT LIABILITIES			
Other payables and accruals	*31*	**5,201**	1,192
Amounts due to subsidiaries	*16*	**11,675**	–
Total current liabilities		**16,876**	1,192
NET CURRENT LIABILITIES		**(15,798)**	(1,063)
Net assets		**476,075**	355,965
EQUITY			
Issued capital	*35*	**56,011**	56,697
Reserves	*37(b)*	**401,988**	287,953
Proposed final dividend	*12*	**18,076**	11,315
Total equity		**476,075**	355,965

Tjia Boen Sien
Director

Wang Jing Ning
Director

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 year, 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, and provision of related installation and maintenance services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("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 land and buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. 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 2.4. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 and HKAS 17 included in *Improvements to HKFRSs 2009*, HK Interpretation 4 (Revised in December 2009), the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 April 2010.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *Improvements to HKFRSs 2009* issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group.

Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term* in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 *Leases* included in *Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

The Group has reassessed its leases in Hong Kong and Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases. As substantially all the risks and rewards associated with the leases in Hong Kong have been transferred to the Group, the leases in Hong Kong have been reclassified from operating leases under "prepaid land lease payments" which are stated at cost to finance leases under leasehold land and buildings category of "property, plant and equipment" which is stated at revaluation. The corresponding amortisation has also been reclassified to depreciation. The effects of the above changes are summarised below:

	2011	2010
	HK$'000	*HK$'000*
Consolidated income statement for the year ended 31 March		
Decrease in amortisation of prepaid land lease payments	**(139)**	(139)
Increase in depreciation of property, plant and equipment	**866**	428
	727	289

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *(continued)*

	2011	2010
	HK$'000	*HK$'000*
Consolidated statement of comprehensive income for the year ended 31 March		
Increase in property revaluation reserve		
Surplus arising from revaluation of leasehold land and buildings	**2,866**	17,446
Income tax effect	**(473)**	(2,879)
	2,393	14,567
Consolidated statement of financial position at 31 March		
Increase/(decrease) in assets (current and non-current)		
Property, plant and equipment	**35,900**	33,900
Prepaid land lease payments	**(5,440)**	(5,579)
Prepayments, deposits and other receivables	**(139)**	(139)
	30,321	28,182
Increase/(decrease) in liabilities/equity		
Deferred tax liabilities	**5,170**	4,698
Property revaluation reserve	**25,339**	23,538
Retained profits	**(188)**	(54)
	30,321	28,182

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(continued)*

(b) *(continued)*

	2009
	HK$'000
Consolidated statement of financial position at 1 April	
Increase/(decrease) in assets (current and non-current)	
Property, plant and equipment	16,882
Prepaid land lease payments	(5,718)
Prepayments, deposits and other receivables	(139)
	11,025
Increase in liabilities/equity	
Deferred tax liabilities	1,819
Property revaluation reserve	9,206
	11,025

Due to the retrospective application of the amendments which has resulted in the restatement of items in the statement of financial position, a statement of financial position as at 1 April 2009, and the related notes affected by the amendments have been presented in these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Deferred tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas 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 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2012
5 Effective for annual periods beginning on or after 1 January 2013

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 April 2013.

Amendments to HKAS 12 were issued in December 2010 which introduce a rebuttable presumption that deferred tax on investment property measured using the fair value model in HKAS 40 should be determined on the basis that its carrying amount will be recovered through sale. The amendments also require that deferred tax on non-depreciable assets measured using the revaluation model in HKAS 16 should always be measured on a sale basis. As a result of the amendments, HK(SIC)-21 *Income Taxes – Recovery of Revalued Non-depreciable Assets*, will be superseded once the amendments become effective. The Group expects to adopt the Amendments to HKAS 12 retrospectively from 1 April 2012. The Group has previously provided deferred tax on the fair value gains on its investment properties assuming that the carrying amount of these properties will be recovered through use. The Group expects the adoption of these amendments will result in changes in the accounting policy and the Group's deferred tax liabilities and income tax charges will be adjusted respectively.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 April 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

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

In addition, the amendments limit the measurement choice of non-controlling interests at fair value or at the proportionate share of the acquiree's identifiable net assets to components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

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

(b) HKAS 1 *Presentation of Financial Statements*: Clarifies that an analysis of other comprehensive income for each component of equity can be presented either in the statement of changes in equity or in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

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

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

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 investment 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. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Associates

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

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

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

Business combinations and goodwill

Business combinations from 1 April 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Business combinations from 1 April 2010 (continued)

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

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

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

Business combinations prior to 1 April 2010 but after 1 April 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 April 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment 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 property 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 property 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 land and buildings	Over the remaining lease terms
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. 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. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

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. All assets and liabilities of subsidiaries classified as disposal groups are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 leasehold 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, non-controlling shareholders and a related company, financial assets at fair value through profit or loss, an available-for-sale investment, 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 or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When 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 by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in 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 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 valuation 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 valuation 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 is no realistic prospect of future recovery and all collateral has been realised or has been transferred to Group.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments

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

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

In the case of 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 non-controlling 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

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 joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable 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 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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

(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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions *(continued)*

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 other the borrowing costs are expensed in the period in which they are incurred. Borrowing costs are 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.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group 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 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 statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases. 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.

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

Judgements *(continued)*

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 sales 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.

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

Estimation uncertainty *(continued)*

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 dates 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 amount of investment properties at 31 March 2011 was HK$214,319,000 (2010: HK$210,330,000).

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 34 to the financial statements.

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.

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

Estimation uncertainty *(continued)*

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 its 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 subsidiaries, gain on disposal of associates, finance costs, impairment/reversal of impairment of an amount due from a jointly-controlled entity, impairment of an amount due from an associate, gain on bargain purchase, 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 investment in a jointly-controlled entity, investments in associates, assets of disposal groups classified as 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 disposed 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2011

	Construction business *HK$'000*	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:				
Sales to external customers	350,680	88,091	7,777	446,548
Other income and gains	3,391	17,900	–	21,291
Revenue	354,071	105,991	7,777	467,839
Segment results				
Operating profit/(loss)	2,554	19,427	(514)	21,467
Reconciliation:				
Interest income				858
Gain on disposal of subsidiaries				296,128
Unallocated expenses				(21,797)
Finance costs				(6,107)
Reversal of impairment of an amount due from a jointly-controlled entity				33
Share of profit of a jointly-controlled entity				33
Share of profits and losses of associates				(82)
Profit before tax				290,533
Segment assets	175,513	999,919	2,966	1,178,398
Reconciliation:				
Investments in associates				17,318
Corporate and other unallocated assets				267,824
Total assets				1,463,540

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2011 *(continued)*

	Construction business *HK$'000*	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment liabilities	**151,576**	**258,235**	**1,185**	**410,996**
Reconciliation:				
Corporate and other unallocated liabilities				**361,351**
Total liabilities				**772,347**
Other segment information:				
Fair value loss of investment properties, net	**–**	**5,314**	**–**	**5,314**
Loss on disposal of items of property, plant and equipment	**96**	**–**	**9**	**105**
Impairment of accounts receivable	**2,672**	**–**	**–**	**2,672**
Reversal of impairment of accounts receivable	**(67)**	**(5,303)**	**(185)**	**(5,555)**
Provision for inventories	**–**	**–**	**64**	**64**
Depreciation	**3,001**	**1,758**	**77**	**4,836**
Capital expenditure	**6,208**	**573**	**18**	**6,799***

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2010

	Construction business *HK$'000* (Restated)	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000* (Restated)
Segment revenue:				
Sales to external customers	249,470	241,016	8,261	498,747
Other income and gains	2,392	5,278	14	7,684
Revenue	251,862	246,294	8,275	506,431
Segment results				
Operating profit/(loss)	2,303	91,449	(1,507)	92,245
Reconciliation:				
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 jointly-controlled entity				(2,851)
Impairment of an amount due from an associate				(12,860)
Gain on bargain purchase				2,893
Share of loss of a jointly-controlled entity				(620)
Share of profits and losses of associates				(227)
Profit before tax				62,434
Segment assets	156,080	770,890	3,735	930,705
Reconciliation:				
Investments in associates				3,772
Assets of disposal groups classified as held for sale				172,703
Corporate and other unallocated assets				105,290
Total assets				1,212,470

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2010 *(continued)*

	Construction business *HK$'000* (Restated)	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000* (Restated)
Segment liabilities	106,834	153,895	1,131	261,860
Reconciliation:				
Liabilities directly associated with the assets of disposal groups classified as held for sale				120,567
Corporate and other unallocated liabilities				292,797
Total liabilities				675,224
Other segment information:				
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	2,171	2,014	80	4,265
Capital expenditure	1,005	15,470	52	16,527*

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**202,557**	140,412
Mainland China	**243,991**	358,335
	446,548	498,747

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

(b) Non-current assets

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**78,292**	78,409
Mainland China	**250,434**	232,133
	328,726	310,542

The non-current assets information above is based on the location of assets and excludes investment in a jointly-controlled entity, investments in associates, financial assets at fair value through profit or loss and available-for-sale investment.

Information about a major customer

During the year, no transactions with any individual external customer derived revenue that amounted to 10% or more of the Group's revenue (2010: Nil).

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 is as follows:

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
Revenue			
Income from construction contracting and related business		**350,680**	249,470
Income from property development and investment business		**88,091**	241,016
Income from trading of medical equipment, and provision of related installation and maintenance services		**7,777**	8,261
		446,548	498,747
Other income and gains			
Bank interest income		**858**	231
Other interest income		**–**	2,040
Gross rental income	*6*	**11,043**	3,046
Gain on disposal of associates	*6*	**–**	2,155
Others		**10,248**	4,638
		22,149	12,110

6. PROFIT BEFORE TAX

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

		Group	
		2011	2010
	Note	***HK$'000***	*HK$'000*
			(Restated)
Cost of properties sold		**59,517**	147,876
Cost of construction contracting		**322,898**	224,818
Cost of inventories sold and services provided		**5,030**	5,552
Auditors' remuneration		**1,800**	1,780
Depreciation	*14*	**4,836**	4,265

6. PROFIT BEFORE TAX *(continued)*

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

	Notes	Group 2011 HK$'000	Group 2010 HK$'000 (Restated)
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**972**	882
Minimum lease payments under operating leases on land and buildings		**1,537**	2,461
Rental income on investment properties less direct operating expenses of HK$972,000 (2010: HK$882,000)		**(5,970)**	(7,836)
Gain on disposal of subsidiaries		**(296,128)**	–
Gain on disposal of associates	*5*	**–**	(2,155)
Loss on disposal of items of property, plant and equipment^		**105**	61
Gross rental income	*5*	**(11,043)**	(3,046)
Less: Outgoings		**106**	132
Rental income		**(10,937)**	(2,914)
Employee benefit expense (including directors' remuneration – note 8):			
Wages and salaries		**40,439**	31,543
Equity-settled share option expense		**2,755**	–
Pension schemes contributions*		**917**	856
Less: Amount capitalised		**(3,778)**	(3,426)
		40,333	28,973
Foreign exchange differences, net^		**(167)**	(2,399)
Provision for inventories, included in cost of inventories sold		**64**	133
Impairment/(reversal of impairment) of an amount due from a jointly-controlled entity^		**(33)**	2,851
Impairment of an amount due from an associate^	*18*	**–**	12,860
Impairment of accounts receivable^	*26*	**2,672**	3,129
Reversal of impairment of accounts receivable^	*26*	**(5,555)**	(4,802)
Reversal of impairment of other receivables^	*27*	**–**	(798)

* At 31 March 2011, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2010: Nil).

^ These amounts are included in "Other operating income/(expenses), net" on the face of the consolidated income statement.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**20,987**	15,257
Interest on convertible notes	**–**	67
Total interest expense on financial liabilities not at fair value through profit or loss	**20,987**	15,324
Less: Interest capitalised	**(14,880)**	(6,869)
	6,107	8,455

8. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
Fees	**312**	312
Other emoluments:		
Salaries and allowances	**7,500**	3,257
Equity-settled share option expense	**540**	–
Pension schemes contributions	**59**	58
	8,099	3,315
	8,411	3,627

During the year, certain 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 36 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION *(continued)*

(a) Independent non-executive directors

	Fees	Equity-settled share option expense	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*
2011			
Dr. Ho Chung Tai, Raymond	**120**	**45**	**165**
Mr. Siu Man Po	**96**	**45**	**141**
Mr. Wong Shing Kay, Oliver	**96**	**45**	**141**
	312	**135**	**447**
2010			
Dr. Ho Chung Tai, Raymond	120	–	120
Mr. Siu Man Po	96	–	96
Mr. Wong Shing Kay, Oliver	96	–	96
	312	–	312

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries and allowances HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Mr. Wang Ke Duan	**–**	**540**	**–**	**–**	**540**
Mr. Tjia Boen Sien	**–**	**5,320**	**45**	**–**	**5,365**
Mr. Wang Jing Ning	**–**	**600**	**180**	**12**	**792**
Mr. Keung Kwok Cheung	**–**	**1,040**	**180**	**47**	**1,267**
	–	**7,500**	**405**	**59**	**7,964**
2010					
Mr. Wang Ke Duan	–	540	–	–	540
Mr. Tjia Boen Sien	–	1,338	–	–	1,338
Mr. Wang Jing Ning	–	468	–	12	480
Mr. Keung Kwok Cheung	–	911	–	46	957
	–	3,257	–	58	3,315

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2010: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2010: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2010: three) non-director, highest paid employees for the year are as follows:

	Group 2011 HK$'000	2010 HK$'000
Salaries and allowances	**1,277**	2,032
Equity-settled share option expense	**251**	–
Pension schemes contributions	**42**	53
	1,570	2,085

The remuneration of these two (2010: three) non-director, highest paid employees for the year fell within the band of nil to HK$1,000,000.

9. FIVE HIGHEST PAID EMPLOYEES *(continued)*

During the year, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employees' remuneration disclosures.

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 during the year or have available tax losses brought forward from prior years to offset the assessable profits generated during the year (2010: Nil). 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.

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	–
Current – Elsewhere		
Charge for the year	**11,060**	9,954
Underprovision/(overprovision) in prior years	**8**	(2,184)
Deferred (note 34)	**(1,428)**	3,200
LAT in Mainland China	**3,743**	23,169
Total tax charge for the year	**13,383**	34,139

10. INCOME TAX *(continued)*

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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit before tax	**290,533**	62,434
Tax at the statutory tax rate of 16.5% (2010: 16.5%)	**47,938**	10,302
Effect of different rates for companies operating in other jurisdictions	**745**	4,025
Adjustments in respect of current tax of previous periods	**8**	(2,184)
Profits and losses attributable to a jointly-controlled entity	**(5)**	102
Profits and losses attributable to associates	**13**	37
Income not subject to tax	**(51,406)**	(8,709)
Expenses not deductible for tax	**4,098**	6,829
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	**(99)**	908
Tax losses utilised from previous periods	**(509)**	(639)
Tax losses and temporary differences not recognised	**9,286**	717
LAT	**3,743**	23,169
Others	**(429)**	(418)
Tax charge at the Group's effective rate of 4.6% (2010: 54.7%)	**13,383**	34,139

The share of tax credit attributable to associates amounting to HK$25,000 (2010: HK$29,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement. There was no share of tax attributable to a jointly-controlled entity during the current and prior years.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 March 2011 includes a profit of HK$149,402,000 (2010: HK$20,326,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Interim – HK3 cents (2010: Nil) per ordinary share	16,757	–
Proposed final – HK3.2 cents (2010: HK2 cents) per ordinary share	18,076	11,315
	34,833	11,315

The proposed final dividend for the year 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 559,936,291 (2010: 566,973,017) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. 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 had been made to the basic earnings per share amounts presented for the year ended 31 March 2010 in respect of a dilution as the Group had no dilutive ordinary shares in issue during 31 March 2010.

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

	Group	
	2011	2010
	HK$'000	HK$'000
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	162,216	26,662

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	559,936,291	566,973,017
Effect of dilution – weighted average number of ordinary shares:		
Share options	1,246,366	–
	561,182,657	566,973,017

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Golf club facilities HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 March 2011								
At 31 March 2010 and at 1 April 2010:								
Cost or valuation	92,951	4,032	–	3,549	6,520	6,450	6,460	119,962
Accumulated depreciation	–	(2,126)	–	(2,399)	(5,474)	(5,096)	(4,655)	(19,750)
Net carrying amount (restated)	92,951	1,906	–	1,150	1,046	1,354	1,805	100,212
At 1 April 2010, net of accumulated depreciation (restated)	92,951	1,906	–	1,150	1,046	1,354	1,805	100,212
Additions	4,008	282	–	16	217	8	2,268	6,799
Disposals	–	–	–	–	(20)	–	(99)	(119)
Disposal of subsidiaries	–	–	–	(19)	(8)	–	–	(27)
Surplus on revaluation	12,077	–	–	–	–	–	–	12,077
Depreciation provided during the year	(2,862)	(183)	–	(312)	(313)	(670)	(496)	(4,836)
Exchange realignment	101	79	–	27	12	41	41	301
At 31 March 2011	106,275	2,084	–	862	934	733	3,519	114,407
At 31 March 2011:								
Cost or valuation	106,275	4,465	–	3,607	6,753	6,652	8,123	135,875
Accumulated depreciation	–	(2,381)	–	(2,745)	(5,819)	(5,919)	(4,604)	(21,468)
Net carrying amount	106,275	2,084	–	862	934	733	3,519	114,407
Analysis of cost or valuation:								
At cost	–	4,465	–	3,607	6,753	6,652	8,123	29,600
At valuation	106,275	–	–	–	–	–	–	106,275
	106,275	4,465	–	3,607	6,753	6,652	8,123	135,875

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group

	Leasehold land and buildings HK$'000 (Restated)	Leasehold improve-ments HK$'000	Golf club facilities HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Tools and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000 (Restated)
31 March 2010								
At 1 April 2009:								
Cost or valuation	69,990	7,126	–	3,505	6,582	6,408	6,406	100,017
Accumulated depreciation	–	(2,199)	–	(2,081)	(5,227)	(4,369)	(4,909)	(18,785)
Net carrying amount	69,990	4,927	–	1,424	1,355	2,039	1,497	81,232
At 1 April 2009, net of accumulated depreciation	69,990	4,927	–	1,424	1,355	2,039	1,497	81,232
Additions	–	–	–	30	142	3	1,218	1,393
Acquisition of subsidiaries (note 38)	–	–	92,538	267	45	4,061	1,227	98,138
Reclassified as disposal groups classified as held for sale (note 29)	–	–	(92,538)	(267)	(109)	(4,061)	(1,459)	(98,434)
Disposals	–	–	–	–	(22)	–	(258)	(280)
Surplus on revaluation	25,041	–	–	–	–	–	–	25,041
Depreciation provided during the year	(2,102)	(347)	–	(314)	(370)	(705)	(427)	(4,265)
Transfer to investment properties (note 15)	–	(2,717)	–	–	–	–	–	(2,717)
Exchange realignment	22	43	–	10	5	17	7	104
At 31 March 2010	92,951	1,906	–	1,150	1,046	1,354	1,805	100,212
At 31 March 2010:								
Cost or valuation	92,951	4,032	–	3,549	6,520	6,450	6,460	119,962
Accumulated depreciation	–	(2,126)	–	(2,399)	(5,474)	(5,096)	(4,655)	(19,750)
Net carrying amount	92,951	1,906	–	1,150	1,046	1,354	1,805	100,212
Analysis of cost or valuation:								
At cost	–	4,032	–	3,549	6,520	6,450	6,460	27,011
At valuation	92,951	–	–	–	–	–	–	92,951
	92,951	4,032	–	3,549	6,520	6,450	6,460	119,962

14. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The Group's leasehold land and buildings, except for a property located in China with a carrying value of HK$3,962,000 as at 31 March 2011 (the "Property"), 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$102,313,000 based on their existing use. In the opinion of the directors, the carrying value of the Property approximated to its fair value as at 31 March 2011 with reference to recent market transactions. A revaluation surplus of HK$12,077,000 (2010 (restated): HK$25,041,000) resulting from the revaluation has been credited to other comprehensive income.

Details of the leasehold land and buildings are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Long term lease:		
Hong Kong	**7,500**	7,000
Medium term leases:		
Hong Kong	**76,100**	69,800
Mainland China	**22,675**	16,151
	106,275	92,951

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of leasehold land and buildings at 31 March 2011 amounted to HK$35,900,000 (2010 (restated): HK$33,900,000).

As at 31 March 2011, certain leasehold land and buildings of the Group with an aggregate carrying amount of HK$83,600,000 (2010 (restated): HK$76,800,000) were pledged to secure certain banking facilities granted to the Group (note 33).

15. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Carrying amount at 1 April	**210,330**	181,704
Additions	**–**	15,134
Net profit/(loss) from fair value adjustment	**(5,314)**	9,167
Transfer from property, plant and equipment (note 14)	**–**	2,717
Exchange realignment	**9,303**	1,608
Carrying amount at 31 March	**214,319**	210,330

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

	2011	2010
	HK$'000	*HK$'000*
Long term lease	**152,320**	153,900
Medium term lease	**61,999**	56,430
	214,319	210,330

The Group's investment properties were revalued on 31 March 2011 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$214,319,000, on an open market, existing use basis.

As at 31 March 2011, the investment properties of the Group with an aggregate carrying amount of HK$214,319,000 (2010: HK$210,330,000) were pledged to secure certain banking facilities granted to the Group (note 33).

As at 31 March 2011, investment properties of the Group with carrying amounts of HK$152,320,000 (2010: HK$153,900,000) and HK$61,999,000 (2010: HK$56,430,000) were leased to an independent third party and a related company under operating leases, respectively.

Further particulars of the Group's investment properties are included on page 18.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011	2010
	HK$'000	*HK$'000*
Unlisted shares, at cost	**156,031**	156,031
Due from subsidiaries	**335,842**	200,997
	491,873	357,028

The amounts due to subsidiaries included in the Company's current liabilities of HK$11,675,000 (2010: Nil) are unsecured, interest-free and repayable on demand.

The amounts advanced to the subsidiaries included in investments 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.

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 Direct	Indirect	Principal activities
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 HK$20,000,000	Class A Class B (i)	– –	100 100	Construction contracting and investment holding
Deson Industries Limited*	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows: *(continued)*

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 Direct	Indirect	Principal activities
Deson Property Development (Kaifeng) Co., Ltd.(b)*	PRC/ Mainland China	HK$100,000,000	(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 HK$20,000,000	Ordinary Preference (iii)	– –	100 100	Provision of electrical and mechanical engineering services
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
上海迪申建築裝潢有限公司(a)*	PRC/ Mainland China	US$800,000	(ii)	–	100	Decoration engineering
Wonderful Hope Limited*	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development

16. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the principal subsidiaries are as follows: *(continued)*

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 Direct	Percentage of equity attributable to the Company Indirect	Principal activities
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 another member firm of the Ernst & Young global network.

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 its 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.

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group 2011 HK$'000	Group 2010 HK$'000
Share of net liabilities	**(14,082)**	(14,115)
Due from a jointly-controlled entity	**22,861**	22,927
Impairment	**(8,779)**	(8,812)
	14,082	14,115
	–	–

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. 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$22,861,000 (before deducting the impairment loss) (2010: HK$22,927,000) 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 Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
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.

17. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY *(continued)*

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

	2011 HK$'000	2010 HK$'000
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**4**	4
Current liabilities	**(14,086)**	(14,119)
Net liabilities	**(14,082)**	(14,115)
Share of the jointly-controlled entity's results:		
Revenue	**44**	2,204
Total expenses	**(11)**	(2,824)
Profit/(loss) after tax	**33**	(620)

18. INVESTMENTS IN ASSOCIATES

	Group	
	2011 HK$'000	2010 HK$'000
Share of net liabilities	**(2,932)**	(3,381)
Advance to an associate	**33,110**	20,013
Impairment	**(12,860)**	(12,860)
	20,250	7,153
	17,318	3,772
Due from associates	**27,763**	27,108
Due to associates	**(59)**	(54)

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.

18. INVESTMENTS IN ASSOCIATES *(continued)*

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

An impairment of HK$12,860,000 was recognised in prior year for the advance to an associate with a carrying amount of HK$33,110,000 (before deducting the impairment loss) (2010: HK$20,013,000) because the recoverable amount of this advance was 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/ Mainland 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 China	20	Property management

* Not audited by Ernst & Young, Hong Kong or another 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.

18. INVESTMENTS IN ASSOCIATES *(continued)*

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 aggregate unrecognised share of losses for the current year and share of accumulated losses of these associates amounted to HK$47,000 (2010: profits of HK$78,000) and HK$1,502,000 (2010: HK$1,455,000), respectively.

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

	2011	2010
	HK$'000	*HK$'000*
Assets	**174,077**	102,995
Liabilities	**246,813**	176,377
Revenues	**101,920**	59,763
Losses	**(117)**	(64,491)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Investment-linked deposits, at fair value	**2,380**	2,280

The above balances at 31 March 2011 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.

As at 31 March 2011, one of the above investment-linked deposits with a carrying amount of HK$1,190,000 (2010: HK$1,140,000) was pledged to secure certain banking facilities granted to the Group (note 33).

20. AVAILABLE-FOR-SALE INVESTMENT

	Group	
	2011	2010
	HK$'000	*HK$'000*
Unlisted equity investment, at cost	**11,584**	–

The above investment represents an investment in equity security which is designated as available-for-sale financial asset and has no fixed maturity date or coupon rate.

The unlisted available-for-sale investment was stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors are of the opinion that its fair value could not be measured reliably.

21. AMOUNTS DUE FROM/TO NON-CONTROLLING SHAREHOLDERS

The amounts due from/to non-controlling shareholders are unsecured, interest-free and repayable on demand.

22. AMOUNTS DUE FROM/TO RELATED COMPANIES

Particulars of an amount due from a related company are as follows:

Name	**31 March 2011**	**Maximum amount outstanding during the year**	**1 April 2010**
	HK$'000	*HK$'000*	*HK$'000*
Excel Win Ltd ("Excel Win")	2,223	2,223	–

Mr. Tjia Boen Sien is a director of and has beneficial interests in the Company and Excel Win.

Balances with related companies are unsecured, interest-free and repayable on demand.

23. PROPERTIES HELD FOR SALE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Completed properties	**251,711**	214,894
Properties under development	**470,345**	271,368
	722,056	486,262

As at 31 March 2011, certain completed properties held for sale of the Group with an aggregate carrying amount of HK$82,491,000 (2010: HK$38,528,000) were pledged to secure certain banking facilities granted to the Group (note 33).

In the prior year, certain completed properties held for sale of the Group with an aggregate carrying amount of HK$33,071,000 were pledged through the equity interest in a subsidiary to secure other loans amounting to HK$15,000,000 granted to the Group (note 33).

Further particulars of the Group's properties held of sale are included on pages 17 and 18.

24. CONSTRUCTION CONTRACTS

	Group	
	2011	2010
	HK$'000	*HK$'000*
Gross amount due from contract customers	**4,282**	2,641
Gross amount due to contract customers	**(56,311)**	(42,677)
	(52,029)	(40,036)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**1,764,963**	1,553,876
Less: Progress billings	**(1,816,992)**	(1,593,912)
	(52,029)	(40,036)

25. INVENTORIES

	Group	
	2011	2010
	HK$'000	*HK$'000*
Trading goods	**1,611**	1,526

26. ACCOUNTS RECEIVABLE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Accounts receivable	**53,128**	84,079
Impairment	**(16,307)**	(19,098)
	36,821	64,981
Retention monies receivable	**5,840**	6,313
	42,661	71,294

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.

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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 90 days	**24,257**	31,053
91 to 180 days	**5,606**	13,889
181 to 360 days	**3,605**	10,153
Over 360 days	**3,353**	9,886
	36,821	64,981
Retention monies receivable	**5,840**	6,313
Total	**42,661**	71,294

26. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 April	**19,098**	21,443
Impairment losses recognised (note 6)	**2,672**	3,129
Amount written off as uncollectible	**–**	(672)
Impairment losses reversed (note 6)	**(5,555)**	(4,802)
Exchange realignment	**92**	–
At 31 March	**16,307**	19,098

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$16,307,000 (2010: HK$19,098,000) with a carrying amount before provision of HK$16,307,000 (2010: HK$19,098,000). 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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Neither past due nor impaired	**24,257**	31,053
Less than 3 months past due	**5,619**	6,723
3 to 6 months past due	**3,192**	13,197
More than 6 months past due	**3,753**	14,008
	36,821	64,981

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.

27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		
Prepayments	**8,439**	15,520	**35**	35
Deposits	**1,249**	685	**–**	–
	9,688	16,205	**35**	35
Other receivables	**34,983**	17,339	**–**	–
Impairment	**(4,174)**	(4,134)	**–**	–
	30,809	13,205	**–**	–
	40,497	29,410	**35**	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 the provision for impairment of other receivables are as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 April	**4,134**	4,917
Impairment losses reversed (note 6)	**–**	(798)
Exchange realignment	**40**	15
At 31 March	**4,174**	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.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2011	2010	**2011**	2010
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**201,103**	73,608	**1,043**	94
Time deposits		**54,812**	31,324	**–**	–
		255,915	104,932	**1,043**	94
Less: Pledged deposits for banking facilities	*33*	**(31,364)**	(31,324)	**–**	–
Cash and cash equivalents		**224,551**	73,608	**1,043**	94

At the end of the reporting period, the aggregate cash and bank balances and deposits of the Group denominated in Renminbi ("RMB") amounted to HK$192,759,000 (2010: HK$69,332,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash 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.

29. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

	Group	
	2011	2010
	HK$'000	*HK$'000*
Assets of disposal groups classified as held for sale	**–**	172,703
Liabilities directly associated with the assets of disposal groups classified as held for sale	**–**	120,567

29. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(continued)*

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 considerations 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 owned a 100% equity interest in the 惠州怡海房地產開發有限公司 (collectively the "Disposal Groups"). Details of the disposals were set out in the announcement of the Company dated 14 April 2010.

The assets and liabilities related to the Disposal Groups had 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 were as follows:

	Note	2010 *HK$'000*
Assets		
Property, plant and equipment	*14*	98,434
Prepaid land lease payments		30,670
Property under development		40,379
Prepayments, deposits and other receivables		366
Cash and bank balances		2,854
Assets classified as held for sale		172,703
Liabilities		
Deferred income, other payables and accruals		16,815
Membership deposits		3,050
Amount due to a non-controlling shareholder		702
Other loan		100,000
Liabilities directly associated with the assets classified as held for sale		120,567
Net assets directly associated with disposal groups classified as held for sale		52,136

29. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE *(continued)*

Notes: *(continued)*

	2010
	HK$'000
Equity	
Exchange fluctuation reserve	2,136
Equity associated with disposal groups classified as held for sale	2,136

The other loan included in the Disposal Groups of HK$100,000,000 was secured by the Group's 30% equity interest in Measure Up and bore interest at 6% per annum.

The disposals were approved by the shareholders on 12 August 2010 and completed on the same date. Pursuant to the supplementary agreements to the Sale and Purchase Agreements, Bond Light and Big Meg agreed to undertake all taxes in Mainland China arising from the disposals. Details of the gain on disposals are included in note 39 to the financial statements.

30. 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:

	Group	
	2011	2010
	HK$'000	*HK$'000*
Current to 90 days	**21,076**	12,469
91 to 180 days	**988**	4
181 to 360 days	**–**	597
Over 360 days	**7,064**	7,878
	29,128	20,948

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

31. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits received	**219,721**	38,121	**–**	–
Other payables	**58,475**	38,855	**94**	–
Accruals	**54,371**	80,539	**5,107**	1,192
	332,567	157,515	**5,201**	1,192

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

32. 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 was recognised and included in shareholders' equity.

In the prior year, the convertible notes were fully redeemed upon maturity.

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

	2011	2010
	HK$'000	*HK$'000*
Nominal value		
At 1 April	**–**	15,750
Redemption during the year	**–**	(15,750)
At 31 March	**–**	–

32. CONVERTIBLE NOTES *(continued)*

	2011 HK$'000	2010 HK$'000
Liability component		
At 1 April	–	15,721
Interest expense	–	67
Interest paid	–	(38)
Redemption during the year	–	(15,750)
At 31 March	–	–
Equity component		
At 1 April	–	1,259
Transfer to retained profits on redemption	–	(1,259)
At 31 March	–	–

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2011			2010		
Group	Contractual interest rate (%)	Maturity	HK$'000	Contractual interest rate (%)	Maturity	HK$'000
Current						
Bank loans – secured	5.40 to 10.53	2012 to 2012	42,245	3.14 to 9.72	2011 to 2011	55,549
Bank overdrafts – secured	–	–	–	Prime rate + 0.50	On demand	41,623
Trust receipt loans – secured	Prime rate + 0.875	2012	5,724	Prime rate + 0.875	2011	15,377
Other loans – secured	–	–	–	12.00	2011 to 2011	10,000
Other loan – unsecured	–	–	–	10.00	2011	11,400
			47,969			133,949
Non-current						
Bank loans – secured	5.40 to 10.53	2012 to 2015	207,060	3.14 to 6.83	2011 to 2015	59,499
Other loan – secured	–	–	–	12.00	2011	5,000
			207,060			64,499
			255,029			198,448

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

	Group	
	2011	2010
	HK$'000	*HK$'000*
Analysed into:		
Bank loans, overdrafts and trust receipt loans repayable:		
Within one year or on demand	**47,969**	112,549
In the second year	**192,780**	8,300
In the third to fifth years, inclusive	**14,280**	48,463
Beyond five years	**–**	2,736
	255,029	172,048
Other borrowings repayable:		
Within one year or on demand	**–**	21,400
In the second year	**–**	5,000
	–	26,400
	255,029	198,448

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 land and buildings situated in Hong Kong of HK$83,600,000 (2010 (restated): HK$76,800,000) (note 14);

(ii) the pledge of the Group's investment properties situated in Mainland China of HK$214,319,000 (2010: HK$210,330,000) (note 15);

(iii) the pledge of one of the Group's financial assets at fair value through profit or loss of HK$1,190,000 (2010: HK$1,140,000) (note 19);

(iv) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK$82,491,000 (2010: HK$38,528,000) (note 23); and

(v) the pledge of the Group's deposits of HK$31,364,000 (2010: HK$31,324,000) (note 28).

33. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

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

In the prior year, except for a loan amounting to HK$11,400,000 which was unsecured, bore interest at 10% per annum and repaid on 10 September 2010, the remaining other loan amounting to HK$15,000,000 was secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK$33,071,000 (note 23), bore interest at 12% per annum and repaid during the year.

34. DEFERRED TAX

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

Deferred tax liabilities

Group		**2011**		
	Accelerated tax depreciation	**Revaluation of properties**	**Withholding taxes**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
At 1 April 2010 (Restated)	**239**	**24,337**	**4,016**	**28,592**
Deferred tax credited to the income statement during the year (note 10)	**–**	**(1,329)**	**(99)**	**(1,428)**
Deferred tax debited to equity during the year	**–**	**2,239**	**–**	**2,239**
Exchange realignment	**–**	**222**	**–**	**222**
Deferred tax liabilities at 31 March 2011	**239**	**25,469**	**3,917**	**29,625**

Group		2010		
	Accelerated tax depreciation	Revaluation of properties	Withholding taxes	Total
	HK$'000	*HK$'000* (Restated)	*HK$'000*	*HK$'000* (Restated)
At 1 April 2009	239	17,724	3,108	21,071
Deferred tax charged to the income statement during the year (note 10)	–	2,292	908	3,200
Deferred tax debited to equity during the year	–	4,287	–	4,287
Exchange realignment	–	34	–	34
Deferred tax liabilities at 31 March 2010	239	24,337	4,016	28,592

34. DEFERRED TAX *(continued)*

The Group has estimated tax losses arising in Hong Kong of HK$599,632,000 (2010: HK$580,753,000) 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$8,954,000 (2010: HK$10,774,000) 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 for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

35. SHARE CAPITAL

Shares

	2011	2010
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2010: 1,500,000,000)		
ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
560,113,017 (2010: 566,973,017)		
ordinary shares of HK$0.10 each	**56,011**	56,697

35. SHARE CAPITAL *(continued)*

A summary of the transactions during the current and prior year with reference to the movements in the Company's issued ordinary share capital is as follows:

	Notes	Number of shares in issue	Issued capital *HK$'000*	Share premium account *HK$'000*	Total *HK$'000*
At 1 April 2009, 31 March 2010 and 1 April 2010		**566,973,017**	**56,697**	**121,790**	**178,487**
Repurchase of shares	*(i)*	**(15,220,000)**	**(1,522)**	**(7,267)**	**(8,789)**
Exercise of share options	*(ii)*	**8,360,000**	**836**	**4,680**	**5,516**
		560,113,017	**56,011**	**119,203**	**175,214**
Share repurchase expenses	*(i)*	**–**	**–**	**(52)**	**(52)**
Share issue expenses	*(ii)*	**–**	**–**	**(13)**	**(13)**
At 31 March 2011		**560,113,017**	**56,011**	**119,138**	**175,149**

Notes:

(i) During the year, the Company repurchased a total of 15,220,000 of its own shares on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") at prices ranging from HK$0.52 to HK$0.70 per share, at a total consideration, before expenses, of HK$8,789,000. The repurchased shares were cancelled and an amount equivalent to the nominal value of these shares of HK$1,522,000 was transferred from retained profits to the capital redemption reserve. The premium of HK$7,267,000 paid for the repurchased shares and the share repurchase expenses of HK$52,000 were charged against the share premium account.

(ii) The subscription rights attaching to 8,360,000 share options were exercised at the subscription price of HK$0.57 per share (note 36), resulting in the issue of 8,360,000 shares of HK$0.1 each for a total cash consideration, before expenses, of HK$4,766,000. An amount of HK$750,000 was transferred from the share option reserve to the share premium account upon the exercise of the share options and share issue expenses of HK$13,000 was charged against the share premium account.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. 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 will expire 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.

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

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 on 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.

36. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	Number of share options						Price of the Company's shares**			
Name or category of participant	At 1 April 2010	Granted during the year	Exercised during the year	At 31 March 2011	Date of grant of share options	Exercise period of share options	Exercise price of share options* *HK$ per share*	At grant date of options *HK$ per share*	Immediately before the exercise date *HK$ per share*	At exercise date of options *HK$ per share*
Directors										
Tjia Boen Sien	–	500,000	–	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	–	–
Wang Jing Ning	–	2,000,000	–	2,000,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	–	–
Keung Kwok Cheung	–	2,000,000	(1,500,000)	500,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	0.71	0.70
Ho Chung Tai, Raymond	–	500,000	(500,000)	–	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	0.78	0.76
Siu Man Po	–	500,000	(500,000)	–	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	0.78	0.76
Wong Shing Kay, Oliver	–	500,000	(500,000)	–	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	0.74	0.70
	–	6,000,000	(3,000,000)	3,000,000						
Other employees, in aggregate	–	24,700,000	(5,360,000)	19,340,000	14 April 2010	14 April 2010 to 13 April 2011	0.57	0.57	0.72	0.70
Total	–	30,700,000	(8,360,000)	22,340,000						

* 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 prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted during the year was HK$2,755,000 (approximately HK$0.09 each) (2010: Nil) which was recognised as share option expense during the year.

36. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted was estimated as at the date of grant using the 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:

	2011
Dividend yield (%)	**0.00**
Expected volatility (%)	**49.32**
Historical volatility (%)	**49.32**
Risk-free interest rate (%)	**0.75**
Expected life of option (year)	**1.00**
Weighted average share price (HK$)	**0.54**

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

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

The 8,360,000 share options exercised during the year resulted in the issue of 8,360,000 ordinary shares of the Company and new shares capital of HK$836,000 and share premium of HK$4,680,000 (before share issue expenses), as further detailed in note 35 to the financial statements.

At the end of the reporting period, the Company had 22,340,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 22,340,000 additional ordinary shares of the Company, representing approximately 4.0% of the Company's shares in issue as at the end of the reporting period, and additional share capital of HK$2,234,000 and share premium of HK$10,500,000 (before issue expenses).

Subsequent to the end of the reporting period, 4,760,000 share options were exercised and 17,580,000 share options were expired on 13 April 2011.

37. RESERVES

(a) Group

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

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Proposed final dividend HK$'000	Total equity HK$'000
At 1 April 2009		121,790	155,531	–	10,013	(9,651)	–	277,683
Profit for the year and total comprehensive income for the year	11	–	–	–	–	20,326	–	20,326
Transfer of reserve upon redemption of convertible notes	32	–	–	–	–	1,259	–	1,259
Proposed final 2010 dividend	12	–	–	–	–	(11,315)	11,315	–
At 31 March 2010 and 1 April 2010		**121,790***	**155,531***	**–***	**10,013***	**619***	**11,315**	**299,268**
Profit for the year and total comprehensive income for the year	**11**	**–**	**–**	**–**	**–**	**149,402**	**–**	**149,402**
Repurchase of shares	**35**	**(7,267)**	**–**	**–**	**1,522**	**(1,522)**	**–**	**(7,267)**
Exercise of share options	**35**	**4,680**	**–**	**(750)**	**–**	**–**	**–**	**3,930**
Share repurchase expenses	**35**	**(52)**	**–**	**–**	**–**	**–**	**–**	**(52)**
Share issue expenses	**35**	**(13)**	**–**	**–**	**–**	**–**	**–**	**(13)**
Equity-settled share option arrangements	**36**	**–**	**–**	**2,755**	**–**	**–**	**–**	**2,755**
Final 2010 dividend	**12**	**–**	**–**	**–**	**–**	**113**	**(11,315)**	**(11,202)**
Interim 2011 dividend	**12**	**–**	**–**	**–**	**–**	**(16,757)**	**–**	**(16,757)**
Proposed final 2011 dividend	**12**	**–**	**–**	**–**	**–**	**(18,076)**	**18,076**	**–**
At 31 March 2011		**119,138***	**155,531***	**2,005***	**11,535***	**113,779***	**18,076**	**420,064**

* These reserve accounts comprise the reserves of HK$401,988,000 (2010: HK$287,953,000) in the statement of financial position.

37. RESERVES *(continued)*

(b) Company *(continued)*

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 2.4 to the financial statements. 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.

38. 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 purchase consideration of HK$106,450,000 was fully settled in the prior year. Details of the acquisition are set out in the circular of the Company dated 10 March 2010.

As further detailed in note 29 to the financial statements, on 7 April 2010, the Group entered into two sale and purchase agreements to dispose the Mellink Group and another disposal group with two independent third parties.

The fair values of the identifiable assets and liabilities of Mellink Group as at the date of acquisition were as follows:

	Note	**Fair value recognised on acquisition** *HK$'000*
Net assets acquired:		
Property, plant and equipment	*14*	98,138
Prepaid land lease payments		30,670
Prepayments, deposits and other receivables		323
Cash and bank balances		2,749
Deferred income, other payables and accruals		(16,128)
Amount due to a non-controlling shareholder		(702)
Membership deposits		(3,050)
Total identifiable net assets at fair value		112,000
Gain on bargain purchase recognised in the consolidated income statement		(2,893)
		109,107

38. BUSINESS COMBINATION *(continued)*

	HK$'000
Satisfied by:	
Cash consideration	106,450
Relevant costs for the acquisition	2,657
Satisfied by cash	109,107

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

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

39. DISPOSAL OF SUBSIDIARIES

	2011 **HK$'000**
Net assets disposed of:	
Property, plant and equipment	**97,695**
Prepaid land lease payments	**30,512**
Properties held for sale	**43,541**
Accounts receivable	**23**
Cash and cash equivalents	**16,092**
Prepayments, deposits and other receivables	**83,982**
Accounts payable	**(303)**
Other payables and accruals	**(52,865)**
Interest-bearing bank and other borrowings	**(169,600)**
Non-controlling interests	**(2,707)**
	46,370
Exchange fluctuation reserve	**(4,000)**
Legal and professional fee and transaction costs directly attributable to disposals	**52,459**
Gain on disposal of subsidiaries	**296,128**
	390,957
Satisfied by:	
Cash	**390,957**

39. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	2011
	HK$'000
Cash consideration	**390,957**
Cash and bank balances disposed of	**(16,092)**
	374,865
Less: Legal and professional fee and transaction costs paid	**(42,459)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**332,406**

Notes:

(a) Further details of Lead Joy and Measure Up which were disposed of during the year are set out in note 29 to the financial statements.

(b) Pursuant to a sale and purchase agreement dated 5 July 2010 entered into between the Group and an independent third party, the Group disposed of its 70% equity interest in 上海迪勝物業管理有限公司 at a consideration of RMB160,000. 上海迪勝物業管理有限公司 and its subsidiary, 開封迪勝物業管理有限公司, engaged in provision of property management at the date of disposal.

40. CONTINGENT LIABILITIES

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

	Group		**Company**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**263,800**	266,300

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK$65,985,000 (2010: HK$121,011,000) were utilised by the subsidiaries as at 31 March 2011.

41. 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 three 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**9,118**	4,894
In the second to fifth years, inclusive	**13,423**	5,556
After five years	**3,170**	3,299
	25,711	13,749

During the year, the Group recognised HK$2,117,000 (2010: HK$6,291,000) in respect of contingent rentals receivable.

(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 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2011	2010
	HK$'000	*HK$'000*
Within one year	**1,054**	722
In the second to fifth years, inclusive	**3,029**	1,927
After five years	**2,280**	2,669
	6,363	5,318

The Company had no operating lease arrangements as at 31 March 2011 (2010: Nil).

42. COMMITMENTS

At the end of the reporting period, 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.

43. RELATED PARTY TRANSACTIONS

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

	Notes	**2011**	2010
		HK$'000	*HK$'000*
Management fees received from associates	*(i)*	**1,092**	1,057
Management fees received from a related company	*(i)*	**240**	240
Interest income from a jointly-controlled entity	*(ii)*	**–**	216
Rental income from related companies	*(iii)*	**2,634**	2,598
Sale of properties to a director	*(iv)*	**–**	8,167

Notes:

(i) The management fees were charged by reference to actual costs incurred for the services provided by the Group.

(ii) In the prior year, 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) The rental income was charged to Fitness Concept Limited ("FCL") and one of FCL's subsidiaries at HK$45,000 (2010: HK$45,000) and HK$174,000 (2010: HK$171,000) per month, 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) In the prior year, the sale of properties to a director was made with reference to prices offered to the other customers of the Group.

(b) Outstanding balances with related parties:

(i) Details of the Group's balances with its jointly-controlled entity and associates as at the end of the reporting period are included in notes 17 and 18 to the financial statements, respectively;

(ii) Details of the Company's balances with its subsidiaries as at the end of the reporting period are included in note 16 to the financial statements;

(iii) Details of the Group's balances with its non-controlling shareholders as at the end of the reporting period are included in note 21 to the financial statements; and

(iv) Details of the Group's balances with its related companies as at the end of the reporting period are included in note 22 to the financial statements.

(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 statements.

The related party transactions in respect of item (a)(iii) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. 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:

2011 **Group**

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Available-for-sale investment *HK$'000*	Total *HK$'000*
Available-for-sale investment	–	–	11,584	11,584
Financial assets at fair value through profit or loss	2,380	–	–	2,380
Amounts due from associates	–	27,763	–	27,763
Amounts due from non-controlling shareholders	–	6,524	–	6,524
Amount due from a related company	–	2,223	–	2,223
Accounts receivable	–	42,661	–	42,661
Financial assets included in prepayments, deposits and other receivables (note 27)	–	32,058	–	32,058
Cash and cash equivalents	–	224,551	–	224,551
Pledged deposits	–	31,364	–	31,364
	2,380	367,144	11,584	381,108

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	29,128
Financial liabilities included in other payables and accruals (note 31)	58,475
Amounts due to associates	59
Amounts due to non-controlling shareholders	3,573
Amount due to a related company	5,000
Interest-bearing bank and other borrowings	255,029
	351,264

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2010 — Group

Financial assets

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

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	20,948
Financial liabilities included in other payables and accruals (note 31)	38,855
Amounts due to associates	54
Amounts due to non-controlling shareholders	24,465
Amounts due to related companies	18,444
Interest-bearing bank and other borrowings	198,448
	301,214

44. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial assets

	Company	
	Loans and receivables	
	2011	2010
	HK$'000	*HK$'000*
Cash and cash equivalents	**1,043**	94

Financial liabilities

	Financial liabilities at amortised cost	
	2011	2010
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals (note 31)	**94**	–
Amounts due from subsidiaries	**11,675**	–
	11,769	–

45. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		**Fair values**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Financial assets at fair value through profit or loss	**2,380**	2,280	**2,380**	2,280
Amounts due from associates	**27,763**	27,108	**27,763**	27,108
Amounts due from non-controlling shareholders	**6,524**	–	**6,524**	–
Amount due from a related company	**2,223**	–	**2,223**	–
Accounts receivable	**42,661**	71,294	**42,661**	71,294
Financial assets included in prepayments, deposits and other receivables (note 27)	**32,058**	13,890	**32,058**	13,890
Cash and cash equivalents	**224,551**	73,608	**224,551**	73,608
Pledged deposits	**31,364**	31,324	**31,364**	31,324
	369,524	219,504	**369,524**	219,504

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities				
Account payables	**29,128**	20,948	**29,128**	20,948
Financial liabilities included in other payables and accruals (note 31)	**58,475**	38,855	**58,475**	38,855
Amounts due to associates	**59**	54	**59**	54
Amounts due to non-controlling shareholders	**3,573**	24,465	**3,573**	24,465
Amounts due to related companies	**5,000**	18,444	**5,000**	18,444
Interest-bearing bank and other borrowings	**255,029**	198,448	**255,029**	198,448
	351,264	301,214	**351,264**	301,214

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Cash and cash equivalents	**1,043**	94	**1,043**	94
Financial liabilities				
Financial liabilities included in other payables and accruals (note 31)	**94**	–	**94**	–
Amounts due to subsidiaries	**11,675**	–	**11,675**	–
	11,769	–	**11,769**	–

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

Cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to non-controlling shareholders, amounts due from/to associates, amounts due from/to related companies, amounts due to subsidiaries and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

45. FAIR VALUE AND FAIR VALUE HIERARCHY *(continued)*

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The fair values of financial assets at fair value through profit or loss are based on quoted market prices. The fair value of the unlisted available-for-sale investment was not disclosed because the range of reasonable fair value estimates was so significant that the directors are of the opinion that its fair value could not be measured reliably.

Fair value hierarchy

The Group 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 all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2011, the financial instruments measured at fair value held by the Group comprised of financial assets at fair value through profit or loss and were classified as Level 1.

During the year ended, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2011 (2010: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss, available-for-sale investment, balances with associates, non-controlling 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.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 floating interest rates in Hong Kong and the PRC.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 33 to the financial statements. 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 Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2011			
Hong Kong dollar	**100**	**(2,777)**	**–**
Hong Kong dollar	**(100)**	**2,777**	**–**
2010			
Hong Kong dollar	100	(1,777)	–
Hong Kong dollar	(100)	1,777	–

* Excluding retained profits

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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 rate, 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).

		Increase/ (decrease) in profit before tax	**Increase/ (decrease) in equity***
	%	*HK$'000*	*HK$'000*
2011			
If Hong Kong dollar weakens against RMB	**5**	**(15,921)**	**–**
If Hong Kong dollar strengthens against RMB	**(5)**	**15,921**	**–**
2010			
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, amount due from a related company, financial assets at fair value through profit or loss, available-for-sale investment, 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 26 and 27 to the financial statements, respectively.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

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

			2011		
	On demand	**Less than 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Accounts payable	**–**	**29,128**	**–**	**–**	**29,128**
Financial liabilities included in other payables and accruals (note 31)	**58,475**	**–**	**–**	**–**	**58,475**
Amounts due to associates	**59**	**–**	**–**	**–**	**59**
Amounts due to non-controlling shareholders	**3,573**	**–**	**–**	**–**	**3,573**
Amount due to a related company	**5,000**	**–**	**–**	**–**	**5,000**
Interest-bearing bank and other borrowings	**–**	**51,209**	**224,983**	**–**	**276,192**
	67,107	**80,337**	**224,983**	**–**	**372,427**

			2010		
	On demand	Less than 12 months	1 to 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	20,948	–	–	20,948
Financial liabilities included in other payables and accruals (note 31)	38,855	–	–	–	38,855
Amounts due to associates	54	–	–	–	54
Amounts due to non-controlling shareholders	24,465	–	–	–	24,465
Amounts due to related companies	18,444	–	–	–	18,444
Interest-bearing bank and other borrowings	41,623	98,940	71,842	2,806	215,211
	123,441	119,888	71,842	2,806	317,977

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

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

	On demand	
	2011	2010
	HK$'000	*HK$'000*
Financial liabilities included in other payables and accruals (note 31)	**94**	–
Amounts due to subsidiaries	**11,675**	–
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**65,985**	121,011
	77,754	121,011

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 2011 and 31 March 2010.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

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, non-controlling shareholders and related companies, and interest-bearing bank and other borrowings, less cash and cash equivalents. Capital represents equity attributable to owners of the Company. The gearing ratios as at the end of the reporting period were as follows:

	Group	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Accounts payable	**29,128**	20,948
Other payables and accruals	**332,567**	157,515
Amounts due to associates	**59**	54
Amounts due to non-controlling shareholders	**3,573**	24,465
Amounts due to related companies	**5,000**	18,444
Interest-bearing bank and other borrowings	**255,029**	198,448
Less: Cash and cash equivalents	**(224,551)**	(73,608)
Net debt	**400,805**	346,266
Total capital	**684,975**	532,313
Capital and net debt	**1,085,780**	878,579
Gearing ratio	**37%**	39%

47. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatment, and a third consolidated statement of financial position as at 1 April 2009 has been presented.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 June 2011.

建築工程 Construction Project

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No.1 Gough Hill Road, The Peak, Hong Kong

總承包工程，三幢獨立住宅，包括機電工程

Main Contractor for three residential houses including E&M works

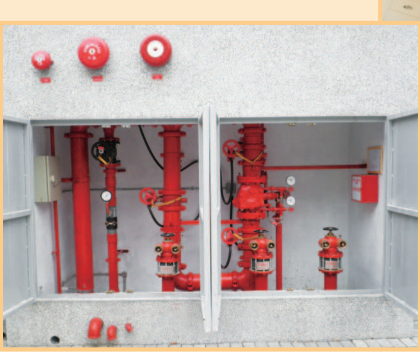
香港司徒拔道45A-D號

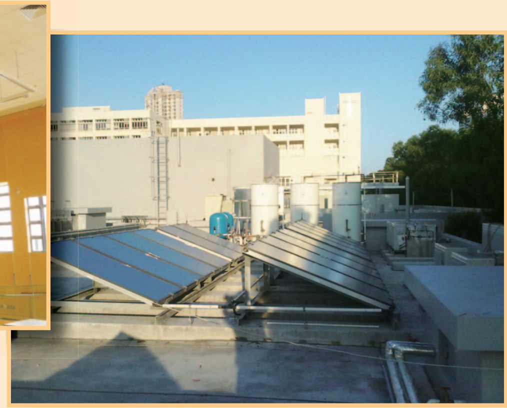
No.45 A-D Stubbs Road, Hong Kong

包干設計及承建地基工程，包括地盤平整、開挖、擋土牆、樁基及地腳施工

Design and build foundation works for site formation, drainage abandonment and diversion, excavation and lateral support, retaining wall, piling and pile caps works

機電工程 E&M Project





香港耀能協會賽馬會田綺玲學校

SAHK Jockey Club Elaine Field School

電氣、空調及消防設備之安裝工程

Building Services Installation (Electrical, HVAC & Fire Services)