Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)

ANNUAL REPORT 2010

投資項目 Investment Project

迪臣世紀豪苑

中國開封市發展項目第二期住宅及商業綜合大樓，面積約100,000平方米。

Deson Century Place

The second phase of Deson Century Place with approximately 100,000m^2 area of complex of commercial and residential building.

海口亞豪建材城

於2010年3月15日，本集團位於海口市豪苑路之"亞豪建材城"，建築面積約50,000平方米，已隆重開業。

亞豪建材城, Haikou

On 15 March 2010, the Group's"亞豪建材城"located at 豪苑路, Haikou with a construction area of 50,000 m^2 was grand opening.

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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 2010.

During the year under review, the Group face tough challenges in the construction contracting market due to the residual effect of the financial tsunami of last year, whilst the Group is enjoying the fruitful return from the property development and investment business, especially in the Hainan and Kaifeng region where the residential property price is continuously growing.

BUSINESS REVIEW

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

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, provision of related installation and maintenance services.

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

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

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

More to note, during the year, the Group sold certain units of Asian Villas City Square, Haikou, certain service apartments of Parkview Garden, Shanghai, and certain units of Phase I of Century Place, Kaifeng, which contributed a meaningful turnover and profit to the Group. Since customers commenced to pick up confident in the property market after the held back from purchase during the financial tsunami, as such, sales generated from this segment increased by 154% as compared to that of last year. In September 2007, Asian Villas City Square was awarded one of the "Top 100 Best Property in China for year 2007 (third anniversary)". In May 2008, the Company was awarded one of the "Top 500 Most Influential Property Development Enterprise in China" for year 2008, by 2008 亞洲（博鰲）房地產領袖峰會.

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

FINANCIAL REVIEW

Turnover

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

Gross profit margin

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

Liquidity and financial resources

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

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

Capital expenditure

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

Contingent liabilities

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. At the end of the reporting period, the Group had committed to advance a loan to an associate of RMB11,428,000.

Charges on group assets

Details of the charges on assets of the Group are set out in note 34 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.

Events after the reporting period

(a) On 7 April 2010, Interpath Profits Limited ("Interpath Profits"), an indirect 60% 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, 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.

(b) 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"). As, to the best knowledge and belief of the Directors, both Bond Light and Big Meg and their respective ultimate beneficial owners are independent third parties and no Shareholder has a material interest in the Lead Joy disposal or the Measure Up disposal which is different from other Shareholders, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM for the approval of the Lead Joy disposal, the Measure Up disposal and the transactions contemplated under the Lead Joy Agreement and the Measure Up Agreement.

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 term contract for design and construction of fitting out works to building and lands and other properties of the Government of the HKSAR, fitting out works for a residential house at Kowloon Tong, Hong Kong, fitting out works for Prada shop at Tsimshatsui, Hong Kong, design and build foundation works for site formation, drainage abandonment and diversion, excavation and lateral support, retaining wall, piling and pile caps works for residential houses at Stubbs Road, Hong Kong, main contractor for construction three residential houses at the Peak, Hong Kong, electrical, fire services and air-conditioning installation for student hostel development phase 4 for City University of Hong Kong, refurbishment of air-conditioning systems at Tsuen Wan Government office complex, Hong Kong, building services installation for the construction of Columbarium and garden of remembrance at Kiu Tau Road, Fanling, Hong Kong, renovation for a ward building in a hospital, PRC were granted. As at the date of this report, the Group has contracts on hand with a total contract sum of over HK$1,074 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 last year. Up to the date of this report, the total sales contract sum achieved amounted to approximately RMB342 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 202,000 sq. metres. Up to now, gross floor area of 30,000 sq. metres had completed construction and contribute sales revenue to the Group, the remaining of the land is under construction, processing smoothly, and it is expected the construction will be completed by 2012.

On 2 November 2006, the Group obtained the land use rights of a development site in Huidong province of PRC. The Directors intend to develop residential villas on the site with an estimated gross floor area of approximately 220,796 sq. metres. On 27 January 2010, Lead Joy, an indirectly non wholly-owned subsidiary of the Company, acquire a piece of land located at Huizhou, PRC, with a total site area of approximately 1,008,725 sq. metres through the acquisition of the entire shareholding interests in Mellink Holdings. The acquisition would result in the consolidation of the site owned by Huizhou Golf with its golf club environment and facilities with the adjacent residential development sites already owned by the Group, which was expected to enhance both the attractiveness of the residential properties and therefore their value, and also the combined value of the consolidated sites.

Subsequent to the end of reporting period, on 7 April 2010, Interpath Profits entered into the Lead Joy Agreement to dispose of the entire issued share capital of Lead Joy and the rights to a shareholder's loan due to Interpath Profits from Lead Joy in the total consideration of RMB99.5 million. On the same date, Interpath Profits also entered into the Measure Up Agreement to dispose of the entire issued share capital of Measure Up and the assumption by Big Meg of the liabilities under the indebtedness due to Measure Up from Interpath Profits, in the total consideration of RMB242 million. The disposals will generate significant profits to the Group in the next financial year, and after the completion of the disposals, the Group will no longer have property development business in Huizhou, PRC.

The Group purchased a hotel in Haikou, the capital of Hainan Province, PRC through the acquisition of a subsidiary in the prior years. During the year, the Group had acquired one additional floor of the hotel which in aggregate the total gross floor area add up to 22,803 sq. metres. Up to the date of this report, the hotel is leased out to generate recurring rental income. In view of the great potential which Hainan Province has as an upscale tourist destination, the Directors consider the growth prospects to be promising.

Although the residual effect of the macro-economic tightening measures have added uncertainties to the growth of the PRC economy, the Directors believe that the austerity measure had only a moderate and short term impact on the property market in PRC. With strong sustained economic growth in PRC, coupled with the constant appreciation of RMB, the PRC property market offers tremendous opportunities, 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.

Noteworthy is the fact that Directors believe the hosting of the World Expo in Shanghai, PRC in 2010 will have a positive impact on the PRC property market and the property development and investment segment will continue to provide a sizable contribution to the Group's operating results in the coming years.

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 outlook of the Group for the next year continues to be challenging. While the global economy appears to have stabilised and has been showing positive signs and evidence of recovering, the recovery is generally expected to be anemic and moderate. 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 difficult operating environment.

HUMAN RESOURCES

As at 31 March 2010, the Group has 123 employees, 14 of whom were based in the PRC. The total employee benefits expenses including directors' emoluments for the year under review amounted to HK$32 million as compared to HK$33 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 2010. 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 were confirmed by the satisfactory operating results in current year. In the future, the Directors are well aware that achieving the targets set for next year could be a challenging task in the wake of the austerity policies and measures implemented by the PRC Government, nevertheless, with its proven track records and valuable expertise, the Group will strengthen the development of construction business (including E&M) and also focus on the property development and investment business. On the other hand, 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
28 June 2010

The Directors herein present their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2010.

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, provision of related installation and maintenance services.

RESULTS AND DIVIDEND

The Group's profit for the year ended 31 March 2010 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 112.

No interim dividend was paid during the year and the Directors recommend the payment of a final dividend of HK2 cents per share in respect of the year ended 31 March 2010 (2009: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years ended 31 March 2010, as extracted from the published audited financial statements is set out below.

			Year ended 31 March		
	2010	2009	2008	2007	2006
RESULTS	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
CONTINUING OPERATIONS					
REVENUE					
Continuing operations	**498,747**	698,194	599,787	396,334	555,385
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**63,570**	49,581	39,334	43,453	28,748
Share of profits and losses of a jointly-controlled entity	**(620)**	(10,708)	(243)	(3,090)	55
Share of profits and losses of associates	**(227)**	(259)	1,147	710	101
PROFIT BEFORE TAX	**62,723**	38,614	40,238	41,073	28,904
Income tax expense	**(34,139)**	(24,954)	(18,671)	(17,167)	(1,622)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**28,584**	13,660	21,567	23,906	27,282
DISCONTINUED OPERATION					
Loss for the year from a discontinued operation	**–**	–	(5,144)	(17,271)	(18,819)
PROFIT FOR THE YEAR	**28,584**	13,660	16,423	6,635	8,463
Attributable to:					
Owners of the Company	**26,951**	12,570	16,893	7,684	10,181
Minority interests	**1,633**	1,090	(470)	(1,049)	(1,718)
	28,584	13,660	16,423	6,635	8,463

SUMMARY OF FINANCIAL INFORMATION *(continued)*

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**1,184,288**	989,277	860,953	892,595	649,676
Total liabilities	**(670,526)**	(511,623)	(400,855)	(475,853)	(273,294)
Minority interests	**(4,933)**	(3,607)	(2,525)	(1,912)	(2,275)
	508,829	474,047	457,573	414,830	374,107

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 19.

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 37, 38 and 36 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 39(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2010, 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$156,150,000. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$131,803,000, 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 20% (2009: 36%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 6% (2009: 17%). Purchases from the Group's five largest suppliers accounted for approximately 15% (2009: 13%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 5% (2009: 3%).

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

Mr. Wang Ke Duan, Mr. Tjia Boen Sien and Mr. Wong Shing Kay, Oliver 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 79, is one of the co-founders of the Group. He is the Chairman of the Group. He has over 55 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.

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

Executive Directors

TJIA Boen Sien, aged 66, 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 27 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.

WANG Jing Ning, aged 54, joined the Group in 1989 and is an executive Director of the Group. Mr. Wang has over 30 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 52, 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 28 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 71, is currently a member of the fourth Legislative Council (Engineering Functional Constituency). Dr. Ho has 47 years' experience in the fields of civil, structural environmental and geotechnical engineering and project management including 37 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 and board member of the Hong Kong Airport Authority.

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

Independent non-executive directors *(continued)*

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 72, 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.

Mr. Wong Shing Kay, Oliver, aged 58, 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 19 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 47, 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 26 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 42, joined the Group in February 1996. He is the contracts manager of the Group and in-charge of the contracts department. He has over 20 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 48, 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 24 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.

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

Senior Management *(continued)*

LO Wing Ling, age 50, 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 27 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 37, 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 and a certified public accountant of CPA Australia. Before joining the Group, she had several years' experience with an international accounting firm.

LAM Wing Wai, **Angus**, aged 34, 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 49, joined the Group in December 1988 and is the administration manager of the Group. She has more than 25 years' experience in personnel and administration management.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2010, 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*	42,009,400	226,250,000	268,259,400	47.31
Mr. Wang Jing Ning	12,839,600	–	12,839,600	2.26
Mr. Wang Ke Duan	268,960	–	268,960	0.05
Mr. Siu Man Po	180,000	–	180,000	0.03

* 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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

The interests of the Directors in the share options of the Company are separately disclosed in note 38 to the financial statements.

Save as disclosed above and note 38 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 38 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 38 to the financial statements.

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

At 31 March 2010, 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	39.90
Mr. Tjia Boen Sien	Interests of controlled corporation	226,250,000	39.90
	Directly beneficially own	42,009,400	7.41
Penta Investment Advisers Limited ("Penta")	Investment manager	102,030,000	18.00
Mr. John Zwaanstra *(Note 2)*	Interests of controlled corporation	102,030,000	18.00

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(continued)*

Long positions: *(continued)*

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Penta Asia Fund, Ltd. ("Penta Asia") *(Note 3)*	Interests of controlled corporation	67,052,000	11.83
Mr. Todd Zwaanstra *(Note 3)*	Trustee (other than a bare trustee)	67,052,000	11.83
Mercurius GP LLC ("Mercurius") *(Note 4)*	Founder of a discretionary trust	67,052,000	11.83

Notes:

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. Mr. John Zwaanstra was deemed to have interests in the shares and the underlying shares of the Company through his 100% interest in Penta. Mr. John Zwaanstra was also deemed to have interests in the shares and the underlying shares of the Company in which Penta Asia and Mercurius were interested through his control of more than one-third of the voting power of Mercurius.

3. These interests were held by Penta Master Fund, Ltd. ("Penta Master"), a wholly owned subsidiary of Penta Asia. Mr. Todd Zwaanstra was deemed to have interests in the shares and the underlying shares of the Company in which Penta Master was interested pursuant to his control of more than one-third of the voting power of Penta Asia in his capacity as trustee of the Mercurius Partners Trust ("Mercurius Trust"), which is a discretionary trust.

4. Mercurius was the founder of the Mercurius Trust and was therefore deemed to have interests in the shares and the underlying shares of the Company in which Mr. Todd Zwaanstra were interested in his capacity as trustee of the Mercurius Trust.

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 2010, 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 SALES OF LISTED SECURITIES

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

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

(a) 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 rental income earned during the year from the above tenancy agreements were HK$2,598,000.

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

(b) Connected transaction

On 9 December 2009, the Group entered into a sale and purchase agreement with Mr. Wang Jing Ning, a director of the Company, in relation to the disposal of two shops at Asian Villas City Square, Hainan, PRC, for the consideration of RMB7,164,276.

Given that Mr. Wang is a director of the Company, Mr. Wang is a connected person of the Company within the meaning of the Listing Rules. The disposal therefore constitutes a connected transaction of the Company under Rule 14A.13(1)(a) of the Listing Rules. As each of the applicable percentage ratios of the disposal is more than 2.5% but less than 25%, and the total consideration involved is less than HK$10,000,000, pursuant to Rule 14A.32 of the Listing Rules, the disposal is exempt from the independent shareholders' approval requirement and is only subject to the reporting and announcement requirements in accordance with Rules 14A.45 to 14A.47 of the Listing Rules.

The directors (including the independent non-executive directors), excluding Mr. Wang, who has an interest in the disposal, are of the view that the sale and purchase agreement and the disposal contemplated therein are on normal commercial terms and such terms 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
中國河南省開封市 西大街1號	100%	Removal and demolish stage	Mid of 2012	Residential/ commercial complex	The total gross floor area is 203,600 sq. m.
惠東縣大岭鎮 十二托地段 惠州高爾夫球場內	60%	*	*	*	The total gross floor area is 220,796 sq. m.

* After the end of the reporting period, the Group entered into a sale and purchase agreement in relation to the disposal of entire shareholding interests in Measure Up, the immediate holding company of 惠洲怡海房地產開發有限公司 who owned the land at Huidong, PRC. For further detail please refer to events after the reporting period as disclosed in note 48 to the financial statements.

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

Location	Group's interest	Tenure	Current use	Gross floor area
Service apartment and 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	Residential	The total gross floor area is 5,791 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.
中國河南省開封市 西大街1號 第一期第一至第六座	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 30,390 sq. m.
Shi Er Tuo, Daling Town Huidong County Guangdong Province PRC	54%	The properties are held for a term of 50 years, commencing on 25 July 1994 and expiring on 25 July 2044	Golf course/ other commercial*	The total gross site area is 1,008,725 sq. m.

* After the end of the reporting period, the Group entered into a sale and purchase agreement in relation to the disposal of entire shareholding interests in Lead Joy, the intermediate holding company of Huizhou Golf who owned the land of Huidong, PRC. For further details please refer to events after reporting period as disclosed in note 48 to the financial statement.

PARTICULARS OF PROPERTIES *(continued)*

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 2010.

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
28 June 2010

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 2010, 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, four full board meetings were held. Details of the attendance of the Directors are as follows:–

Executive Directors	**Directors' Attendance**
Mr. Wang Ke Duan *(Chairman)*	2/4
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	4/4
Mr. Wang Jing Ning	3/4
Mr. Keung Kwok Cheung	3/4
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	1/4
Mr. Wong Shing Kay, Oliver	3/4
Mr. Siu Man Po	3/4

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 2010 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	1/2
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 four meetings during the year ended 31 March 2010 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 four 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)*	4/4
Dr. Ho Chung Tai, Raymond	2/4
Mr. Siu Man Po	4/4

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 2010, 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 2010

	HK$
Types of Services	
Audit for the Group	1,780,000
Non-audit services – taxation services	68,000
– Acting as reporting accountant for the issue of circular	500,000
Total	2,348,000

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 2010.

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 2010. 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 page 27 to page 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 financial statements of Deson Development International Holdings Limited set out on pages 29 to 112, which comprise the consolidated and company statement of financial position as at 31 March 2010, 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 notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these 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 as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements 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 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 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
28 June 2010

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**498,747**	698,194
Cost of sales		**(378,246)**	(587,101)
Gross profit		**120,501**	111,093
Other income and gains	5	**12,110**	7,555
Fair value gain on investment properties, net	15	**9,167**	2,599
Excess over the cost of business combinations	40	**2,893**	–
Administrative expenses		**(61,744)**	(60,515)
Other operating expenses, net		**(10,902)**	(3,538)
Finance costs	7	**(8,455)**	(7,613)
Share of profits and losses of:			
A jointly-controlled entity		**(620)**	(10,708)
Associates		**(227)**	(259)
PROFIT BEFORE TAX	6	**62,723**	38,614
Income tax expense	10	**(34,139)**	(24,954)
PROFIT FOR THE YEAR		**28,584**	13,660
Attributable to:			
Owners of the Company	11	**26,951**	12,570
Minority interests		**1,633**	1,090
		28,584	13,660
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	13		
Basic			
– For profit for the year		**4.75 cents**	2.20 cents
Diluted			
– For profit for the year		**4.75 cents**	2.20 cents

Details of the dividend proposed for the year are disclosed in note 12 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
PROFIT FOR THE YEAR		**28,584**	13,660
OTHER COMPREHENSIVE INCOME			
Surplus on revaluation of leasehold buildings	14	**7,595**	4,520
Income tax effect	35	**(1,408)**	(1,225)
		6,187	3,295
Share of other comprehensive income of associates		**214**	(86)
Release of capital reserve upon disposal of an associate		**(119)**	–
Release of exchange fluctuation reserve upon disposal of an associate		**(524)**	–
Exchange differences on translation of foreign operations		**2,250**	2,188
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**8,008**	5,397
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**36,592**	19,057
Attributable to:			
Owners of the Company		**34,782**	17,754
Minority interests		**1,810**	1,303
		36,592	19,057

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**66,312**	64,350
Investment properties	15	**210,330**	181,704
Prepaid land lease payments	16	**5,579**	5,718
Interest in a jointly-controlled entity	18	**–**	–
Interests in associates	19	**3,772**	(2,408)
Available-for-sale investments	20	**–**	–
Financial assets at fair value through profit or loss	21	**2,280**	2,260
Amount due from an investee	22	**–**	–
Total non-current assets		**288,273**	251,624
CURRENT ASSETS			
Amounts due from associates	19	**27,108**	26,650
Properties held for sale	24	**486,262**	520,064
Gross amount due from contract customers	25	**2,641**	5,247
Inventories	26	**1,526**	1,497
Accounts receivable	27	**71,294**	59,472
Prepayments, deposits and other receivables	28	**29,549**	30,290
Cash and cash equivalents	29	**73,608**	53,807
Pledged deposits	29	**31,324**	31,331
		723,312	728,358
Assets of disposal groups/non-current asset classified as held for sale	30	**172,703**	9,295
Total current assets		**896,015**	737,653
CURRENT LIABILITIES			
Gross amount due to contract customers	25	**42,677**	38,626
Accounts payable	31	**20,948**	44,269
Other payables and accruals	32	**157,515**	171,116
Amounts due to associates	19	**54**	262
Amounts due to minority shareholders	23	**24,465**	19,529
Amounts due to related companies	33	**18,444**	27,166
Tax payable		**63,514**	45,914
Convertible notes	36	**–**	15,721
Interest-bearing bank and other borrowings	34	**133,949**	97,563
		461,566	460,166
Liabilities directly associated with the assets of disposal groups classified as held for sale	30	**120,567**	–
Total current liabilities		**582,133**	460,166
NET CURRENT ASSETS		**313,882**	277,487

	Notes	2010 HK$'000	2009 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**602,155**	529,111
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*34*	**64,499**	32,205
Deferred tax liabilities	*35*	**23,894**	19,252
Total non-current liabilities		**88,393**	51,457
Net assets		**513,762**	477,654
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*37*	**56,697**	56,697
Reserves	*39(a)*	**440,817**	416,091
Equity component of convertible notes	*36*	**–**	1,259
Proposed final dividend	*12*	**11,315**	–
		508,829	474,047
Minority interests		**4,933**	3,607
Total equity		**513,762**	477,654

Tjia Boen Sien
Director

Wang Jing Ning
Director

		Attributable to owners of the Company															
	Notes	Issued capital	Share premium account	Contributed surplus	Property revaluation reserve	Capital reserve	Capital redemption reserve	Exchange fluctuation reserve	Investment revaluation reserve	Share option reserve	Equity component of convertible notes	Reserve funds	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2008		57,274	122,493	15,262	34,182	(9,121)	9,436	26,240	1,250	379	1,259	3,260	195,659	–	457,573	2,525	460,098
Total comprehensive income for the year		–	–	–	3,295	–	–	2,083	(194)	–	–	–	12,570	–	17,754	1,303	19,057
Release of revaluation reserve		–	–	–	(946)	–	–	–	–	–	–	–	946	–	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(221)	(221)
Repurchase of shares	37	(577)	(686)	–	–	–	577	–	–	–	–	–	(577)	–	(1,263)	–	(1,263)
Share repurchase expenses	37	–	(17)	–	–	–	–	–	–	–	–	–	–	–	(17)	–	(17)
Share options expired during the year	38	–	–	–	–	–	–	–	–	(379)	–	–	379	–	–	–	–
At 31 March 2009 and 1 April 2009		56,697	121,790*	15,262*	36,531*	(9,121)*	10,013*	28,323*	1,056*	–*	1,259	3,260*	208,977*	–	474,047	3,607	477,654
Total comprehensive income for the year		–	–	–	6,187	(119)	–	1,549	214	–	–	–	26,951	–	34,782	1,810	36,592
Release of revaluation reserve		–	–	–	(1,023)	–	–	–	–	–	–	–	1,023	–	–	–	–
Transfer upon redemption of convertible notes	36	–	–	–	–	–	–	–	–	–	(1,259)	–	1,259	–	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	–	–	–	–	–	(484)	(484)
Proposed final 2010 dividend	12	–	–	–	–	–	–	–	–	–	–	–	(11,315)	11,315	–	–	–
At 31 March 2010		56,697	121,790*	15,262*	41,695*	(9,240)*	10,013*	29,872*#	1,270*	–*	–	3,260*	226,895*	11,315	508,829	4,933	513,762

* These reserve accounts comprise the consolidated reserves of HK$440,817,000 (2009: HK$416,091,000) 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 30).

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group reorganisation on 21 May 1997.

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

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

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**62,723**	38,614
Adjustments for:			
Finance costs	7	**8,455**	7,613
Share of profits and losses of:			
A jointly-controlled entity		**620**	10,708
Associates		**227**	259
Interest income	5	**(2,271)**	(1,206)
Fair value gain on investment properties, net	15	**(9,167)**	(2,599)
Excess over the cost of business combinations	40	**(2,893)**	–
Gain on disposal of associates	5	**(2,155)**	–
Loss on disposal of items of property, plant and equipment	6	**61**	39
Depreciation	6	**3,837**	3,756
Recognition of prepaid land lease payments	6	**139**	139
Provision for inventories	6	**133**	136
Impairment of an amount due from a jointly-controlled entity	6	**2,851**	3,174
Impairment of an amount due from an associate	6	**12,860**	–
Impairment of accounts receivable	6	**3,129**	5,113
Reversal of impairment of accounts receivable	6	**(4,802)**	(2,623)
Impairment of other receivables	6	**–**	153
Reversal of impairment of other receivables	6	**(798)**	(900)
		72,949	62,376
Decrease/(increase) in completed properties		**101,534**	(115,134)
Decrease/(increase) in properties under development		**(98,768)**	16,990
Decrease in gross amount due from contract customers		**3,264**	2,809
Decrease/(increase) in inventories		**(162)**	971
Increase in accounts receivable		**(10,074)**	(5,062)
Decrease in prepayments, deposits and other receivables		**1,721**	6,632
Increase in gross amount due to contract customers		**4,051**	3,062
Increase/(decrease) in accounts payable		**(23,505)**	11,218
Increase/(decrease) in other payables and accruals		**(13,412)**	40,768
Cash generated from operations-page 35		**37,598**	24,630

Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Cash generated from operations-page 34		**37,598**	24,630
Interest paid		**(15,295)**	(9,815)
Hong Kong profits tax paid		**–**	(9)
Overseas taxes paid		**(15,407)**	(7,362)
Net cash flows from operating activities		**6,896**	7,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**2,271**	1,206
Dividends received from associates		**2,729**	960
Purchases of items of property, plant and equipment		**(1,393)**	(6,563)
Additions of investment properties		**(15,134)**	–
Proceeds from disposal of items of property, plant and equipment		**219**	144
Acquisition of subsidiaries	40	**(106,358)**	–
Disposal of associates		**9,029**	–
Advance to a jointly-controlled entity		**(3,471)**	(990)
Advances to associates, net		**(20,679)**	(3,315)
Decrease/(increase) in pledged deposits		**7**	(9,866)
Net cash flows used in investing activities		**(132,780)**	(18,424)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of the Company's shares	37	**–**	(1,263)
Share repurchase expenses	37	**–**	(17)
Repayment of convertible bonds	36	**(15,750)**	–
New bank and other borrowings		**220,738**	66,085
Repayment of bank and other borrowings		**(70,678)**	(34,343)
Repayment from/(advances to) related companies, net		**(8,722)**	3,353
Advances from minority shareholders		**4,936**	2,169
Dividends paid to minority shareholders		**(484)**	(221)
Net cash flows from financing activities		**130,040**	35,763
NET INCREASE IN CASH AND CASH EQUIVALENTS-page 36		**4,156**	24,783

	Notes	2010 HK$'000	2009 HK$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS-page 35		**4,156**	24,783
Cash and cash equivalents at beginning of year		**30,239**	5,153
Effect of foreign exchange rate changes, net		**444**	303
CASH AND CASH EQUIVALENTS AT END OF YEAR		**34,839**	30,239
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances and cash and cash equivalents stated in the statement of financial position	*29*	**73,608**	53,807
Bank overdrafts, secured	*34*	**(41,623)**	(23,568)
Cash and bank balances attributable to assets of disposal groups/non-current asset classified as held for sale	*30*	**2,854**	–
Cash and cash equivalents as stated in the statement of cash flows		**34,839**	30,239

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	*17*	**357,028**	352,683
CURRENT ASSETS			
Prepayments	*28*	**35**	34
Cash and cash equivalents	*29*	**94**	64
Total current assets		**129**	98
CURRENT LIABILITIES			
Accruals	*32*	**1,192**	1,421
Convertible notes	*36*	**–**	15,721
Total current liabilities		**1,192**	17,142
NET CURRENT LIABILITIES		**(1,063)**	(17,044)
Net assets		**355,965**	335,639
EQUITY			
Issued capital	*37*	**56,697**	56,697
Reserves	*39(b)*	**287,953**	277,683
Equity component of convertible notes	*36*	**–**	1,259
Proposed final dividend	*12*	**11,315**	–
Total equity		**355,965**	335,639

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, 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 buildings, investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. Non-current assets and disposal groups held for sale are stated at the lower of its carrying amount and fair value less cost to sell as further explained in note 2.4. 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

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 2010. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

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

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 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKFRS 8 Amendment*	Amendment to HKFRS 8 *Operating Segments: Disclosures – Information about segment assets* (early adopted)
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue – Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC) – Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement – Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

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

Other than as further explained below regarding the impact of the HKFRS 7 Amendments, HKFRS 8, HKFRS 8 Amendment, HKAS 1 (Revised) and HK(IFRIC)-Int 15, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

(a) Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosure is presented in note 46 to the financial statements while the revised liquidity risk disclosures are presented in note 47 to the financial statements.

(b) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 4 to the financial statements.

The Group has early adopted in these financial statements the Amendment to HKFRS 8 issued in *Improvements to HKFRSs 2009* which clarifies that segment assets need only to be reported when those assets are included in measures that are used by the chief operating decision maker.

(c) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(d) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 *Revenue – Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the accounting for the Group's construction activities.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement-Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a MinimumFunding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 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* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

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

1 Effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2010
3 Effective for annual periods beginning on or after 1 February 2010
4 Effective for annual periods beginning on or after 1 July 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 January 2013

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

2.4 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 interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

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

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

A joint venture is treated as:

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

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

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

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

Jointly-controlled entity

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

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

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

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

Excess over the cost of business combinations

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

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

Property, plant and equipment and depreciation

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

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

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

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

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

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

Investment properties

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Non-current assets and disposal groups held for sale

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

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

Operating leases

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

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

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

Available-for-sale financial investments

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

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments (continued)

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

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

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

Derecognition of financial assets

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

- the rights to receive cash flows from the asset have expired;
- 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; or
- 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 no realistic prospect of future recovery.

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

Assets carried at cost

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

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 minority shareholders, amounts due to related companies and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

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 interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 interest in a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

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

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

Revenue recognition

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

(a) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for “Construction contracts” above;

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

(c) from the rendering of services, when the services are rendered or on the percentage of completion basis, as further explained in the accounting policy for “Contracts for services” above;

(d) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(g) dividend income, when the shareholders’ right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

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

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

Borrowing costs

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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.

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.

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

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.

Estimation of fair value of investment properties

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

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

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

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

The carrying amount of investment properties at 31 March 2010 was HK$210,330,000 (2009: HK$181,704,000).

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

Estimation uncertainty *(continued)*

Estimates regarding the realisability of deferred tax assets

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

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.

4. OPERATING SEGMENT INFORMATION *(continued)*

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 associates, finance costs, impairment of an amount due from a jointly-controlled entity, impairment of an amount due from an associate, excess over the cost of business combinations, share of profits and losses of a jointly-controlled entity and associates as well as head office and corporate expenses are excluded from such measurement.

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

Segment liabilities exclude liabilities directly associated with the assets of 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.

Year ended 31 March 2010

	Construction business *HK$'000*	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
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)	2,592	91,449	(1,507)	92,534
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)
Excess over the cost of business combinations				2,893
Share of loss of a jointly-controlled entity				(620)
Share of profits and losses of associates				(227)
Profit before tax				62,723

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2010 *(continued)*

	Construction business *HK$'000*	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	**127,898**	**770,890**	**3,735**	**902,523**
Reconciliation:				
Interests in associates				**3,772**
Assets of disposal groups/non-current asset classified as held for sale				**172,703**
Corporate and other unallocated assets				**105,290**
Total assets				**1,184,288**
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				**288,099**
Total liabilities				**670,526**
Other segment information:				
Recognition of prepaid land lease payments	**139**	**–**	**–**	**139**
Fair value gain of investment properties	**–**	**(9,167)**	**–**	**(9,167)**
Loss on disposal of items of property, plant and equipment	**47**	**4**	**10**	**61**
Impairment of accounts receivable	**231**	**2,727**	**171**	**3,129**
Reversal of impairment of accounts receivable	**(2,246)**	**(2,556)**	**–**	**(4,802)**
Reversal of impairment of other receivables	**(798)**	**–**	**–**	**(798)**
Provision for inventories	**–**	**–**	**133**	**133**
Depreciation	**1,743**	**2,014**	**80**	**3,837**
Capital expenditure	**1,005**	**15,470**	**52**	**16,527***

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2009

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2009 *(continued)*

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

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

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**140,412**	282,486
Mainland China	**358,335**	415,708
	498,747	698,194

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

(b) Non-current assets

	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**50,088**	45,803
Mainland China	**232,133**	205,969
	282,221	251,772

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

Information about a major customer

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

During the year ended 31 March 2009, revenue of approximately HK$118,773,000 was derived from construction contracts services to a single external customer.

5. REVENUE, OTHER INCOME AND GAINS

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

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

		Group	
	Note	**2010**	2009
		HK$'000	*HK$'000*
Revenue			
Income from construction contracting and related business		**249,470**	591,014
Income from property development and investment business		**241,016**	94,990
Income from trading of medical equipment, provision of related installation and maintenance services		**8,261**	12,190
		498,747	698,194
Other income and gains			
Bank interest income		**231**	611
Other interest income		**2,040**	595
Gross rental income	*6*	**3,046**	3,210
Gain on disposal of associates	*6*	**2,155**	–
Others		**4,638**	3,139
		12,110	7,555

6. PROFIT BEFORE TAX

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

		Group	
	Notes	**2010**	2009
		HK$'000	*HK$'000*
Cost of properties sold		**147,876**	42,599
Cost of construction contracting		**224,818**	536,092
Cost of inventories sold and services provided		**5,552**	8,410
Auditors' remuneration		**1,780**	1,680
Depreciation	*14*	**3,837**	3,756
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**882**	757
Recognition of prepaid land lease payments	*16*	**139**	139
Minimum lease payments under operating leases on land and buildings		**2,461**	2,702
Rental income on investment properties less direct operating expenses of HK$882,000 (2009: HK$757,000)		**7,836**	5,599
Gain on disposal of associates	*5*	**(2,155)**	–
Loss on disposal of items of property, plant and equipment^		**61**	39
Gross rental income	*5*	**(3,046)**	(3,210)
Less: Outgoings		**132**	122
Rental income		**(2,914)**	(3,088)
Employee benefit expense (including directors' remuneration-note 8):			
Wages and salaries		**31,543**	31,990
Pension schemes contributions*		**856**	755
Less: Amount capitalised		**(3,426)**	(2,372)
		28,973	30,373

6. PROFIT BEFORE TAX *(continued)*

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

	Notes	**Group 2010** **HK$'000**	Group 2009 HK$'000
Foreign exchange differences, net^		**(2,399)**	(1,418)
Provision for inventories, included in cost of inventories sold		**133**	136
Impairment of an amount due from a jointly-controlled entity^		**2,851**	3,174
Impairment of an amount due from an associate^	*19*	**12,860**	–
Impairment of accounts receivable^	*27*	**3,129**	5,113
Reversal of impairment of accounts receivable^	*27*	**(4,802)**	(2,623)
Impairment of other receivables^	*28*	**–**	153
Reversal of impairment of other receivables^	*28*	**(798)**	(900)

* At 31 March 2010, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2009: Nil).

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group 2010 **HK$'000**	Group 2009 HK$'000
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**15,257**	9,185
Interest on convertible notes	**67**	1,077
Total interest expense on financial liabilities not at fair value through profit or loss	**15,324**	10,262
Less: Interest capitalised	**(6,869)**	(2,649)
	8,455	7,613

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, are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Fees	**312**	312
Other emoluments:		
Salaries and allowances	**3,257**	3,538
Pension schemes contributions	**58**	76
	3,315	3,614
	3,627	3,926

(a) Independent non-executive directors

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

	2010	2009
	HK$'000	*HK$'000*
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 (2009: Nil).

8. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees	Salaries and allowances	Pension schemes contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
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**
2009				
Mr. Wang Ke Duan	–	540	–	540
Mr. Tjia Boen Sien	–	1,338	12	1,350
Mr. Wang Jing Ning	–	480	12	492
Mr. Keung Kwok Cheung	–	963	46	1,009
Mr. Ong Chi King*	–	217	6	223
	–	3,538	76	3,614

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2009: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2009: three) non-director, highest paid employees for the year are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Salaries and allowances	**2,032**	1,904
Pension schemes contributions	**53**	53
	2,085	1,957

The remuneration of these three (2009: three) non-director, highest paid employees for the year fell within the band of nil to HK$1,000,000.

10. INCOME TAX

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**–**	9
Current – Elsewhere		
Charge for the year	**9,954**	9,360
Overprovision in prior years	**(2,184)**	(21)
Deferred (note 35)	**3,200**	3,757
LAT in Mainland China	**23,169**	11,849
Total tax charge for the year	**34,139**	24,954

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	
	2010	2009
	HK$'000	*HK$'000*
Profit before tax	**62,723**	38,614
Tax at the statutory tax rate of 16.5% (2009: 16.5%)	**10,349**	6,371
Effect of different rates for companies operating in other jurisdictions	**4,025**	4,221
Effect on opening deferred tax of decrease in rates	**–**	(31)
Adjustments in respect of current tax of previous periods	**(2,184)**	(21)
Profits and losses attributable to associates	**37**	43
Profits and losses attributable to a jointly-controlled entity	**102**	1,767
Income not subject to tax	**(8,709)**	(3,465)
Expenses not deductible for tax	**6,829**	1,675
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	**908**	3,108
Tax losses utilised from previous periods	**(639)**	(2,392)
Tax losses and temporary differences not recognised	**670**	1,891
LAT	**23,169**	11,849
Others	**(418)**	(62)
Tax charge at the Group's effective rate of 54.4% (2009: 64.6%)	**34,139**	24,954

The share of tax credit attributable to associates amounting to HK$29,000 (2009: tax charge of HK$498,000) 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 2010 includes a profit of HK$20,326,000 (2009: loss of HK$4,795,000) which has been dealt with in the financial statements of the Company (note 39(b)).

12. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Proposed final – HK2 cents (2009: Nil) per ordinary share	**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 566,973,017 (2009: 570,127,894) 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, adjusted to reflect the interest on the convertible notes. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**26,951**	12,570
Interest on convertible notes	**–**	1,077
Profit attributable to ordinary equity holders of the Company before interest on convertible notes	**26,951**	13,647

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**566,973,017**	570,127,894
Effect of dilution-weighted average number of ordinary shares:		
Convertible notes	**–**	35,000,000
	566,973,017	605,127,894*

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

14. PROPERTY, PLANT AND EQUIPMENT

Group

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

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

Group *(continued)*

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

The Group's leasehold buildings, except for a property located in China with a carrying value of HK$2,351,000 as at 31 March 2010 (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$56,700,000 based on their existing use. In the opinion of the directors, the carrying value of the Property approximates to its fair value as at 31 March 2010 with reference to recent market transactions. A revaluation surplus of HK$7,595,000 (2009: HK$4,520,000) resulting from the revaluation has been credited to other comprehensive income.

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

Details of the leasehold buildings are as follows:

	Group	
	2010	2009
	HK$'000	*HK$'000*
Long term lease:		
Hong Kong	**4,300**	1,413
Medium term leases:		
Hong Kong	**38,600**	37,000
Mainland China	**16,151**	14,695
	59,051	53,108

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

As at 31 March 2010, certain leasehold buildings of the Group with aggregate carrying amounts of HK$42,900,000 (2009: HK$38,413,000) were pledged to secure certain banking facilities granted to the Group (note 34).

15. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 April	**181,704**	134,040
Additions	**15,134**	–
Net profit from fair value adjustment	**9,167**	2,599
Transfer from property, plant and equipment (note 14)	**2,717**	43,005
Exchange realignment	**1,608**	2,060
Carrying amount at 31 March	**210,330**	181,704

15. INVESTMENT PROPERTIES *(continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Long term lease	**153,900**	129,950
Medium term lease	**56,430**	51,754
	210,330	181,704

The Group's investment properties were revalued on 31 March 2010 by B.I. Appraisals Limited, independent professionally qualified valuers, at HK$210,330,000, on an open market, existing use basis.

As at 31 March 2010, the investment properties of the Group with aggregate carrying amounts of HK$210,330,000 (2009: HK$181,704,000) were pledged to secure certain banking facilities granted to the Group (note 34).

As at 31 March 2010, investment properties of the Group with carrying amounts of HK$153,900,000 (2009: HK$129,950,000) and HK$56,430,000 (2009: HK$51,754,000) 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 19.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Carrying amount at 1 April	**5,857**	5,996
Acquisition of subsidiaries (note 40)	**30,670**	–
Reclassified as disposal groups classified as held for sale (note 30)	**(30,670)**	–
Recognised during the year	**(139)**	(139)
Carrying amount at 31 March	**5,718**	5,857
Current portion included in prepayments, deposits and other receivables	**(139)**	(139)
Non-current portion	**5,579**	5,718

16. PREPAID LAND LEASE PAYMENTS *(continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Situated in Hong Kong and held under:		
Medium term lease	**4,844**	4,975
Long term lease	**874**	882
	5,718	5,857

At 31 March 2010, the leasehold land of the Group was pledged to secure certain banking facilities granted to the Group (note 34).

17. INTERESTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	*HK$'000*
Unlisted shares, at cost	**156,031**	156,031
Due from subsidiaries	**200,997**	196,652
	357,028	352,683

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

17. INTERESTS IN SUBSIDIARIES *(continued)*

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	Percentage of equity attributable to the Company 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	Construction contracting and investment holding
Deson Industries Limited *	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Property Development (Kaifeng) Co., Ltd. (b) *	PRC/ Mainland China	HK$70,000,000	(ii)	–	100	Property development
Deson Ventures Limited *	British Virgin Islands/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (b) *	PRC/ Mainland China	US$6,400,000	(ii)	–	100	Property development
Kenworth Engineering Limited	Hong Kong	HK$54,374,140 HK$20,000,000	Ordinary Preference (iii)	–	100	Provision of electrical and mechanical engineering services
惠州高爾夫球場有限公司(a) *#	PRC/ Mainland China	HK$90,000,000	(ii)	–	54	Golf course operation

17. INTERESTS 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
惠州怡海房地產開發有限公司(b) *#	PRC/ Mainland China	HK$38,500,000	(ii)	–	60	Property development
Lead Joy Investments Limited *#	British Virgin Islands/ Hong Kong	US$10	Ordinary	–	60	Investment holding
Measure Up Profits Limited *#	British Virgin Islands/ Hong Kong	US$100	Ordinary	–	60	Investment holding
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment
Super Sight Investments Inc. *	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
上海迪申建築装潢有限公司(a) *	PRC/ Mainland China	US$700,000	(ii)	–	100	Decoration engineering
Wonderful Hope Limited *	British Virgin Islands/ Mainland China	US$1	Ordinary	–	100	Property development
美格菲(成都)康體發展有限公司 (b) *	PRC/ Mainland China	RMB15,000,000	(ii)	–	100	Property investment
海南亞豪置業有限公司 (b) *	PRC/ Mainland China	RMB10,000,000	(ii)	–	100	Property investment

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

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

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

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

17. INTERESTS IN SUBSIDIARIES *(continued)*

Notes:

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

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

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

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

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net liabilities	**(14,115)**	(13,495)
Due from a jointly-controlled entity	**22,927**	19,456
Impairment	**(8,812)**	(5,961)
	14,115	13,495
	–	–

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

An impairment was recognised for an amount due from a jointly-controlled entity with carrying amount of HK$22,927,000 (before deducting the impairment loss) (2009: HK$19,456,000) because the amount is unlikely to be recovered on the foreseeable future.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY *(continued)*

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.

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

	2010 **HK$'000**	2009 *HK$'000*
Share of the jointly-controlled entity's assets and liabilities:		
Current assets	**4**	1,939
Non-current assets	**–**	7
Current liabilities	**(14,119)**	(15,441)
Net liabilities	**(14,115)**	(13,495)
Share of the jointly-controlled entity's results:		
Revenue	**2,204**	–
Total expenses	**(2,824)**	(10,708)
Loss after tax	**(620)**	(10,708)

19. INTERESTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Share of net liabilities	**(3,381)**	(2,408)
Advance to an associate	**20,013**	–
Impairment	**(12,860)**	–
	7,153	–
	3,772	(2,408)
Due from associates	**27,108**	26,650
Due to associates	**(54)**	(262)

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

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

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

19. INTERESTS IN ASSOCIATES *(continued)*

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 any other member firm of the Ernst & Young global network.

Notes:

(i) The issued or paid-up capital of this associate is not classified.

(ii) The remittance of dividends to the Group from this associate operating outside Hong Kong is subject to the availability of foreign currencies generated and retained by this associate.

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.

In the prior year, the carrying amount of an interest in an associate, Fuzhou Jiandi Concrete Co., Ltd., amounting to HK$9,295,000 was reclassified as a non-current asset classified as held for sale. Further details of the non-current asset classified as held for sale are included in note 30 to the financial statements.

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 profits for the current year and share of accumulated losses of these associates amounted to HK$78,000 (2009: losses of HK$689,000) and HK$1,455,000 (2009: HK$1,533,000), respectively.

19. INTERESTS IN ASSOCIATES *(continued)*

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

	2010	2009
	HK$'000	*HK$'000*
Assets	**102,995**	67,529
Liabilities	**176,377**	76,872
Revenues	**59,763**	121,342
Losses	**(64,491)**	(699)

20. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Unlisted equity investments, at cost *	**–**	2,400
Impairment	**–**	(2,400)
	–	–

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

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

In the prior year, an impairment was recognised for an unlisted equity investment with a carrying amount of HK$2,400,001 (before deducting the impairment loss) because this investment had been loss-making for some time. During the year, the Group has written off the investment cost because, in the opinion of the directors, the investment cost is not recoverable.

In the prior year, unlisted equity investment with a carrying amount of HK$78 was stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors were of the opinion that its fair value could not be measured reliably. This investment was disposed of during the year.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Investment-linked deposits, at fair value	**2,280**	2,260

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

As at 31 March 2010, one of the above investment-linked deposits with a carrying amount of HK$1,140,000 (2009: HK$1,130,000) was pledged to secure certain banking facilities granted to the Group (note 34).

22. AMOUNT DUE FROM AN INVESTEE

	Group	
	2010	2009
	HK$'000	*HK$'000*
Due from an investee	**–**	3,840
Impairment	**–**	(3,840)
	–	–

In the prior year, an impairment was recognised for an amount due from an investee with a carrying amount of HK$3,840,000 (before deducting the impairment loss) because this investee had been loss-making for some time. During the year, the Group has written off the amount due from an investee because, in the opinion of the directors, the amount is not recoverable.

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

23. AMOUNTS DUE TO MINORITY SHAREHOLDERS

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

24. PROPERTIES HELD FOR SALE

	Group	
	2010	2009
	HK$'000	*HK$'000*
Completed properties	**214,894**	315,253
Properties under development	**271,368**	204,811
	486,262	520,064

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

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

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

25. CONSTRUCTION CONTRACTS

	Group	
	2010	2009
	HK$'000	*HK$'000*
Gross amount due from contract customers	**2,641**	5,247
Gross amount due to contract customers	**(42,677)**	(38,626)
	(40,036)	(33,379)
Contract costs incurred plus recognised profits less recognised losses and provision for foreseeable losses to date	**1,553,876**	1,669,158
Less: Progress billings	**(1,593,912)**	(1,702,537)
	(40,036)	(33,379)

26. INVENTORIES

	Group	
	2010	2009
	HK$'000	*HK$'000*
Trading goods	**1,526**	1,497

27. ACCOUNTS RECEIVABLE

	Group	
	2010	2009
	HK$'000	*HK$'000*
Accounts receivable	**84,079**	73,580
Impairment	**(19,098)**	(21,443)
	64,981	52,137
Retention monies receivable	**6,313**	7,335
	71,294	59,472

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	
	2010	2009
	HK$'000	*HK$'000*
Current to 90 days	**31,053**	32,153
91 to 180 days	**13,889**	5,989
181 to 360 days	**10,153**	333
Over 360 days	**9,886**	13,662
	64,981	52,137
Retention monies receivable	**6,313**	7,335
Total	**71,294**	59,472

27. ACCOUNTS RECEIVABLE *(continued)*

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**21,443**	22,443
Impairment losses recognised (note 6)	**3,129**	5,113
Amount written off as uncollectible	**(672)**	(4,154)
Impairment losses reversed (note 6)	**(4,802)**	(2,623)
Exchange realignment	**–**	664
At 31 March	**19,098**	21,443

Included in the above provision for impairment of accounts receivable is a provision for individually impaired accounts receivable of HK$19,098,000 (2009: HK$21,443,000) with a carrying amount before provision of HK$19,098,000 (2009: HK$21,443,000). 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	
	2010	2009
	HK$'000	*HK$'000*
Neither past due nor impaired	**31,053**	36,952
Less than 3 months past due	**6,723**	3,938
3 to 6 months past due	**13,197**	67
More than 6 months past due	**14,008**	11,180
	64,981	52,137

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

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

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

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Prepayments	**15,659**	21,143	**35**	34
Deposits	**685**	1,241	**–**	–
	16,344	22,384	**35**	34
Other receivables	**17,339**	12,823	**–**	–
Impairment	**(4,134)**	(4,917)	**–**	–
	13,205	7,906	**–**	–
	29,549	30,290	**35**	34

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

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
At 1 April	**4,917**	5,638
Impairment losses recognised (note 6)	**–**	153
Amount written off as uncollectible	**–**	(4)
Impairment losses reversed (note 6)	**(798)**	(900)
Exchange realignment	**15**	30
At 31 March	**4,134**	4,917

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

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

		Group		Company	
		2010	2009	**2010**	2009
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances		**73,608**	53,807	**94**	64
Time deposits		**31,324**	31,331	**–**	–
		104,932	85,138	**94**	64
Less: Pledged deposits for banking facilities	*34*	**(31,324)**	(31,331)	**–**	–
Cash and cash equivalents		**73,608**	53,807	**94**	64

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$69,332,000 (2009: HK$50,208,000). 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.

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

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

30. DISPOSAL GROUPS/NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE *(continued)*

Notes:

(i) On 7 April 2010, Interpath Profits Limited ("Interpath Profits"), an indirect 60% owned subsidiary of the Company, entered into two sale and purchase agreements (the "Sale and Purchase Agreements") with two independent third parties, Bond Light Limited ("Bond Light") and Big Meg Limited ("Big Meg"), respectively. Pursuant to the Sale and Purchase Agreements, Interpath Profits shall dispose of the entire issued share capital and the related shareholders' loans of two wholly-owned subsidiaries of Interpath Profits, namely Lead Joy Investments Limited ("Lead Joy") and Measure Up Profits Limited ("Measure Up"), to Bond Light and Big Meg, respectively. The consideration for the Lead Joy disposal and Measure Up disposal amounted to RMB99,500,000 and RMB242,000,000, respectively. Lead Joy indirectly owned a 90% equity interest in the 惠州高爾夫球場有限公司 and Measure Up owns a 100% equity interest in the 惠州怡海房地產開發有限公司 (collectively the "Disposal Groups"). The transactions are expected to be completed in August 2010. Details of the disposals are set out in the announcement of the Company dated 14 April 2010.

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

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

	Notes	**2010** **HK$'000**
Assets		
Property, plant and equipment	*14*	**98,434**
Prepaid land lease payments	*16*	**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 minority 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**
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 Group of HK$100,000,000 is secured by the Group's 30% equity interest in Measure Up. This loan is repayable on 10 December 2010 and bears interest at 6% per annum.

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

31. ACCOUNTS PAYABLE

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Current to 90 days	**12,469**	36,713
91 to 180 days	**4**	260
181 to 360 days	**597**	277
Over 360 days	**7,878**	7,019
	20,948	44,269

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

32. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits received	**38,121**	3,120	**–**	–
Other payables	**38,855**	63,433	**–**	–
Accruals	**80,539**	104,563	**1,192**	1,421
	157,515	171,116	**1,192**	1,421

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

33. AMOUNTS DUE TO RELATED COMPANIES

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

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group	2010 Contractual interest rate (%)	2010 Maturity	2010 HK$'000	2009 Contractual interest rate (%)	2009 Maturity	2009 HK$'000
Current						
Bank loans-secured	**3.14 to 9.72**	**2010 to 2011**	**55,549**	5.94 to 13.50	2009 to 2010	25,990
Bank overdrafts-secured	**Prime rate + 0.50**	**On demand**	**41,623**	Prime rate + 0.50	On demand	23,568
Trust receipt loans-secured	**Prime rate + 0.875**	**2010**	**15,377**	Prime rate + 0.875	2009	22,355
Other loans-secured	**12.00**	**2010 to 2011**	**10,000**	12.00	2009 to 2010	20,000
Other loan-unsecured	**10.00**	**2010**	**11,400**	13.00	2009	5,650
			133,949			97,563
Convertible notes (note 36)	**–**	**–**	**–**	4.00	2009	15,721
			133,949			113,284
Non-current						
Bank loans-secured	**3.14 to 6.83**	**2011 to 2015**	**59,499**	5.94 to 6.83	2011 to 2015	32,205
Other loan-secured	**12.00**	**2011**	**5,000**	–	–	–
			64,499			32,205
			198,448			145,489

Company	2010 Contractual interest rate (%)	2010 Maturity	2010 HK$'000	2009 Contractual interest rate (%)	2009 Maturity	2009 HK$'000
Current						
Convertible notes (note 36)	**–**	**–**	**–**	4.00	2009	15,721

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Analysed into:				
Bank loans, overdrafts and trust receipt loans repayable:				
Within one year or on demand	**112,549**	71,913	**–**	–
In the second year	**8,300**	7,910	**–**	–
In the third to fifth years, inclusive	**48,463**	16,159	**–**	–
Beyond five years	**2,736**	8,136	**–**	–
	172,048	104,118	**–**	–
Other borrowings repayable:				
Within one year or on demand	**21,400**	41,371	**–**	15,721
In the second year	**5,000**	–	**–**	–
	26,400	41,371	**–**	15,721
	198,448	145,489	**–**	15,721

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

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold buildings situated in Hong Kong of HK$42,900,000 (2009:HK$38,413,000) (note 14);

(ii) the pledge of the Group's investment properties situated in Mainland China of HK$210,330,000 (2009: HK$181,704,000) (note 15);

(iii) the pledge of the Group's leasehold land situated in Hong Kong of HK$5,718,000 (2009: HK$5,857,000) (note 16);

(iv) the pledge of one of the Group's financial assets at fair value through profit or loss of HK$1,140,000 (2009: HK$1,130,000) (note 21);

(v) the pledge of certain of the Group's completed properties held for sale situated in Mainland China of HK$38,528,000 (2009: HK$79,065,000) (note 24); and

(vi) the pledge of the Group's deposits of HK$31,324,000 (2009: HK$31,331,000) (note 29).

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

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

Except for a loan amounting to HK$11,400,000 (2009: HK$5,650,000) which is unsecured, bears interest at 10% (2009: 13%) per annum and repayable on 10 September 2010 (2009: repayable on 9 December 2009), the remaining other loan amounting to HK$15,000,000 (2009: HK$20,000,000) is secured by the Group's equity interest in a subsidiary which held completed properties held for sale of HK$33,071,000 (2009: HK$34,684,000) (note 24), repayable in three equal quarterly instalments of HK$5,000,000 each commencing on 28 December 2010 and bears interest at 12% per annum.

35. DEFERRED TAX

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

Deferred tax liabilities

Group		**2010**		
	Accelerated tax depreciation *HK$'000*	**Revaluation of properties** *HK$'000*	**Withholding taxes** *HK$'000*	**Total** *HK$'000*
At 1 April 2009	**239**	**15,905**	**3,108**	**19,252**
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	**–**	**1,408**	**–**	**1,408**
Exchange realignment	**–**	**34**	**–**	**34**
Deferred tax liabilities at 31 March 2010	**239**	**19,639**	**4,016**	**23,894**

35. DEFERRED TAX *(continued)*

Deferred tax liabilities *(continued)*

	2009			
	Accelerated tax depreciation *HK$'000*	Revaluation of properties *HK$'000*	Withholding taxes *HK$'000*	Total *HK$'000*
At 1 April 2008	239	14,008	–	14,247
Deferred tax charged to the income statement during the year (note 10)	–	649	3,108	3,757
Deferred tax debited to equity during the year	–	1,225	–	1,225
Exchange realignment	–	23	–	23
Deferred tax liabilities at 31 March 2009	239	15,905	3,108	19,252

The Group has estimated tax losses arising in Hong Kong of HK$580,753,000 (2009: HK$577,390,000) 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$10,774,000 (2009: HK$15,155,000) 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 to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

36. CONVERTIBLE NOTES

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

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

36. CONVERTIBLE NOTES *(continued)*

The convertible notes were fully redeemed upon maturity in the current year.

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

	2010	2009
	HK$'000	*HK$'000*
Nominal value		
At 1 April	**15,750**	15,750
Redemption during the year	**(15,750)**	–
At 31 March	**–**	15,750
Liability component		
At 1 April	**15,721**	15,274
Redemption during the year	**(15,750)**	–
Interest expense	**67**	1,077
Interest paid	**(38)**	(630)
At 31 March (note 34)	**–**	15,721
Equity component		
At 1 April	**1,259**	1,259
Transfer to retained profits on redemption	**(1,259)**	–
At 31 March	**–**	1,259

37. SHARE CAPITAL

Shares

	2010	2009
	HK$'000	*HK$'000*
Authorised:		
1,500,000,000 (2009: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
566,973,017 ordinary shares of HK$0.10 each	**56,697**	56,697

37. 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:

	Number of shares in issue	Issued capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2008	572,738,017	57,274	122,493	179,767
Repurchase of shares	(5,765,000)	(577)	(686)	(1,263)
	566,973,017	56,697	121,807	178,504
Share repurchase expenses	–	–	(17)	(17)
At 31 March 2009, 1 April 2009 and 31 March 2010	**566,973,017**	**56,697**	**121,790**	**178,487**

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

Subsequent to the end of the reporting period, the Company repurchased a total of 1,245,000 of its own shares on the Stock Exchange at prices ranging from HK$0.59 to HK$0.60 per share, for a total consideration, before expenses, of HK$746,000.

Share options

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

38. SHARE OPTION SCHEME

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

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

38. SHARE OPTION SCHEME *(continued)*

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

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

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

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

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

No share option was granted during the current and prior years.

In the prior year, 27,200,000 share options expired on 10 February 2009 and an amount of HK$379,000 was transferred from the share option reserve to retained profits in respect of these options.

At the end of the reporting period, no share option was outstanding under the Scheme.

Subsequent to the end of the reporting period, 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.

At the date of approval of these financial statements, the Company had 30,700,000 share options outstanding under the Scheme, which represented approximately 5.4% of the Company's shares in issue as at that date.

39. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the 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$'000	Total HK$'000
At 1 April 2008		122,493	155,531	379	9,436	(4,658)	283,181
Total comprehensive income for the year	11	–	–	–	–	(4,795)	(4,795)
Repurchase of shares	37	(686)	–	–	577	(577)	(686)
Share repurchase expenses	37	(17)	–	–	–	–	(17)
Share options expired during the year	38	–	–	(379)	–	379	–
At 31 March 2009 and 1 April 2009		121,790	155,531	–	10,013	(9,651)	277,683
Total comprehensive income for the year	11	–	–	–	–	20,326	20,326
Transfer of reserve upon redemption of convertible notes	36	–	–	–	–	1,259	1,259
Proposed final 2010 dividend	12	–	–	–	–	(11,315)	(11,315)
At 31 March 2010		121,790	155,531	–	10,013	619	287,953

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

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payment transactions in note 2.4 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.

40. BUSINESS COMBINATION

On 27 January 2010, the Group acquired the entire issued capital of Mellink Holdings Limited ("Mellink Holdings") (formerly known as Hong Kong Okabe Company Limited). Mellink Holdings is an investment holding company and indirectly holds 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 during the year. Details of the acquisition are set out in the circular of the Company dated 10 March 2010.

As further detailed in note 30 to the financial statements, subsequent to the end of the reporting period, on 7 April 2010, the Group entered into two sale and purchase agreements to dispose of 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 and the corresponding carrying amounts immediately before the acquisition were as follows:

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

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)

41. CONTINGENT LIABILITIES

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

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**–**	–	**266,300**	258,100

In respect of the guarantees granted to subsidiaries, banking facilities in the amount of HK$121,011,000 (2009: HK$108,624,000) were utilised by the subsidiaries as at 31 March 2010.

42. 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 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**4,894**	3,684
In the second to fifth years, inclusive	**5,556**	4,747
After five years	**3,299**	–
	13,749	8,431

During the year, the Group recognised HK$6,291,000 (2009: HK$3,905,000) in respect of contingent rentals receivable which was calculated according to a certain percentage on the turnover of the tenants.

42. OPERATING LEASE ARRANGEMENTS *(continued)*

(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 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010	2009
	HK$'000	*HK$'000*
Within one year	**722**	2,133
In the second to fifth years, inclusive	**1,927**	6,022
After five years	**2,669**	10,050
	5,318	18,205

The Company had no operating lease arrangements as at 31 March 2010 (2009: Nil).

43. COMMITMENTS

At the end of the reporting period, neither the Group nor the Company had any significant capital commitments.

At the end of the reporting period, the Group had committed to advance a loan to an associate of RMB11,428,000.

44. 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	**2010** **HK$'000**	2009 HK$'000
Management fees received from associates	*(i)*	**1,057**	831
Management fees received from a related company	*(i)*	**240**	240
Interest income from a jointly-controlled entity	*(ii)*	**216**	441
Rental income from related companies	*(iii)*	**2,598**	2,580
Sales 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) 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 (2009: HK$45,000) and HK$171,000 (2009: HK$170,000) 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) The sales of properties to a director were made with reference to prices offered to the other customers of the Group. There was no outstanding balance with this director as at 31 March 2010 (31 March 2009: Nil).

(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 18 and 19 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 17 to the financial statements;

(iii) Details of the Group's balances with its minority shareholders as at the end of the reporting period are included in note 23 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 33 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.

45. 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:

2010 **Group**

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*	Loans and receivables *HK$'000*	Total *HK$'000*
Amounts due from associates	–	27,108	27,108
Financial assets at fair value through profit or loss	2,280	–	2,280
Accounts receivable	–	71,294	71,294
Financial assets included in prepayments, deposits and other receivables (note 28)	–	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 32)	38,855
Amounts due to associates	54
Amounts due to minority shareholders	24,465
Amounts due to related companies	18,444
Interest-bearing bank and other borrowings	198,448
	301,214

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2009 Group

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Total
	HK$'000	*HK$'000*	*HK$'000*
Amounts due from associates	–	26,650	26,650
Financial assets at fair value through profit or loss	2,260	–	2,260
Accounts receivable	–	59,472	59,472
Financial assets included in prepayments, deposits and other receivables (note 28)	–	9,147	9,147
Cash and cash equivalents	–	53,807	53,807
Pledged deposits	–	31,331	31,331
	2,260	180,407	182,667

Financial liabilities

	Financial liabilities at amortised cost
	HK$'000
Accounts payable	44,269
Financial liabilities included in other payables and accruals (note 32)	63,433
Amounts due to associates	262
Amounts due to minority shareholders	19,529
Amounts due to related companies	27,166
Convertible notes	15,721
Interest-bearing bank and other borrowings	129,768
	300,148

45. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

Financial assets

	Company	
	Loans and receivables	
	2010	2009
	HK$'000	*HK$'000*
Cash and cash equivalents	**94**	64

Financial liabilities

	Financial liabilities at amortised cost	
	2010	2009
	HK$'000	*HK$'000*
Convertible notes	**–**	15,721

46. FAIR VALUE HIERARCHY

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

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which 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 2010, the financial instruments measured at fair value held by the Group comprised of equity investments at fair value through profit or loss and was classified as Level 1.

During the year ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Interest rate risk

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

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 34 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 interest rates, 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**	**Increase/ (decrease) in equity***
		HK$'000	*HK$'000*
2010			
Hong Kong dollar	**100**	**(1,777)**	**–**
Hong Kong dollar	**(100)**	**1,777**	**–**
2009			
Hong Kong dollar	100	(1,005)	–
Hong Kong dollar	(100)	1,005	–

* Excluding retained profits

47. 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 rates, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

		Increase/ (decrease) in profit before tax	Increase/ (decrease) in equity*
	%	*HK$'000*	*HK$'000*
2010			
If Hong Kong dollar weakens against RMB	**5**	**(5,390)**	**–**
If Hong Kong dollar strengthens against RMB	**(5)**	**5,390**	**–**
2009			
If Hong Kong dollar weakens against RMB	5	(1,963)	–
If Hong Kong dollar strengthens against RMB	(5)	1,963	–

* Excluding retained profits

Credit risk

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

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

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

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

47. 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

			2010		
		Less than	**1 to 5**	**Over**	
	On demand	**12 months**	**years**	**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 32)	**38,855**	**–**	**–**	**–**	**38,855**
Amounts due to associates	**54**	**–**	**–**	**–**	**54**
Amounts due to minority 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**

			2009		
		Less than	1 to 5	Over	
	On demand	12 months	years	5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Accounts payable	–	44,269	–	–	44,269
Financial liabilities included in other payables and accruals (note 32)	63,433	–	–	–	63,433
Amounts due to associates	262	–	–	–	262
Amounts due to minority shareholders	19,529	–	–	–	19,529
Amounts due to related companies	27,166	–	–	–	27,166
Convertible notes	–	15,750	–	–	15,750
Interest-bearing bank and other borrowings	23,568	79,434	29,379	8,622	141,003
	133,958	139,453	29,379	8,622	311,412

47. 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, is as follows:

Company

	2010			2009		
	On demand	**Less than 12 months**	**Total**	On demand	Less than 12 months	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Convertible notes	**–**	**–**	**–**	–	15,721	15,721
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**121,011**	**–**	**121,011**	108,624	–	108,624
	121,011	**–**	**121,011**	108,624	15,721	124,345

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 2010 and 31 March 2009.

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

	Group	
	2010	2009
	HK$'000	*HK$'000*
Accounts payable	**20,948**	44,269
Other payables and accruals	**157,515**	171,116
Amounts due to associates	**54**	262
Amounts due to minority shareholders	**24,465**	19,529
Amounts due to related companies	**18,444**	27,166
Interest-bearing bank and other borrowings	**198,448**	129,768
Less: Cash and cash equivalents	**(73,608)**	(53,807)
Net debt	**346,266**	338,303
Convertible notes, the liability component	**–**	15,721
Equity attributable to owners of the Company	**508,829**	474,047
Total capital	**508,829**	489,768
Capital and net debt	**855,095**	828,071
Gearing ratio	**40%**	41%

48. EVENTS AFTER THE REPORTING PERIOD

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

49. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2010.

建築工程 Construction Project

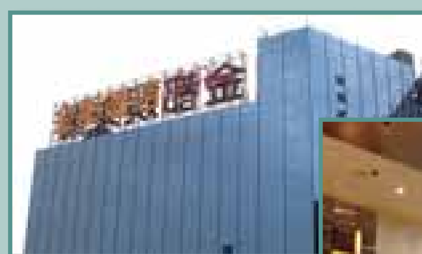
四川成都海洋中心(第一期)
項目工程管理 • 一幢38層高公寓大樓、一幢31層高商務大樓、3層高裙樓及3層地下室，總建築面積為87,279平方米。

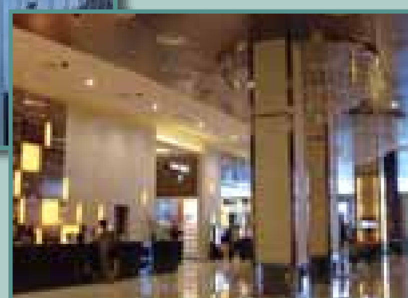
Chengdu Neptune Centre (Phase 1), Sichuan
Project Management for a 38-storey apartment building, a 31-storey commercial building, 3-storey podium and 3-storey basement with totally floor area 87,279m^2.

裝修工程 Fitting Out Project

精裝修工程 •
香港尖沙咀廣東道
Prada旗艦店

Fitting out works for Prada Flagship Store at Canton Road, Tsimshatsui, Hong Kong





澳門金都酒店
項目工程管理 • 澳門金都娛樂場之翻新及室內裝飾工程。

Grand Waldo Hotel, Macau
Project Management for the alteration & additions works and interior fitting out works of Grand Waldo Casino.

機電工程 E&M Project

屋宇設備安裝工程 • 深水埗瑪利諾神父教會學校(小學部)

Building Services Installation for the Construction of Maryknoll Fathers' School (Primary Section)

屋宇設備安裝工程 • 香港中環
正義道舊域多利軍營軍火庫
(一級歷史建築物保護工程)

Building Services Installation for Former Explosives Magazine of the Old Victoria Barracks, Justice Drive, Central, Hong Kong (Grade 1 Historical Buildings Preservation)