ICube Technology Holdings Limited

(Incorporated in Bermuda with limited liability)

Stock Code:139

annual report 2010-11

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Corporate Information

EXECUTIVE DIRECTORS

Wong Howard *(Chairman & Chief Executive Officer)*
Wong Yat Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tung Tat Chiu, Michael
Li Chi Ming
Wan Ngar Yin, David

AUDIT COMMITTEE

Tung Tat Chiu, Michael *(Chairman)*
Li Chi Ming
Wan Ngar Yin, David

REMUNERATION COMMITTEE

Li Chi Ming *(Chairman)*
Tung Tat Chiu, Michael
Wan Ngar Yin, David

COMPANY SECRETARY

Szeto Pui Tong, Patrick

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1603-05
Harcourt House
39 Gloucester Road
Wanchai, Hong Kong

PRINCIPAL SHARE REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.icubetech.com.hk

STOCK CODE

139

Chairman's Statement and Management Discussion and Analysis

BUSINESS REVIEW

The Group's revenue for the Year was HK$20.4 million, representing a decrease of HK$13.8 million or 40.5% compared with last year. The net loss for the Year was HK$53.8 million, compared to the loss of HK$58.0 million last year. Loss per share attributable to ordinary equity holders of the parent for the Year was HK1.64 cents (2010: HK2.05 cents). The Group's net loss for the Year was primarily attributable to realized loss of HK$25.9 million and unrealized loss of HK$12.3 million on equity investments in the treasury investments segment.

According to the China Semiconductor Industry Association (CSIA) 2009 report, Mainland China's semiconductor consumption reached RMB567.6 billion in 2009, accounting for more than 30% of worldwide semiconductor consumption. Mainland China has now become a key player in the global semiconductor market and its consumption of semiconductors has exceeded the markets in Japan, North America and Europe. With both global economic recovery and strong domestic economic growth, Mainland China's semiconductor consumption is expected to continue to grow. To capture increasing business opportunities from the growing semiconductor market and benefits from the government policy of encouraging the development of new and high-end technology in Mainland China, the Group has been dedicating its efforts and resources to developing its own proprietary core architecture for a high computation performance processor.

The core architecture in development is a Multi-Threaded Virtual Pipeline (MVP) on a scalable and programmable stream processor core, which is new core architecture for high computation performance based on multi-processing and parallel computing. The new Company name, ICube Technology Holdings Limited ("ICube"), reflects the Group's new business direction and its recent progress in research and development efforts, pioneering a new level of technological development in China's semiconductor design space with its own developed core processing architecture. ICube's MVP is an independently developed "China Core" featuring the versatility of a unified processor, combining the capabilities of a central processing unit (CPU) and graphics processing unit (GPU) in one solution for China's vast consumer electronics market. The Group's development of this new processing architecture has revolutionized mobile computing by unrolling its Harmony Unified Processor Technology, which contains an independent Instruction-Set-Architecture with optimized compiler, the MVP parallel computing core and dynamic load balancing with Agile Switching of simultaneously-multi-threading (SMT) threads.

Chairman's Statement and Management Discussion and Analysis

During the Year, the Group reached a significant milestone in taping out its first MVP based product, ICube's IC1, and successfully implemented its Harmony Unified Processor Technology through field programmable gate arrays. The ICube's IC1 contains two MVP cores that provide high computing power while maintaining a substantial price/performance advantage in the industry for mobile computing and mobile communication devices. When IC1 is brought to the market place, the Board believes that it will be the first system-on-chip (SoC) design based on MVP that combines CPU and GPU into one truly integrated core and also the first chip in Mainland China with multi-core processors based on parallel computing with advanced SMT design technique. Ultimately, this technological development allows the Group's MVP based products to deliver the best cost-efficient and power-efficient processor performance to the mass mobile computer consumers.

The Group's electronic products business continued to face intense market competition in terms of rising raw material costs, shortage of labour and downward price pressures. During the Year, the Group made efforts to secure new sales orders for the assembly of traditional electronics products and thus the sales revenue from the electronic products segment increased by HK$22.1 million or 134.8% to HK$38.5 million. Due to the production mold costs and set-up overheads for the launch of the new products, the operating loss for this segment for the Year increased to HK$4.8 million.

The Group continued to utilize its available funds in treasury investments. During the Year, the local stock market became volatile due to the European debt crisis and the earthquake and radiation leak in Japan. The treasury investments segment for the Year recorded an unrealized loss of HK$12.3 million and realized loss of HK$25.9 million on equity investments.

In view of the economic uncertainties and the Vietnam government's conservative view on foreign participation in the retail business, the Group has disposed of its convenience stores business in Vietnam (the "Vietnam Disposal") for a consideration of HK$33.2 million. The details of the above transaction were disclosed in the Company's announcement dated 10 August 2010. This transaction was completed on 12 October 2010. The gain from the disposal of the discontinued operation was approximately HK$26.7 million. The Board believes that the disposal will enable the Group to avoid any further losses that will possibly be incurred in the convenience stores business and to redeploy its resources for other investment opportunities.

Chairman's Statement and Management Discussion and Analysis

PROSPECTS

China's semiconductor consumption has grown many times faster than the worldwide market primarily as a result of two driving factors, namely the continuing transfer of worldwide electronic equipment production to China and the above-average semiconductor content of that equipment. The worldwide technology trend towards mobility is also contributing to China's increasing share of worldwide electronic systems production. The strong growth opportunity in China's production and consumption of electronic products provides an optimistic growth opportunity for semiconductors positioned to meet domestic demand for communication and computing devices. For the year to come, with the roll-out of its first MVP based product, IC1 and its Harmony Unified Processor Technology, the Group looks forward to contributing to and growing with the market opportunities that are introduced by China's vast electronics market, especially the mobile computing and communications devices segment.

Looking ahead, as the repercussions of the cyclical volatility in global financial markets and economic uncertainties remain, the Group will continue to be on the alert and to pursue a prudent investment strategy in developing its existing and new businesses.

FINANCIAL REVIEW

The Group's revenue for the Year was HK$20.4 million, representing a decrease of HK$13.8 million or 40.5% compared with last year. The Group's revenue principally comprised the sales of electronic products of HK$38.5 million and the net loss on treasury investments of HK$18.1 million. During the Year, the revenue from electronic products increased by HK$22.1 million or 134.8% to HK$38.5 million.

The total comprehensive loss attributable to owners of the parent for the Year was HK$50.9 million compared to the total comprehensive loss of HK$55.7 million last year. As at 31 March 2011, the Group's consolidated net asset value was HK$120.9 million (31 March 2010: HK$168.7 million).

Research costs for the Year came to HK$9.3 million, compared to HK$1.6 million last year. The research costs were utilized primarily in the research and development of the Group's MVP based product, IC1. Administrative expenses amounted to HK$30.9 million, representing a decrease of HK$2.4 million or 7.1% compared with last year.

The loss for the Year was HK$53.8 million, compared to the loss of HK$58.0 million last year. As at 31 March 2011, the Group's net asset value decreased by HK$47.8 million or 28.3% to HK$120.9 million. This was mainly due to the loss attributable to owners of the parent of HK$46.4 million.

Chairman's Statement and Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group generally financed its operation with internally generated cash flow, cash reserve and banking facilities. The Group's bank and short-term deposits as at 31 March 2011 were HK$50.7 million (at 31 March 2010: HK$141.4 million).

As at 31 March 2011, the Group had no bank overdrafts, short and long term interest-bearing bank borrowings (at 31 March 2010: Nil).

As at 31 March 2011, the Group's current ratio was 5.4 times (at 31 March 2010: 1.5 times) based on current assets of HK$299.7 million (at 31 March 2010: HK$295.9 million) and current liabilities of HK$55.5 million (at 31 March 2010: HK$197.3 million). As at 31 March 2011, current liabilities decreased by HK$141.7 million or 71.8% to HK$55.5 million due to the redemption of convertible bonds of HK$200 million on the maturity day during the Year.

As at 31 March 2011, the Group did not have any significant commitment (2010: HK$15.3 million). The Group also had no other contingent liabilities or material commitments.

CAPITAL STRUCTURE

As at 31 March 2011, the Group's gearing ratio, being convertible notes payable to net worth and the convertible bonds payable was 60.9% (31 March 2010: 52.7%).

The Group's bank deposits and borrowings are mainly denominated in Hong Kong dollars. Most of the Group's sales and purchases are made in United States dollars and Hong Kong dollars. Therefore, the exchange risks the Group is exposed to are minimal.

On 8 October 2010, the Company entered into a placing agreement with a placing agent for the placing of three year zero-coupon Convertible Bonds, on the best efforts basis, with a principal amount of HK$200 million at the conversion price of HK$0.125 per share. The 1,600,000,000 conversion shares represented approximately 36.16% of the then issued share capital of the Company as enlarged by the conversion shares. The net proceeds from the placing of approximately HK$195.5 million are to be utilized for the redemption of the 2007 Convertible Bonds issued by the Company on 16 November 2007 or repayment of any short term financing. The details of the above transaction were disclosed in the Company's announcement dated 8 October 2010.

SIGNIFICANT INVESTMENTS

As at 31 March 2011, the Group had convertible notes issued by two companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with fair value amount of the conversion option derivatives of HK$0.4 million and the carrying amount of the loan portion of HK$70.4 million. The fair value of the loan portion approximated to its fair value. The interest income for the Year was HK$6.4 million.

As at 31 March 2011, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of HK$178.6 million. The related dividend income for the Year was HK$1.4 million.

DETAILS OF CHARGES ON ASSETS

As at 31 March 2011, a fixed deposit of HK$7.3 million (2010: HK$7.3 million) was pledged to secure banking facilities granted to the Group.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, save for the Vietnam Disposal, the Company had no material acquisition and disposal of subsidiaries and associate.

EMPLOYMENT, TRAINING AND DEVELOPMENT

As at 31 March 2011, the Group had a total of 118 employees, of which 27 were based in Hong Kong and 91 based in Mainland China. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

On behalf of the Board
Wong Howard
Chairman of the Board

Hong Kong, 22 June 2011

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Wong Howard, aged 55, is an executive director, the Chairman of the Board, the Chief Executive Officer and the Chairman of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Besides, Mr. Wong is a director and shareholder of Allied Way International Limited, the substantial shareholder of the Company. Mr. Wong joined the Group in February 2000. He has over 20 years of senior management experience in overall strategy, business development and retail chain shops establishment. Mr. Wong had been a Managing Director of a listed company in Hong Kong for two years before joining the Group.

Wong Yat Fai, aged 51, is an executive director and a member of the Executive Committee of the Company. He is also a director of certain subsidiaries of the Company. Mr. Wong joined the Group in February 2000. He holds a professional diploma in banking from The Hong Kong Polytechnic University. Prior to joining the Group, Mr. Wong had over 13 years of working experience in an international banking group. He is a non-executive director of C C Land Holdings Limited, Yugang International Limited, Y. T. Realty Group Limited and The Cross-Harbour (Holdings) Limited, all being listed on the Main Board of the Stock Exchange.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Li Chi Ming, aged 53, is an independent non-executive director, the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. He joined the Group in February 2000. Mr. Li holds an Honorary Bachelor of Laws (LLB) and Postgraduate Certificate in Laws (PCLL) from The University of Hong Kong, and Master of Laws (LLM) from City University of Hong Kong. He has been a Partner of Messrs Poon, Yeung & Li, Solicitors over 19 years.

Tung Tat Chiu, Michael, aged 49, is an independent non-executive director, the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He joined the Group in September 2000. Mr. Tung holds a Bachelor of Arts degree in law and accounting from The University of Manchester, U.K.. Mr. Tung is a practicing solicitor in Hong Kong. He is the company secretary of various listed companies in Hong Kong.

Wan Ngar Yin, David, aged 50, is an independent non-executive director and a member of both the Audit Committee and Remuneration Committee of the Company. He joined the Group in September 2004. Mr. Wan holds a bachelor degree in social sciences from The University of Hong Kong and a master degree in business administration from the University of Sydney in Australia. Mr. Wan is a member of the Hong Kong Securities Institute, a member of the CPA Australia, an associate member of Hong Kong Institute of Certified Public Accountants, an associate member of The Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants.

Directors and Senior Management Profile

COMPANY SECRETARY

Szeto Pui Tong, Patrick, aged 51, joined the Group in March 2000, is the Financial Controller and the Company Secretary of the Group. Before joining the Group, Mr. Szeto has over 13 years of experience in finance and accounting field. Mr. Szeto holds a master degree of business in accounting from Monash University in Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries, the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators.

SENIOR MANAGEMENT

Simon Moy, aged 53, is the Chief Technical Officer of the Group. He joined the Group in March 2009. Mr. Moy has over 20 years of semiconductor experience including his previous position as Principal Engineer at NVIDIA. He holds over 30 US patents, including 3 that led to the first GPU, first programmable CPU and first general-purpose (compute) GPU (GGPU) respectively.

Fred Chow, aged 56, is the Chief Scientist of the Group. He joined the Group in July 2009. Dr. Chow has over 30 years of experience working on compilers and related software. With an international reputation in production optimizing compilers, he has held other previous positions including Chief Scientist at SGI (Silicon Graphics Inc.) and Principal Engineer at MIPS. Dr. Chow holds 8 US patents and has written over 20 professional publications.

Report of the Directors

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

CHANGE OF COMPANY NAME

Pursuant to a special resolution passed by the shareholders of the Company at the special general meeting held on 9 November 2010 and the subsequent approval of the Registrar of Companies in Bermuda and the Registrar of Companies in Hong Kong, the name of the Company has been changed from "GR Vietnam Holdings Limited" to "ICube Technology Holdings Limited" and "中國微電子科技集團有限公司" has been adopted as the Chinese name of the Company for identification purposes only.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries comprise the trading and distribution of electronic products and other merchandise, securities investment and trading, and the operation of convenience stores business in Vietnam. During the year ended 31 March 2011, the Group ceased the operation of its convenience stores business in Vietnam.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 March 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 126.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below. This summary does not form part of the audited financial statements.

SUMMARY FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**26,210**	39,695	27,952	27,263	21,898
Loss before tax	**(53,796)**	(57,966)	(280,729)	(238,340)	(38,800)
Tax	**–**	–	22	15,428	–
Loss for the year attributable to ordinary equity holders of the parent	**(46,416)**	(57,966)	(280,707)	(222,912)	(38,800)
Non-controlling interests	**(7,380)**	–	–	–	–
	(53,796)	(57,966)	(280,707)	(222,912)	(38,800)

Assets and liabilities

	As at 31 March				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**320,111**	366,502	394,237	674,272	443,240
Total liabilities	**199,244**	197,828	179,701	178,450	38,607
Net assets	**120,867**	168,674	214,536	495,822	404,633

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

There were no movements in either the Company's authorised or issued share capital during the year. Details of the Company's share capital are set out in note 28 to the financial statements.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 10 August 2011 to Friday, 12 August 2011, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the 2011 annual general meeting of the Company, unregistered holders of shares of the Company should ensure that all share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 9 August 2011.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the Companies Act 1981 of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2011, the Company had no reserves available for distribution. The Company's share premium account and capital reserve, with an aggregate balance of HK$701,611,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales of electronic products to the Group's five largest customers accounted for 99% of the sales from the electronic products segment for the year and sales to the largest customer included therein amounted to 53%. Purchases of electronic products from the Group's five largest suppliers accounted for 100% of the total purchases from the electronic products segment for the year and the largest supplier included therein amounted to 86%.

None of the directors of the Company or any of their associates or any 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 the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Wong Howard
Mr. Wong Yat Fai
Mr. Lam Sai Ho, Anthony (resigned on 1 December 2010)

Independent non-executive directors:
Mr. Tung Tat Chiu, Michael
Mr. Li Chi Ming
Mr. Wan Ngar Yin, David

In accordance with Clause 98 of the bye-laws of the Company, Mr. Wong Yat Fai and Mr. Wan Ngar Yin, David, the existing directors of the Company, will retire from office by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Wan Ngar Yin, David and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Report of the Directors

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 and 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Wong Howard and Mr. Wong Yat Fai has a service contract with the Company for a term of two years commencing on 1 February 2011 and 1 April 2011 respectively.

All the independent non-executive directors of the Company have been appointed for a fixed term of one year commencing on 27 September 2010.

All directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the bye-laws of the Company.

Apart from the foregoing, no director 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, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. 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

Save as disclosed above, no director had a material 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.

SHARE OPTION SCHEME

The Company currently operates a share option scheme (the "Scheme") adopted on 27 August 2003 for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations. Details of the Scheme are set out in note 32 to the financial statements.

A summary of the movements of the share options granted under the Scheme during the year ended 31 March 2011 is set out as follows:–

Name or category of participant	At 1 April 2010	Number of share options forfeited during the year	Number of share options granted/ exercised/ lapsed/ cancelled during the year	At 31 March 2011	Date of grant of share options	Exercise period of share options[1]	Exercise price of share options[2] (HK$ per share)
Director							
Mr. Wong Howard	9,400,000	–	–	9,400,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	9,400,000	–	–	9,400,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	9,400,000	–	–	9,400,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	28,200,000	–	–	28,200,000			
Mr. Wong Yat Fai	9,400,000	–	–	9,400,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	9,400,000	–	–	9,400,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	9,400,000	–	–	9,400,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	28,200,000	–	–	28,200,000			

SHARE OPTION SCHEME (continued)

Name or category of participant	At 1 April 2010	Number of share options forfeited during the year	Number of share options granted/ exercised/ lapsed/ cancelled during the year	At 31 March 2011	Date of grant of share options	Exercise period of share options[(1)]	Exercise price of share options[(2)] (HK$ per share)
Other employees							
In aggregate	35,770,000	(3,130,000)	–	32,640,000	18/8/2009	1/1/2010-30/6/2012	0.1362
	35,590,000	(3,120,000)	–	32,470,000	18/8/2009	1/7/2010-30/6/2012	0.1362
	35,410,000	(2,890,000)	–	32,520,000	18/8/2009	1/1/2011-30/6/2012	0.1362
	106,770,000	(9,140,000)	–	97,630,000			
	163,170,000	(9,140,000)	–	154,030,000			

Notes:

(1) The vesting period of the share options is from the date of grant until the commencement of the exercise period.

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

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2011, the interests of the directors of the Company in the shares and underlying shares of the Company (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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:–

(1) Long position in ordinary shares of the Company

Name of director	Capacity	Number of ordinary shares held/interested	Percentage* of the Company's issued share capital
Mr. Wong Howard	Interest held by a controlled corporation	680,000,000 *(Note)*	24.07%
	Beneficial owner	21,299,000	0.75%
		701,299,000	24.82%
Mr. Wong Yat Fai	Beneficial owner	21,299,000	0.75%

Note: These shares were held by Allied Way International Limited ("Allied Way"). Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Cheung Mei Yee, Rebacca ("Ms. Rebacca Cheung"). Mr. Wong Howard and his spouse were deemed to be interested in these 680,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of director	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Mr. Wong Howard	Beneficial owner	28,200,000	0.99%
Mr. Wong Yat Fai	Beneficial owner	28,200,000	0.99%

Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" above and note 32 to the financial statements.

* The percentage represents the number of ordinary shares/underlying shares held/interested divided by the number of the Company's issued shares as at 31 March 2011.

In addition to the above, as at 31 March 2011, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirement of a minimum of two shareholders.

Save as disclosed above, as at 31 March 2011, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests in shares and underlying shares of the Company" and "Share Option Scheme" above and in the share option scheme disclosures in note 32 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 spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2011, the following parties had interests of 5% or more in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(1) Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Note	Number of ordinary shares held/interested	Percentage* of the Company's issued share capital
Allied Way	Beneficial owner	(1)	680,000,000	24.07%
Ms. Rebacca Cheung	Interest held by a controlled corporation	(1)	680,000,000	24.07%
	Interest of spouse	(2)	21,299,000	0.75%
			701,299,000	24.82%

Notes:

(1) These shares were held by Allied Way. Allied Way is a company incorporated in Hong Kong, the entire issued capital of which is owned as to 50% by Mr. Wong Howard and 50% by his spouse, Ms. Rebacca Cheung. Mr. Wong Howard and his spouse were deemed to be interested in these 680,000,000 shares of the Company held by Allied Way under Part XV of the SFO.

The interest of Allied Way is also disclosed as the interest of Mr. Wong Howard in the above section headed "Directors' interests in shares and underlying shares of the Company".

(2) Ms. Rebacca Cheung was deemed to be interested in 21,299,000 shares of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

(2) Long position in underlying shares of the Company – physically settled unlisted equity derivatives

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the share options granted	Percentage* of the underlying shares over the Company's issued share capital
Ms. Rebacca Cheung	Interest of spouse	28,200,000 *(Note)*	0.99%

Note: Ms. Rebacca Cheung was deemed to be interested in 28,200,000 share options of the Company through the interest of her spouse, Mr. Wong Howard, pursuant to Part XV of the SFO. Details of the above share options granted by the Company are set out under the heading "Share Option Scheme" above and note 32 to the financial statements.

* The percentage represents the number of ordinary shares/underlying shares held/interested divided by the number of the Company's issued shares as at 31 March 2011.

Save as disclosed above, as at 31 March 2011, no persons, other than the director of the Company whose interests are set out in the section headed "Directors' interests in shares and underlying shares of the Company" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this report, the Company has maintained a sufficient public float.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no director is considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Report of the Directors

CORPORATE GOVERNANCE

Details of the corporate governance practices of the Company are set out in the section headed "Corporate Governance Report" in this annual report.

AUDITORS

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

On Behalf of the Board

Wong Howard
Chairman

Hong Kong
22 June 2011

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2011.

CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs.

The Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules sets out the principles of good corporate governance and two levels of corporate governance practices, being (i) the code provisions which listed issuers are expected to comply with or to give considered reasons for any deviation; and (ii) the recommended best practices, for guidance only, which listed issuers are encouraged to comply with.

Throughout the year under review, the Company has complied with the code provisions set out in the CG Code, save for the code provision A.2.1 which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Key corporate governance principles and practices of the Company as well as the details of the foregoing deviation are summarized below.

The Board periodically reviews and improves the corporate governance standards and practices of the Company to ensure that such practices continue to comply with statutory and regulatory updates and align with the latest business developments.

A. THE BOARD

A.1 RESPONSIBILITIES AND DELEGATION

Direction and control of Company business are vested in the Board. The Board establishes policies, strategies and plans for the development of Company business, and provides leadership in the creation of value for shareholders. All directors of the Board have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its shareholders at all times.

The Board takes responsibility for 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 (particularly those that 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 laws 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 day-to-day management, administration and operation of the Company are led by the Executive Committee and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of Board decisions. The Board reviews the delegated functions and work tasks regularly. Prior to entering any significant transactions, the aforesaid officers have to obtain Board approval.

A.2 BOARD COMPOSITION

The following chart illustrates the current structure and membership of the Board and the Board Committees:

Board of Directors

Executive Directors

Mr. Wong Howard, *Chairman of the Board and Chief Executive Officer*
Mr. Wong Yat Fai

Independent Non-executive Directors

Mr. Tung Tat Chiu, Michael
Mr. Li Chi Ming
Mr. Wan Ngar Yin, David

Executive Committee

Mr. Wong Howard, *Chairman*
Mr. Wong Yat Fai

Audit Committee

Mr. Tung Tat Chiu, Michael, *Chairman*
Mr. Li Chi Ming
Mr. Wan Ngar Yin, David

Remuneration Committee

Mr. Li Chi Ming, *Chairman*
Mr. Tung Tat Chiu, Michael
Mr. Wan Ngar Yin, David

The list of directors (by category) is disclosed in all corporate communications issued by the Company from time to time. The independent non-executive directors are expressly identified in all corporate communications of the Company. The biographical details of the directors and the relationships among the members of the Board are disclosed under 'Directors and Senior Management Profile' in this annual report. None of the members of the Board is related to one another.

During the year ended 31 March 2011, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least 3 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 also adopted the recommended best practice under the CG Code for having at least one-third of its Board members being independent non-executive directors.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each executive director supervises specific areas of the Group's business in accordance with his expertise. The independent non-executive directors bring different business and financial expertise, experiences and independent judgment to the Board and they are invited to serve on the Board committees of the Company. Through participation at Board meetings, taking the lead in managing issues involving potential conflict of interests, the independent non-executive directors had made various contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the shareholders.

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 as set out in the Listing Rules.

A.3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

Mr. Wong Howard is the Chairman of the Board and the Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Company with strong and consistent leadership and allows for effective and efficient planning and implementation of business decisions and strategies.

The Board also considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

A.4 APPOINTMENT AND RE-ELECTION OF DIRECTORS

All directors of the Company are appointed for a specific term. Each executive director is engaged on a service contract for a term of 2 years. Each of the independent non-executive directors of the Company is appointed for a term of 1 year.

The Company has not set up a nomination committee and the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. In addition, the Company has adopted 'Directors Nomination Procedures' as written guidelines in providing formal, considered and transparent procedures to the Board for evaluating and selecting candidates for directorships. Where vacancies on the Board exist, the Board will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the Company's needs and other relevant statutory requirements and regulations.

In addition, the procedures and process of appointment, re-election and removal of directors are laid down in the Company's bye-laws. According to the Company's bye-laws, all directors of the Company are subject to retirement by rotation at least once every 3 years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after his/her appointment. The retiring directors are eligible for re-election by the shareholders at the relevant general meeting.

At the forthcoming 2011 annual general meeting of the Company, Mr. Wong Yat Fai and Mr. Wan Ngar Yin, David shall retire by rotation and are eligible to offer themselves for re-election pursuant to the Company's bye-laws. The Board recommended the re-appointment of both retiring directors standing for re-election at the 2011 annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of Mr. Wong Yat Fai and Mr. Wan Ngar Yin, David pursuant to the requirements of the Listing Rules.

During the year ended 31 March 2011, the Board, through its meeting held on 13 July 2010 (with all the then directors of the Company present at such meeting) and by a written resolution approved and signed by all the directors of the Company, performed the following works:-

- Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

- Recommendation of the re-election of the retiring directors standing for re-election at the 2010 annual general meeting of the Company;

- Assessment of the independence of the independent non-executive directors of the Company; and

- Acceptance of the resignation of Mr. Lam Sai Ho, Anthony as an executive director of the Company.

A.5 INDUCTION AND CONTINUING DEVELOPMENT OF DIRECTORS

All directors of the Company receive an induction on his appointment to ensure adequate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction is normally supplemented with visits to the Group's key plant sites and/or meetings with the senior management of the Company.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Additional briefing and professional development will be arranged for the Directors where necessary.

A.6 BOARD MEETINGS

A.6.1 Board Practices and Conduct of Meetings

Schedules for regular Board meetings are normally agreed with directors in advance to facilitate attendance. In addition, notice of at least 14 days is given of a regular Board meeting. For other Board meetings, reasonable notice is generally given.

Draft agenda of each Board meeting is usually sent to directors together with the notice of meeting in order to give them an opportunity to include any other matters for discussion in the meeting. Board papers together with all appropriate, complete and reliable information are sent to directors at least 3 days before each Board meeting to keep the directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

The Chairman, Company Secretary and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to keep minutes of all Board 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.

The Company's bye-laws contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest. According to current Board practice, any material transaction which involves a conflict of interests of a substantial shareholder or a director will be considered and dealt with by the Board at a duly convened Board meeting.

A.6.2 Directors' Attendance Records at Board Meetings

During the year ended 31 March 2011, 5 Board meetings were held, out of which 4 were regular meetings held at approximately quarterly intervals for reviewing and discussing the financial and operating performance and development of the Group, acquisitions and investments and other related matters. Attendance records of directors at these Board meetings are set out below:-

Name of Director	**Attendance/ Number of Board Meetings**
Executive Directors	
Mr. Wong Howard	5/5
Mr. Wong Yat Fai	5/5
Mr. Lam Sai Ho, Anthony (Note)	4/4
Independent Non-executive Directors	
Mr. Tung Tat Chiu, Michael	4/5
Mr. Li Chi Ming	5/5
Mr. Wan Ngar Yin, David	5/5

Note: Mr. Lam Sai Ho, Anthony resigned as an executive director of the Company on 1 December 2010. 4 Board meetings were held from 1 April 2010 to the date of his resignation.

A.7 MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the Model Code. Specific enquiry has been made of all the Company's directors and the directors have confirmed that they have complied with the required standards as set out in the Model Code and the Own Code throughout the period from 1 April 2010 to the date of this report.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") 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 Employees Written Guidelines by the employees has been noted by the Company.

B. BOARD COMMITTEES

The Board has established 3 Board committees, namely, the Remuneration Committee, the Audit Committee and the Executive Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with defined written terms of reference and are available to shareholders upon request. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances at the Company's expense.

The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out in section A.6.1 above.

B.1 REMUNERATION COMMITTEE

The Remuneration Committee comprises of 3 members, namely, Mr. Li Chi Ming (Chairman), Mr. Tung Tat Chiu, Michael and Mr. Wan Ngar Yin, David. All of them are independent non-executive directors of the Company.

The main duties of the Remuneration Committee are to (i) make recommendations on the establishment of procedures for developing the remuneration policy and structure for the executive directors and the senior management, which policy shall ensure that no director or any of his associates will participate in deciding his own remuneration; (ii) make recommendations on the remuneration packages of the executive directors and the senior management; and (iii) review and approve the remuneration packages of the executive directors and the senior management by reference to the performance of the individual and the Company as well as market practice and conditions.

The Human Resources Department is responsible for collection and administration of the human resources data and making recommendations to the Remuneration Committee for consideration. The Remuneration Committee consults with the Chairman of the Board/Chief Executive Officer of the Company about these recommendations on remuneration policy and structure and remuneration packages.

During the year ended 31 March 2011, the Remuneration Committee, with the presence of all the committee members, met once and generally reviewed and discussed the remuneration policy and structure and the current remuneration packages of the directors and senior management of the Group.

Details of the remuneration of each director of the Company for the year ended 31 March 2011 are set out in note 8 to the financial statements contained in this annual report.

B.2 AUDIT COMMITTEE

The Audit Committee comprises of 3 members, namely, Mr. Tung Tat Chiu, Michael, Mr. Li Chi Ming and Mr. Wan Ngar Yin, David, all of whom are independent non-executive directors. Mr. Tung Tat Chiu, Michael is the Chairman of the Audit Committee whilst Mr. Wan Ngar Yin, David possesses the appropriate accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. 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 are to (i) review the financial statements and reports and consider any significant or unusual items raised by the staff responsible for the accounting and financial reporting function or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

During the year ended 31 March 2011, the Audit Committee met twice with the presence of all the committee members and performed the following works:-

– Review and discussion of the financial statements, results announcements and reports for the year ended 31 March 2010 and for the six months ended 30 September 2010, the financial reporting and compliance procedures;

– Discussion of the audit plan of the Group;

– Discussion and recommendation of the re-appointment of external auditors; and

– Review of the internal control and risk management of the Group.

The external auditors were invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee issues arising from the audit and financial reporting matters. The Company's annual results for the year ended 31 March 2011 have also been reviewed by the Audit Committee. There is no disagreement between the Board and the Audit Committee regarding the re-appointment of external auditors.

B.3 EXECUTIVE COMMITTEE

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Wong Howard, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Group.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2011.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements. The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Company and for reviewing its effectiveness. The Board maintains an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year under review, the Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities for the Company's financial statements for the year ended 31 March 2011 is set out in the section headed 'Independent Auditors' Report' in this annual report.

During the year under ended 31 March 2011, the remuneration paid to the Company's external auditors, Ernst & Young, is set out below:

Nature of Services	**Remuneration (HK$)**
Audit services	1,150,000
Non-audit services – tax compliance	90,500

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board believes that effective communication with shareholders is vital for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Board also recognizes the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make the best investment decisions.

The general meetings of the Company provide the best opportunity for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Audit Committee and Remuneration Committee and, in their absence, other members of the respective committees and, where applicable, the chairman of the independent Board committee, normally attend the annual general meeting and other relevant shareholder meetings to answer questions.

The 2010 annual general meeting of the Company was held on 27 August 2010 and the notice of such meeting was sent to shareholders at least 20 clear business days before the meeting. During the year, the Company also held two special general meetings on 9 November 2010 for approving the change of name of the Company and placing of convertible bonds of the Company and the notices of such meetings were sent to shareholders at least 10 clear business days before the meetings.

To promote effective communication, the Company maintains a website at "www.icubetech.com.hk" as a communication platform with shareholders and investors, where information and updates on the Group's business operations, developments and financial information are available for public access. Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at Room 1603-05, 16/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong or via email to "info@icubetech.com.hk" for any enquiries which shall be dealt with in an informative and timely manner.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments.

G. SHAREHOLDER RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at shareholder meetings, including the election of individual directors.

All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting.

Independent Auditors' Report

To the shareholders of ICube Technology Holdings Limited
(Formerly known as GR Vietnam Holdings Limited)
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of ICube Technology Holdings Limited (formerly known as GR Vietnam Holdings Limited) (the "Company") and its subsidiaries (together, the "Group") set out on pages 36 to 126, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, and of the Group's loss 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
22 June 2011

Consolidated Income Statement

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CONTINUING OPERATIONS			
REVENUE			
Electronic products		**38,511**	16,401
Treasury investments		**(18,137)**	17,815
	5	**20,374**	34,216
Cost of electronic products sold		**(38,901)**	(16,096)
Brokerage and commission expenses		**(385)**	(616)
		(39,286)	(16,712)
		(18,912)	17,504
Other income and gains	5	**555**	155
Selling and distribution costs		**(332)**	(135)
Administrative expenses		**(30,888)**	(33,242)
Research costs		**(9,306)**	(1,617)
Other operating expenses		**(427)**	(55)
Fair value gains/(losses), net:			
Equity investments at fair value through profit or loss		**(12,328)**	(14,386)
Conversion option derivatives		**(472)**	(491)
Derivative component of convertible bonds		**13,680**	–
Finance costs	6	**(18,542)**	(17,670)
LOSS BEFORE TAX	7	**(76,972)**	(49,937)
Income tax expense	10	**–**	–
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(76,972)**	(49,937)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation	12	**(3,515)**	(8,029)
Gain on disposal of a subsidiary	30	**26,691**	–
		23,176	(8,029)
LOSS FOR THE YEAR		**(53,796)**	(57,966)

	Notes	2011 HK$'000	2010 HK$'000
Attributable to:			
Owners of the parent	11	**(46,416)**	(57,966)
Non-controlling interests		**(7,380)**	–
		(53,796)	(57,966)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted			
– For loss for the year		**HK (1.64) cents**	HK(2.05) cents
– For loss from continuing operations		**HK (2.46) cents**	HK(1.77) cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
LOSS FOR THE YEAR		**(53,796)**	(57,966)
OTHER COMPREHENSIVE INCOME			
Available-for-sale equity investments:			
Changes in fair value		**1,917**	3,503
Income tax effect		**(316)**	(578)
		1,601	2,925
Exchange differences on translation of foreign operations		**1,246**	(689)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2,847**	2,236
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(50,949)**	(55,730)
Attributable to:			
Owners of the parent	11	**(43,712)**	(55,730)
Non-controlling interests		**(7,237)**	–
		(50,949)	(55,730)

Consolidated Statement of Financial Position

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,639**	2,844
Prepaid land lease payment	15	**–**	–
Convertible notes - loan portion	17	**–**	50,913
Available-for-sale equity investments	18	**18,812**	16,895
Total non-current assets		**20,451**	70,652
CURRENT ASSETS			
Convertible notes - loan portion	17	**70,365**	–
Convertible notes - conversion option derivatives	17	**390**	–
Equity investments at fair value through profit or loss	19	**159,757**	147,526
Inventories	20	**1,288**	1,064
Trade receivables	21	**2,210**	1,407
Prepayments, deposits and other receivables	22	**14,943**	4,412
Pledged time deposits	23	**7,335**	7,330
Cash and cash equivalents	23	**43,372**	134,111
Total current assets		**299,660**	295,850
CURRENT LIABILITIES			
Trade payables	24	**1,305**	993
Tax payable		**12**	11
Other payables and accruals		**8,543**	8,255
Finance lease payables	25	**130**	–
Derivative component of convertible bonds	26	**45,540**	–
Convertible bonds	26	**–**	187,991
Total current liabilities		**55,530**	197,250
NET CURRENT ASSETS		**244,130**	98,600
TOTAL ASSETS LESS CURRENT LIABILITIES		**264,581**	169,252

Consolidated Statement of Financial Position

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES			
Finance lease payables	25	**225**	–
Convertible bonds	26	**142,595**	–
Deferred tax liabilities	27	**894**	578
Total non-current liabilities		**143,714**	578
Net assets		**120,867**	168,674
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**28,247**	28,247
Equity component of convertible bonds	26	**47,257**	47,257
Reserves	29(a)	**52,600**	93,170
		128,104	168,674
Non-controlling interests		**(7,237)**	–
Total equity		**120,867**	168,674

Wong Howard
Director

Wong Yat Fai
Director

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

		Attributable to owners of the parent											
	Note	Issued capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Capital reserve HK$'000	Equity component of convertible bonds HK$'000	Contributed surplus HK$'000	Available-for-sale equity investment revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2009		28,247	701,055	12,960	556	47,257	551,174	-	(1,002)	(1,125,711)	214,536	-	214,536
Loss for the year		-	-	-	-	-	-	-	-	(57,966)	(57,966)	-	(57,966)
Other comprehensive income/(loss) for the year:													
Changes in fair value of available-for-sale equity investments, net of tax		-	-	-	-	-	-	2,925	-	-	2,925	-	2,925
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(689)	-	(689)	-	(689)
Total comprehensive loss for the year		-	-	-	-	-	-	2,925	(689)	(57,966)	(55,730)	-	(55,730)
Equity-settled share option arrangements	32	-	-	9,868	-	-	-	-	-	-	9,868	-	9,868
At 31 March 2010		28,247	701,055*	22,828*	556*	47,257	551,174*	2,925*	(1,691)*	(1,183,677)*	168,674	-	168,674
At 1 April 2010		**28,247**	**701,055**	**22,828**	**556**	**47,257**	**551,174**	**2,925**	**(1,691)**	**(1,183,677)**	**168,674**	**-**	**168,674**
Loss for the year		-	-	-	-	-	-	-	-	(46,416)	(46,416)	(7,380)	(53,796)
Other comprehensive income for the year:													
Changes in fair value of available-for-sale equity investments, net of tax		-	-	-	-	-	-	1,601	-	-	1,601	-	1,601
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	1,103	-	1,103	143	1,246
Total comprehensive loss for the year		-	-	-	-	-	-	1,601	1,103	(46,416)	(43,712)	(7,237)	(50,949)
Equity-settled share option arrangements	32	-	-	3,142	-	-	-	-	-	-	3,142	-	3,142
At 31 March 2011		**28,247**	**701,055***	**25,970***	**556***	**47,257**	**551,174***	**4,526***	**(588)***	**(1,230,093)***	**128,104**	**(7,237)**	**120,867**

* These reserve accounts comprise the consolidated reserves of HK$52,600,000 (2010: HK$93,170,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:			
From continuing operations		**(76,972)**	(49,937)
From a discontinued operation		**23,176**	(8,029)
Adjustments for:			
Bank interest income	5	**(19)**	(11)
Finance costs	6	**18,542**	17,670
Depreciation	7	**734**	881
Impairment of items of property, plant and equipment	7	**335**	–
Write off of items of property, plant and equipment	7	**106**	–
Write-down of inventories to net realisable value	7	**221**	–
Fair value losses/(gains), net:			
Equity investments at fair value through profit or loss		**12,328**	14,386
Conversion option derivatives		**472**	491
Derivative component of convertible bonds		**(13,680)**	–
Gain on disposal of a subsidiary	30	**(26,691)**	–
Equity-settled share option arrangements	32	**3,142**	9,868
		(58,306)	(14,681)
Increase in convertible notes - loan portion		**(19,452)**	(4,250)
Increase in convertible notes - conversion option derivative		**(862)**	–
Decrease/(increase) in equity investments at fair value through profit or loss		**(24,559)**	1,457
Increase in inventories		**(1,498)**	(627)
Increase in trade receivables		**(803)**	(719)
Decrease/(increase) in prepayments, deposits and other receivables		**(13,974)**	1,711
Increase in trade payables		**1,031**	916
Increase/(decrease) in other payables and accruals		**2,401**	(1,035)
Exchange realignment		**269**	(499)
Cash used in operations		**(115,753)**	(17,727)
Interest paid		**(707)**	(2)
Interest element of finance lease rental payments		**(11)**	–
Net cash flows used in operating activities		**(116,471)**	(17,729)

Consolidated Statement of Cash Flows

Year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	14	**(2,601)**	(1,813)
Disposal of a subsidiary	30	**32,508**	–
Interest received		**19**	11
Net cash flows from/(used in) investing activities		**29,926**	(1,802)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible bonds	26	**200,000**	–
Redemption of convertible bonds	26	**(200,000)**	–
Transaction costs attributable to issue of convertible bonds	26	**(4,000)**	
Capital element of finance lease rental payments		**(52)**	–
Increase in pledged time deposits		**(5)**	–
Net cash flows used in financing activities		**(4,057)**	–
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(90,602)**	(19,531)
Cash and cash equivalents at beginning of year		**141,441**	161,047
Effect of foreign exchange rate changes, net		**(132)**	(75)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**50,707**	141,441
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	23	**43,372**	134,111
Time deposits with original maturity of less than three months when acquired, pledged as a security for bank overdraft facilities	23	**7,335**	7,330
Cash and cash equivalents as stated in the consolidated statement of cash flows		**50,707**	141,441

Statement of Financial Position

31 March 2011

	Notes	**2011 HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**–**	107
Investments in subsidiaries	16	**1,523**	484
Total non-current assets		**1,523**	591
CURRENT ASSETS			
Due from subsidiaries	16	**251,975**	222,520
Prepayments, deposits and other receivables		**54**	361
Cash and cash equivalents	23	**2,693**	114,549
Total current assets		**254,722**	337,430
CURRENT LIABILITIES			
Accruals		**1,209**	933
Due to subsidiaries	16	**7,498**	7,498
Derivative component of convertible bonds	26	**45,540**	–
Convertible bonds	26	**–**	187,991
Total current liabilities		**54,247**	196,422
NET CURRENT ASSETS		**200,475**	141,008
TOTAL ASSETS LESS CURRENT LIABILITIES		**201,998**	141,599
NON-CURRENT LIABILITIES			
Convertible bonds	26	**142,595**	–
Total non-current liabilities		**142,595**	–
Net assets		**59,403**	141,599

Statement of Financial Position

31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
EQUITY			
Issued capital	28	**28,247**	28,247
Equity component of convertible bonds	26	**47,257**	47,257
Reserves	29(b)	**(16,101)**	66,095
Total equity		**59,403**	141,599

Wong Howard
Director

Wong Yat Fai
Director

1. CORPORATE INFORMATION

ICube Technology Holdings Limited (the "Company") (formerly known as GR Vietnam Holdings Limited) is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Rooms 1603-5, 16/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

Pursuant to a special resolution passed by the Company's shareholders on 15 October 2010 and the approval of the Registrars of Companies in Bermuda and Hong Kong, the name of the Company was changed from GR Vietnam Holdings Limited to ICube Technology Holdings Limited with effect from 9 November 2010.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consisted of the trading and distribution of electronic products and other merchandise, securities investment and trading, and the operation of convenience stores business in Vietnam. During the year ended 31 March 2011, the Group discontinued the operation of its convenience stores business in Vietnam. Further details are included in notes 12 and 30 to the financial statements.

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, 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 equity investments and derivative financial instruments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation

Basis of consolidation from 1 April 2010

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

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

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

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

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

2.1. BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation prior to 1 April 2010

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
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*
Improvement to HKFRSs (May 2009)	Amendments to a number of HKFRSs*
HK Interpretation 4 Amendment	Amendment to HK interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

* *Improvements to HKFRSs* (May 2009) contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The adoption of the new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]

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

HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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

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

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

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

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

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

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) for annual periods beginning on 1 January 2011 and the comparative related party disclosures will be amended accordingly.

While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government-related entities.

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

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

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

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is 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 entity 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 *Financial Instruments: Recognition and Measurement*, 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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations from 1 April 2010

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

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

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations from 1 April 2010 (continued)

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

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

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

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Business combinations prior to 1 April 2010 but after 1 January 2005 (continued)

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

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), 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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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 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.

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 a member of the key management personnel of the Group;

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

(d) 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 (b) or (c); or

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. 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.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over the following estimated useful life.

Buildings	50 years or over the lease terms, whichever is shorter
Leasehold improvements	Over the remaining lease terms or 3 years, whichever is shorter
Plant and machinery	7 to 10 years
Motor vehicles, furniture, fixtures and equipment	3 to 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost 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 method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

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 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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, 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 cash and bank balances, trade and other receivables, loans receivable, and quoted and unquoted financial instruments.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivate financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. 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. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 listed 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.

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 equity investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement and removed from the available-for-sale equity investment revaluation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as “Revenue – Treasury investment” in accordance with the policies set out for “Revenue recognition” below.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using 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 option pricing models.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

(a) the rights to receive cash flows from the asset have expired; or

(b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) 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 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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

If, in a subsequent period, the amount of the estimated impairment loss increase 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 amount. If a future write-off is later recovered, the recovery is credited to the income statement.

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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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 trade payables, other payables and convertible bonds.

Subsequent measurement

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loan and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest 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.

Convertible bonds

The component of convertible bonds 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 bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond 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 bonds 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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories represented finished goods for trading and 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 completion and disposal.

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.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 tax 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, 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 profit 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, 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 profit 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 profit 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 is probable that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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;

(b) the profit or loss on the trading of equity investments at fair value through profit or loss on the transaction dates when the relevant contract notes are executed;

(c) 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

(d) dividend income, when the shareholder's right to receive payment has been established.

Research costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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 by an external valuer using the black-scholes option pricing model, further details of which are set out in note 32 to the financial statements.

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

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

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

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award 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 loss per share.

Other employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Retirement benefit schemes (continued)

Pursuant to the relevant regulations of Mainland China, subsidiaries of the Company operating in Mainland China participate in a local municipal government retirement benefit scheme (the "Mainland Scheme") whereby the subsidiaries are required to contribute a percentage of the basic salaries of their employees to the Mainland Scheme to fund their retirement benefit obligations of all existing and future retired employees of the subsidiaries. The only obligation of the Group with respect to the Mainland Scheme is to pay the ongoing required contributions under the Mainland Scheme mentioned above. Contributions under the Mainland Scheme are charged to the income statement as incurred. There are no provisions under the Mainland Scheme whereby forfeited contributions may be used to reduce future contributions.

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 are initially recorded using their respective functional currency rates of exchange 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 are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, 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, 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, which have the most significant effect on the amounts recognised in the financial statements:

Income tax

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Income tax (continued)

Deferred tax assets are recognised for unused tax losses carried forward to the extent that it is probable (i.e., more likely than not) that future taxable profits will be available against which the unused tax losses can be utilised, based on all available evidence. Recognition primarily involves judgement regarding the future performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. A variety of other factors are also evaluated in considering whether there is convincing evidence that it is probable that some portion or all of the deferred tax assets will ultimately be realised, such as the existence of taxable temporary differences, tax planning strategies and the periods in which estimated tax losses can be utilised. The carrying amount of deferred tax assets and related financial models and budgets are reviewed at the end of each reporting period and to the extent that there is insufficient convincing evidence that sufficient taxable profits will be available within the utilisation periods to allow utilisation of the carried forward tax losses, the asset balance will be reduced and charged to the income statement.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale and recognises movements of their fair values in equity. An impairment allowance is made for available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires judgement by management who also evaluates other relevant factors, such as the share price volatility of the underlying equity investments. At 31 March 2011,no impairment (2010: Nil) was recognised as a charge to the income statement for the Group’s available-for-sale equity investments. The carrying amount of the Group’s available-for-sale equity investments was HK$18,812,000 (2010: HK$16,895,000) as at 31 March 2011.

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.

Fair value of the embedded financial derivatives

As described in note 17 to the financial statements, the convertible notes include embedded derivatives that are measured at fair value through profit or loss. The fair values of the embedded derivatives of the convertible notes are determined by the directors using the binomial option pricing model. The significant inputs into the model were share price at year end date, risk-free interest rate, exercise price, expected volatility of the underlying shares and term of maturity. When the actual results of the inputs differ from management's estimate, it will have an impact on the fair value gain, or losses and the fair values of the derivative component of the convertible notes.

As at 31 March 2011, the fair values of the embedded financial derivatives were HK$390,000 (2010: Nil).

Presentation of convertible bonds and fair value of derivative component of convertible bonds

Convertible bonds of the Group are presented as the derivative component and the liability component of the convertible bonds in accordance with HKAS 39. This requires an initial recognition of the derivative component and the liability component at fair value.

The derivative component initially recognised and subsequently measured at fair value is determined by a binomial model.

The amount of the liability component initially recognised is determined with reference to the net proceeds from the issuance of the convertible bonds and the fair value of the derivative component at initial recognition. The liability component is subsequently measured at amortised cost using the effective interest rate method until it is extinguished on conversion or redemption.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Valuation of share options

As described in note 32 to the financial statements, the Company engaged an independent firm of professionally qualified valuers to assist in the valuation of the share options granted during the year ended 31 March 2010. The fair value of options granted under the share option scheme was determined using the black-scholes option pricing model. The significant inputs into the model were share price at year end date, risk-free interest rate, exercise price and expected volatility of the underlying shares. When the actual results of the inputs differ from management's estimate, it will have an impact on share option expenses and the related share option reserve of the Company. As at 31 March 2010, the fair value of the share options granted by the Company was HK$13,781,000, of which a share option expense of HK$3,142,000 (2010: HK$9,868,000) was recognised during the year ended 31 March 2011.

4. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the operating segments are as follows:

(a) the electronic products segment trades electronic products;

(b) the treasury investments segment comprises securities investment and trading; and

(c) the corporate and others segment comprises corporate income and expense items and development of information technology in Mainland China.

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 measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs relating to the Group's treasury function, head office and corporate expenses are excluded from such measurement.

Segment assets exclude pledged deposits, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude convertible bonds, derivative component of convertible bonds, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

There are no intersegment sales and transfers between the segments.

The following tables present revenue from continuing operations, loss and certain asset, liability and capital expenditure information for the Group's business segments for the years ended 31 March 2011 and 2010.

4. OPERATING SEGMENT INFORMATION (continued)

Group

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**38,511**	16,401	**-**	–	**-**	–	**38,511**	16,401
Gains/(losses) from treasury investments	**-**	–	**(18,137)**	17,815	**-**	–	**(18,137)**	17,815
Total	**38,511**	16,401	**(18,137)**	17,815	**-**	–	**20,374**	34,216
Segment results	**(4,819)**	(2,491)	**(30,802)**	(6,923)	**(22,717)**	(22,757)	**(58,338)**	(32,171)
Reconciliation								
Interest income and unallocated gains							**19**	11
Unallocated expenses							**(111)**	(107)
Finance costs							**(18,542)**	(17,670)
Loss before tax from continuing operations							**(76,972)**	(49,937)
Tax							**-**	–
Loss for the year from continuing operations							**(76,972)**	(49,937)
Assets and liabilities								
Segment assets	**4,781**	2,268	**262,145**	215,362	**1,560**	6,574	**268,486**	224,204
Reconciliation								
Unallocated assets							**51,625**	142,298
Total assets							**320,111**	366,502
Segment liabilities	**7,673**	6,726	**120**	120	**2,360**	2,363	**10,153**	9,209
Reconciliation								
Unallocated liabilities							**189,091**	188,619
Total liabilities							**199,244**	197,828

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

	Electronic products		Treasury investments		Corporate and others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Depreciation	**17**	10	**-**	–	**717**	871	**734**	881
Capital expenditure	**665**	27	**-**	–	**2,343**	1,786	**3,008**	1,813
Equity-settled share option arrangements	**-**	–	**-**	–	**3,142**	9,868	**3,142**	9,868
Fair value losses on equity investments at fair value through profit or loss	**-**	–	**12,328**	14,386	**-**	–	**12,328**	14,386
Impairment of items of property plant and equipment	**335**	–	**-**	–	**-**	–	**335**	–
Write-down of inventories to net realisable value	**221**	–	**-**	–	**-**	–	**221**	–

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

The following table presents revenue from continuing operations and certain asset and capital expenditure information for the Group's geographical information for the years ended 31 March 2011 and 2010.

	People's Republic of China (including Hong Kong)		Europe and Southeast Asia		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Electronic products	**38,511**	15,865	**–**	536	**38,511**	16,401
Treasury investments	**(18,137)**	17,815	**–**	–	**(18,137)**	17,815
	20,374	33,680	**–**	536	**20,374**	34,216
Other segment information:						
Segment assets	**320,111**	366,502	**–**	–	**320,111**	366,502
Capital expenditure	**1,643**	730	**1,365**	1,083	**3,008**	1,813

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, and gains/(losses) on disposal of equity investments at fair value through profit or loss, dividend income arising from equity investments and interest income from convertible notes during the year.

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

	2011	2010
	HK$'000	HK$'000
Revenue		
Sale of goods	**38,511**	16,401
Losses on disposal of equity investments at fair value through profit or loss	**(25,921)**	(6,429)
Dividend income from listed equity investments	**1,425**	18,752
Interest income from convertible notes	**6,359**	5,492
	20,374	34,216
Other income and gains		
Bank interest income	**19**	11
Others	**536**	144
	555	155

6. FINANCE COSTS

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

	Group	
	2011	2010
	HK$'000	HK$'000
Interest on bank overdrafts and other loan wholly repayable within five years	**707**	2
Interest on finance leases	**11**	–
Imputed interest on convertible bonds	**17,824**	17,668
	18,542	17,670

7. LOSS BEFORE TAX

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

	2011 HK$'000	2010 HK$'000
Cost of inventories sold	**38,901**	16,096
Depreciation (note 14)	**734**	881
Research costs*	**9,306**	1,617
Employee benefit expenses (including directors' remuneration (note 8):		
Wages and salaries	**16,655**	18,849
Equity-settled share option arrangements	**3,142**	9,868
Retirement benefit scheme contributions**	**972**	691
	20,769	29,408
Minimum lease payments under operating leases in respect of land and buildings	**2,806**	4,472
Auditors' remuneration	**1,150**	1,100
Impairment of items of property, plant and equipment	**335**	–
Write off of items of property, plant and equipment	**106**	–
Write-down of inventories to net realisable value	**221**	–
Foreign exchange differences, net	**(15)**	21

* Research costs for the year ended 31 March 2011 included wages and salaries of HK$2,402,000 (2010: HK$1,257,000), such amount has been included in the employee benefit expenses as disclosed above.

** At 31 March 2011, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2010: Nil).

8. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**400**	400
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**4,012**	4,275
Equity-settled share option arrangements	**1,370**	3,410
Pension scheme contributions	**198**	209
	5,580	7,894
	5,980	8,294

During the year ended 31 March 2010, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options was determined as at the date of grant and the amount recognised in the income statement for the year ended 31 March 2011 was included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2011 **HK$'000**	2010 HK$'000
Mr. Li Chi Ming	**150**	150
Mr. Tung Tat Chiu, Michael	**150**	150
Mr. Wan Ngar Yin, David	**100**	100
	400	400

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

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option arrangements HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2011					
Mr. Wong Howard	**–**	**1,950**	**685**	**98**	**2,733**
Mr. Wong Yat Fai	**–**	**1,560**	**685**	**78**	**2,323**
Mr. Lam Sai Ho, Anthony	**–**	**502**	**–**	**22**	**524**
	–	**4,012**	**1,370**	**198**	**5,580**
2010					
Mr. Wong Howard	–	1,950	1,705	98	3,753
Mr. Wong Yat Fai	–	1,560	1,705	78	3,343
Mr. Lam Sai Ho, Anthony	–	765	–	33	798
	–	4,275	3,410	209	7,894

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

9. FIVE HIGHEST PAID EMPLOYEES

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

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,493**	2,496
Equity-settled share option arrangements	**748**	1,572
Pension scheme contributions	**190**	125
	3,431	4,193

During the year ended 31 March 2010, share options were granted to two non-director, highest paid employees in respect of their services to the Group under the share option scheme of the Company, further details of which are set out in note 32 to the financial statements. The fair value of such options was determined as at the date of grant and the amount recognised in the income statement for the year ended 31 March 2011 was included in the above non-director, five highest paid employees' remuneration disclosures.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2011	2010
Nil to HK$1,000,000	**2**	–
HK$1,000,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$3,000,000	**–**	2

10. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2010: Nil). No provision for Mainland China corporate income tax has been made as the Group did not generate any assessable profits in Mainland China during the year (2010: Nil).

A reconciliation of the tax applicable to loss before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax at the effective tax rates, is as follows:

Group - 2011

	Hong Kong HK$'000	**Mainland China HK$'000**	**Total HK$'000**
Loss before tax from continuing operations	**(68,640)**	**(8,332)**	**(76,972)**
Tax at the applicable tax rates	**(11,326)**	**(2,083)**	**(13,409)**
Income not subject to tax	**(348)**	**–**	**(348)**
Expenses not deductible for tax	**5,216**	**–**	**5,216**
Tax losses for the year not recognised	**6,458**	**2,083**	**8,541**
Tax	**–**	**–**	**–**

Group - 2010

	Hong Kong HK$'000	Mainland China HK$'000	Total HK$'000
Loss before tax from continuing operations	(46,418)	(3,519)	(49,937)
Tax at the applicable tax rates	(7,659)	(880)	(8,539)
Income not subject to tax	(3,547)	–	(3,547)
Expenses not deductible for tax	5,925	–	5,925
Tax losses for the year not recognised	5,281	880	6,161
Tax	–	–	–

11. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated loss attributable to owners of the parent for the year ended 31 March 2011 includes a loss of HK$85,338,000 (2010: HK$61,477,000) which has been dealt with in the financial statements of the Company (note 29(b)).

12. DISCONTINUED OPERATION

On 10 August 2010, the Company announced the decision of its board of directors to dispose of the entire interest in GR Vietnam International Limited ("GR Vietnam International"), an indirectly wholly-owned subsidiary of the Company. GR Vietnam International engaged in the convenience stores business in Vietnam. The Group has decided to cease its convenience stores business because it plans to focus its resources on other investment opportunities. The disposal of GR Vietnam International was completed on 12 October 2010.

The results of GR Vietnam International for the period up to the date of disposal are presented below:

	Note	**2011** **HK$'000**	2010 HK$'000
Revenue		**5,836**	5,479
Cost of goods sold		**(4,447)**	(4,179)
Gross profit		**1,389**	1,300
Other income		**630**	913
Selling and distribution expenses		**(1,804)**	(2,209)
Administrative expenses		**(3,730)**	(8,019)
Other operating expenses		**–**	(14)
Loss before tax from the discontinued operation		**(3,515)**	(8,029)
Income tax expense		**–**	–
Loss for the year from the discontinued operation		**(3,515)**	(8,029)
Gain on disposal of a subsidiary	30	**26,691**	–
		23,176	(8,029)

12. DISCONTINUED OPERATIONS (continued)

The net cash flows incurred by GR Vietnam International are as follows:

	2011 **HK$'000**	2010 HK$'000
Operating activities	**(3,214)**	(8,140)
Investing activities	**(1,528)**	(1,016)
Financing activities	**3,463**	(118,098)
Net cash outflows	**(1,279)**	(127,254)
Earnings/(loss) per share:		
Basic and diluted, from the discontinued operation	**HK0.82 cents**	HK(0.28) cents

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

	2011	2010
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	**HK$23,176,000**	HK$(8,029,000)
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**2,824,643,047**	2,824,643,047

No adjustment has been made to the basic earnings/(loss) per share amounts from the discontinued operation for the years ended 31 March 2011 and 2010 in respect of a dilution because the exercise prices of the Company's share options were higher than the average market prices of the shares for both years.

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$46,416,000 (2010: HK$57,966,000), and the weighted average number of 2,824,643,047 (2010: 2,824,643,047) ordinary shares in issue during the year.

The calculation of the basic loss per share amounts from continuing operations is based on the loss for the year attributable to ordinary equity holders of the parent from continuing operations of HK$69,592,000 (2010: HK$49,937,000) and the weighted average number of 2,824,643,047 (2010: 2,824,643,047) ordinary shares in issue during the year.

No adjustment has been made to the basic loss per share amounts for the year and the basic loss per share from continuing operations presented for the years ended 31 March 2011 and 2010 in respect of a dilution as the share options and the convertible bonds outstanding during the years had an anti-dilutive effect on the basic loss per share amount presented.

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Motor vehicles, furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:					
At 1 April 2009	13,238	1,074	13,826	6,890	35,028
Additions	–	489	–	1,324	1,813
Exchange realignment	–	(32)	–	(92)	(124)
At 31 March 2010 and 1 April 2010	13,238	1,531	13,826	8,122	36,717
Additions	–	479	33	2,496	3,008
Disposals	–	–	–	(480)	(480)
Disposal of a subsidiary (note 30)	–	(1,309)	–	(2,934)	(4,243)
Impairment	–	–	–	(335)	(335)
Exchange realignment	–	(15)	–	111	96
At 31 March 2011	13,238	686	13,859	6,980	34,763
Accumulated depreciation and impairment:					
At 1 April 2009	13,238	644	13,826	5,293	33,001
Provided during the year	–	155	–	726	881
Exchange realignment	–	(2)	–	(7)	(9)
At 31 March 2010 and 1 April 2010	13,238	797	13,826	6,012	33,873
Provided during the year	–	138	3	593	734
Disposals	–	–	–	(374)	(374)
Disposal of a subsidiary (note 30)	–	(292)	–	(933)	(1,225)
Exchange realignment	–	(4)	–	120	116
At 31 March 2011	13,238	639	13,829	5,418	33,124
Net carrying amount:					
At 31 March 2011	–	47	30	1,562	1,639
At 31 March 2010	–	734	–	2,110	2,844

All the Group's buildings included above are stated at cost and are held under medium term leases outside Hong Kong.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

The net carrying amounts of the Group's fixed assets held under finance leases included in the total amounts of motor vehicles, furniture, fixtures and equipment at 31 March 2011 amounted to HK$394,000 (2010: Nil).

Company

	Leasehold improvements HK$'000	**Furniture, fixtures and equipment** HK$'000	**Total** HK$'000
Cost:			
At 1 April 2009	299	552	851
Additions	–	26	26
At 31 March 2010 and 1 April 2010	299	578	877
Disposals	–	(163)	(163)
At 31 March 2011	299	415	714
Accumulated depreciation:			
At 1 April 2009	299	439	738
Provided during the year	–	32	32
At 31 March 2010 and 1 April 2010	299	471	770
Provided during the year	–	8	8
Disposals	–	(64)	(64)
At 31 March 2011	299	415	714
Net carrying amount:			
At 31 March 2011	–	–	–
At 31 March 2010	–	107	107

15. PREPAID LAND LEASE PAYMENT

	Group HK$'000
Cost:	
At 1 April 2009, 31 March 2010, 1 April 2010 and 31 March 2011	821
Accumulated amortisation:	
At 1 April 2009, 31 March 2010, 1 April 2010 and 31 March 2011	821
Net carrying amount:	
At 31 March 2011	–
At 31 March 2010	–

The Group is required to pay an annual fee with an increment of 15% for every ten years in respect of certain land in Mainland China used by the Group for its electronic products business up to 2011 commencing from 1993. The annual fee paid by the Group during the year which had been charged to the income statement for the year, was HK$83,000 (2010: HK$83,000). The Group's legal counsel confirmed that the Group properly owns the legal right to use the land for the period granted.

16. INVESTMENTS IN SUBSIDIARIES

	Company	
	2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	**1,523**	484
Due from subsidiaries	**1,133,665**	1,027,735
Less: Impairment #	**(881,690)**	(805,215)
	251,975	222,520

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due from/to subsidiaries approximate to their fair values.

16. INVESTMENTS IN SUBSIDIARIES (continued)

Impairment losses were recognised during the years ended 31 March 2011 and 2010 due to sustained loss making conditions of these subsidiaries.

Movements in the impairment allowance of amounts due from subsidiaries are as follows:

	Company	
	2011	2010
	HK$'000	HK$'000
At 1 April	**805,215**	776,523
Impairment loss recognised	**76,475**	28,692
At 31 March	**881,690**	805,215

Particulars of the principal subsidiaries during the year are as follows:

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity/beneficial interests attributable to the Company Direct	Percentage of equity/beneficial interests attributable to the Company Indirect	Principal activities
Hoshing Limited*	British Virgin Islands	US$1	100	–	Investment holding
Sino Electronics Limited*	British Virgin Islands/ Hong Kong	US$2	–	100	Investment holding
Chongqing Electronics Limited	Hong Kong	HK$2	–	100	Trading of electronic products
139 Enterprises Limited	Hong Kong	US$2	–	100	Provision of administrative services
Chaifa Finance Limited	Hong Kong	HK$2	–	100	Provision of finance services

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity/beneficial interests attributable to the Company Direct	Indirect	Principal activities
Main Purpose Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment in and trading of securities
GR Vietnam International #	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
深圳中微電科技有限公司	PRC/Mainland China	RMB10,000,000	–	51	Research and development of information technology
Dongguan Chongqing Electronics Limited	PRC/Mainland China	US$4,390,000	–	100	Manufacture of electronic products

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.

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

During the year, the Group's disposal of the entire interest in GR Vietnam International, an indirectly wholly-owned subsidiary of the Company, which engaged in the convenience stores business in Vietnam. Further details of the disposal are included in notes 12 and 30 to the financial statements.

17. CONVERTIBLE NOTES

		Group	
		2011	2010
	Notes	**HK$'000**	HK$'000
Unlisted convertible notes:			
Loan portion			
– Hanny Convertible Notes	(i)	**55,777**	50,913
– ABC Convertible Notes	(ii)	**14,588**	–
		70,365	50,913
Conversion option derivatives		**390**	–
		70,755	50,913

Notes:

(i) The balance represents convertible notes with a face value of HK$62,100,000 issued on 15 June 2006 by Hanny Holdings Limited (the "Hanny Convertible Notes"), a company listed on the Stock Exchange and an independent party of the Group. The Hanny Convertible Notes bear interest at a rate of 2% per annum, payable in arrears, unsecured and mature on 15 June 2011. The Hanny Convertible Notes are convertible into ordinary shares of Hanny Holdings Limited at HK$15.83 per share, subject to adjustment, at anytime up to the maturity date. On maturity, the Group is entitled to full repayment of the outstanding principal amount of the Hanny Convertible Notes at a face value of HK$62,100,000, together with accrued interest.

As at 31 March 2011, the Hanny Convertible Notes are neither past due nor impaired. The directors of the Company are of the opinion that no impairment allowance is necessary in respect of the balance as there has not been a significant change in its credit quality, and the balance is considered fully recoverable. The Group does not hold any collateral or other credit enhancements over the Hanny Convertible Notes.

The fair value of the conversion option derivative related to the Hanny Convertible Notes is determined by the directors using the binomial option pricing model.

The fair value of the loan portion of the Hanny Convertible Notes at 31 March 2011 approximated to the corresponding carrying amount, and the effective interest rate was 11.21%.

17. CONVERTIBLE NOTES (continued)

Notes: (continued)

(ii) The balance represents convertible notes with a face value of HK$15,200,000 issued on 13 December 2010 by ABC Communication (Holdings) Limited (the "ABC Convertible Notes"), a company listed on the Stock Exchange and an independent party of the Group. The ABC Convertible Notes bear interest at a rate of 4% per annum, payable in arrears, unsecured and mature on 13 December 2011. The ABC Convertible Notes are convertible into ordinary shares of ABC Communication (Holdings) Limited at HK$0.95 per share, subject to adjustment, at anytime up to the maturity date. On maturity, the Group is entitled to full repayment of the outstanding principal amount of the ABC Convertible Notes at a face value of HK$15,200,000, together with accrued interest.

As at 31 March 2011, the ABC Convertible Notes are neither past due nor impaired. The directors of the Company are of the opinion that no impairment allowance is necessary in respect of the balance as there has not been a significant change in its credit quality, and the balance is considered fully recoverable. The Group does not hold any collateral or other credit enhancements over the ABC Convertible Notes.

The fair value of the conversion option derivatives related to the ABC Convertible Notes is determined by the directors using the binomial option pricing model.

The fair value of the loan portion of the ABC Convertible Notes at 31 March 2011 approximates to the corresponding carrying amount, and the effective interest rate was 6.01%.

18. AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity investments, at fair value:		
Hong Kong	**538**	404
Elsewhere	**18,274**	16,491
	18,812	16,895

18. AVAILABLE-FOR-SALE EQUITY INVESTMENTS (continued)

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate. The fair values of listed equity investments are based on quoted market prices.

The market value of the Group's available-for-sale equity investments at the date of approval of these financial statements was approximately HK$18,249,000.

At 31 March 2011 and 2010, the Group did not hold any available-for-sale equity investments with carrying amounts exceeding 10% of the total assets of the Group.

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2011	2010
	HK$'000	HK$'000
Listed equity investments in Hong Kong, at fair value	**159,757**	147,526

The above equity investments at 31 March 2011 and 2010 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

The market value of the Group's equity investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$128,713,000.

At 31 March 2011 and 2010, the Group did not hold any equity investments at fair value through profit or loss with carrying amounts exceeding 10% of the total assets of the Group.

20. INVENTORIES

	Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**485**	200
Work in progress	**578**	–
Finished goods	**225**	864
	1,288	1,064

21. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending to up to two months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. There is a significant concentration of credit risk as over 97% (2010: 97%) of the balances represented receivables from two major customers within the electronic products segment. Trade receivables are non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

An aged analysis of the Group's trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 month	**1,937**	1,389
1 to 2 months	**235**	18
2 to 3 months	**6**	–
Over 3 months	**32**	–
	2,210	1,407

21. TRADE RECEIVABLES (continued)

The aged analysis of the Group's trade receivables, that are not considered to be impaired is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**1,937**	1,389
Less than 1 month past due	**235**	18
1 to 3 months past due	**38**	–
	2,210	1,407

Receivables that were neither past due nor impaired relate to customers for which there was no recent history of default. The Group does not hold any collateral or other credit enhancements over these balances.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

None of the prepayments, deposits and other receivables is either past due or impaired. The financial assets included in the prepayments, deposits and other receivables relate to receivables for which there was no recent history of default.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**50,707**	141,441	**2,693**	114,549
Less: Pledged time deposits for bank overdraft facilities (note 33)	**(7,335)**	(7,330)	**–**	–
Cash and cash equivalents	**43,372**	134,111	**2,693**	114,549

At the end of the reporting period, cash and bank balances of the Group denominated in Renminbi ("RMB") and Vietnamese Dong ("VND") amounted to approximately HK$3,900,000 (2010: HK$487,000) and HK$Nil (2010: HK$1,504,000), respectively. The RMB and VND are 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, and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND 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 from one day to one month 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. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

24. TRADE PAYABLES

An aged analysis of the Group's trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within 1 to 2 months	**651**	943
Over 3 months	**654**	50
	1,305	993

Trade payables are non-interest-bearing and have a credit period of an average of two months. The carrying amounts of trade payables approximate to their fair values.

25. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles, furniture, fixtures and equipment for its operations. These leases are classified as finance leases and have remaining lease terms of three years. At 31 March 2011, the total future minimum lease payments under finance leases and their present values were as follows:

Group

	Minimum lease payments 2011 HK$'000	Minimum lease payments 2010 HK$'000	**Present value of minimum lease payments 2011 HK$'000**	Present value of minimum lease payments 2010 HK$'000
Amounts payable:				
Within one year	**150**	–	**130**	–
In the second year	**150**	–	**140**	–
In the third to fifth years, inclusive	**87**	–	**85**	–
Total minimum finance lease payments	**387**	–	**355**	–
Future finance charges	**(32)**	–		
Total net finance lease payables	**355**	–		
Portion classified as current liabilities	**(130)**	–		
Non-current portion	**225**	–		

26. CONVERTIBLE BONDS

		Group and Company	
		2011	2010
	Notes	**HK$'000**	HK$'000
2007 Convertible Bonds	(i)	**–**	187,991
2010 Convertible Bonds	(ii)	**142,595**	–
		142,595	187,991

Notes:

(i) On 16 November 2007, the Company issued three-year zero-coupon convertible bonds (the "2007 Convertible Bonds") with a principal amount of HK$200,000,000. The 2007 Convertible Bonds were convertible at the option of the bondholders into ordinary shares of the Company at anytime following the date of issue of the 2007 Convertible Bonds up to the maturity date on 15 November 2010, at a price of HK$0.25 per share, subject to adjustments. The 2007 Convertible Bonds were fully redeemed by the Company upon maturity.

(ii) On 8 October 2010, the Company entered into a placing agreement (the "Placing Agreement") with Taifook Securities Company Limited, the placing agent, in relation to the issue of three-year zero-coupon convertible bonds (the "2010 Convertible Bonds") with a principal amount of HK$200,000,000. The Placing Agreement was completed on 1 December 2010 and the 2010 Convertible Bonds were issued by the Company to the bondholders on the same date. The 2010 Convertible Bonds are convertible at the option of the bondholders into ordinary shares of the Company at anytime following the date of issue of the 2010 Convertible Bonds up to the maturity date on 1 December 2013, at a price of HK$0.125 per share, subject to adjustments.

26. CONVERTIBLE BONDS (continued)

Notes: (continued)

(ii) The Company may redeem, in whole or in part, the outstanding 2010 Convertible Bonds at a 100% of the principal amount by giving the bondholders not less than seven business days' prior notice. If redeemed in part, the redemption shall be made in amounts of not less than multiples of HK$500,000. On the maturity date, any 2010 Convertible Bonds not converted or redeemed during the tenure will be redeemed by the Company at 100% of the principal amount. There was no conversion or redemption of the 2010 Convertible Bonds during the year ended 31 March 2011.

The change in fair value of the derivative component from the issuance date to 31 March 2011 was recognised in the consolidated income statement. The residual amount was assigned as the liability component. On initial recognition, the fair value of the derivative component was estimated at the issuance date using a binomial model.

The 2010 Convertible Bonds had been split as to the derivative and liability components, and the movements in the derivative and liability components were as follows:

	HK$'000
Nominal value of convertible bonds issued during the year	200,000
Derivative component	(59,220)
Transaction costs related to the liability component	(4,000)
Liability component at the issuance date	136,780
Interest expense	5,815
Liability component at 31 March 2011	142,595
Derivative component at the issuance date	59,220
Fair value gain recognised during the year	(13,680)
Derivative component at 31 March 2011	45,540

27. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 31 March 2011 were attributable to fair value gain on available-for-sale equity investments amounted to HK$5,420,000 (2010: HK$3,503,000).

The Group has tax losses arising in Hong Kong of HK$694,474,000 (2010: HK$655,332,000) and in Mainland China of HK$21,154,000 (2010: HK$12,822,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

28. SHARE CAPITAL

Shares

	2011	2010
	HK$'000	HK$'000
Authorised:		
60,000,000,000 ordinary shares of HK$0.01 each	**600,000**	600,000
Issued and fully paid:		
2,824,643,047 ordinary shares of HK$0.01 each	**28,247**	28,247

A summary of the Company's issued share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 31 March 2010, 1 April 2011 and 31 March 2011	2,824,643,047	28,247	701,055	729,302

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 32 to the financial statements.

29. 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.

The contributed surplus of the Group arose as a result of the Group reorganisation upon listing of the Company's shares in 1994, and represented the difference between the nominal value of the shares of the former holding company of the Group prior to the Group reorganisation, over the nominal value of the Company's shares issued in exchange thereof.

In addition, pursuant to special and ordinary resolutions passed at the special general meeting held on 22 September 2000, the issued and fully paid share capital of the Company was reduced by HK$448,992,000 through a reduction in the nominal value of the share capital of the Company.

The credit arising as a result of the reduction of the share capital of approximately HK$448,992,000 was transferred to the contributed surplus.

On 28 July 2005, a capital reorganisation scheme was approved by the shareholders under a special resolution, pursuant to which, every ten shares of HK$0.01 each in the issued share capital of the Company were consolidated into one consolidated share of HK$0.10 and every issued consolidated share was reduced in nominal amount by cancelling HK$0.09 of the capital paid up for each issued consolidated share so as to form (after the share consolidation) one reorganised share of HK$0.01. The credit arising from the capital reorganisation of HK$101,992,000 was transferred to the contributed surplus.

29. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2009	701,055	12,960	556	594,673	(1,191,540)	117,704
Loss and total comprehensive loss	–	–	–	–	(61,477)	(61,477)
Equity-settled share option arrangements (note 32)	–	9,868	–	–	–	9,868
At 31 March 2010 and 1 April 2010	**701,055**	**22,828**	**556**	**594,673**	**(1,253,017)**	**66,095**
Loss and total comprehensive loss	**-**	**-**	**-**	**-**	**(85,338)**	**(85,338)**
Equity-settled share option arrangements (note 32)	**-**	**3,142**	**-**	**-**	**-**	**3,142**
At 31 March 2011	**701,055**	**25,970**	**556**	**594,673**	**(1,338,355)**	**(16,101)**

Note:

The contributed surplus of the Company arose as a result of the Group reorganisation referred to in (a) above and represents the excess of the then combined net assets of the subsidiaries acquired over the nominal value of the Company's shares issued in exchange therefor.

In addition, the capital reorganisation described in (a) above also resulted in an aggregate credit balance of approximately HK$550,984,000 being transferred to the Company's contributed surplus.

30. DISPOSAL OF A SUBSIDIARY

	2011 HK$'000
Net liabilities disposed of:	
Property, plant and equipment	3,018
Cash and bank balances	692
Inventories	1,053
Prepayments, deposits and other receivables	3,443
Trade payables	(719)
Other payables and accruals	(2,113)
Amount due to the immediate holding company	(28,826)
	(23,452)
Less: Amount due to the immediate holding company	28,826
Net assets disposed of	5,374
Release of exchange reserve upon disposal	1,135
Gain on the disposal of a subsidiary	26,691
	33,200
Satisfied by:	
Cash	33,200

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

	2011 HK$'000
Cash consideration	33,200
Cash and bank balances disposed of	(692)
Net cash inflow of cash and cash equivalents in respect of the disposal of a subsidiary	32,508

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the leases of HK$407,000 (2010: Nil).

32. SHARE OPTION SCHEME

The Company operates a share option scheme (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 include the Company's directors, including independent non-executive directors, other employees of the Group or any invested entity, suppliers of goods or services to the Group or any invested entity, customers of the Group or any invested entity, shareholders of the Group or any invested entity, holders of securities of the Group or any invested entity and persons or entities that provide research, development or other technological support to the Group or any invested entity. The Scheme became effective on 27 August 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Scheme is an amount equivalent to 10% of the shares of the Company in issue as at the date of approval of the Scheme unless approval for refreshing the 10% limit from the Company's shareholders has been obtained. The total number of shares of the Company available for issue under the Scheme is 282,464,304 shares as at the date of the annual report. The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant in the Scheme (including exercised, cancelled and outstanding options) within any 12-month period, is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Under the Scheme, 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 grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5,000,000 is subject to shareholders' approval in advance in a general meeting.

32. SHARE OPTION SCHEME (continued)

The offer of a grant of share options under the Scheme may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of adoption of the Scheme subject to the provisions for early termination set out in the Scheme. Unless otherwise determined by the directors at their sole discretion, there is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of share options granted under the Scheme is determined by the directors, but shall 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 offer; and (iii) the nominal value of a share of the Company on the date of offer.

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

The following share options were outstanding during the year:

	2011		2010	
	Weighted average exercise price per share	**Number of options**	Weighted average exercise price per share	Number of options
	HK$	**'000**	HK$	'000
At 1 April	**0.136**	**163,170**	0.357	73,330
Forfeited during the year	**0.136**	**(9,140)**	–	–
Lapsed during the year	**–**	**–**	0.357	(73,330)
Granted during the year	**–**	**–**	0.136	163,170
At 31 March	**0.136**	**154,030**	0.136	163,170

32. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2011

Number of options '000	**Exercise price per share* HK$**	**Exercise period**
51,440	**0.1362**	**01/01/2010-30/06/2012**
51,270	**0.1362**	**01/07/2010-30/06/2012**
51,320	**0.1362**	**01/01/2011-30/06/2012**
154,030		

2010

Number of options '000	Exercise price per share* HK$	Exercise period
54,570	0.1362	01/01/2010-30/06/2012
54,390	0.1362	01/07/2010-30/06/2012
54,210	0.1362	01/01/2011-30/06/2012
163,170		

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

32. SHARE OPTION SCHEME (continued)

The fair value of the equity-settled share options granted during the year ended 31 March 2010 was estimated by Ascent Partners Transaction Services Limited, an independent firm of professionally qualified valuers, using the black-scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The fair value of the equity-settled share options granted was HK$13,781,000 of which the Group recognised a share option expense of HK$3,142,000 during the year ended 31 March 2011(2010: HK$9,868,000). The following table lists the inputs to the model used:

	Tranche 1	**Tranche 2**	**Tranche 3**
Exercise period	1 Jan 2010 to 30 Jun 2012	1 Jul 2010 to 30 Jun 2012	1 Jan 2011 to 30 Jun 2012
Dividend yield (%)	N/A	N/A	N/A
Expected volatility (%)	124.28	121.80	120.88
Historical volatility (%)	124.28	121.80	120.88
Risk-free interest rate (%)	0.44	0.52	0.62
Weighted average share price (HK$ per share)	0.14	0.14	0.14

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

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

At the end of the reporting period, the Company had 154,030,000 (2010: 163,170,000) share options outstanding under the Scheme. The exercise in full of the share options would, under the present capital structure of the Company, results in the issue of 154,030,000 additional ordinary shares of the Company and additional share capital of HK$1,540,000 and share premium of HK$19,439,000 (before issue expenses), which represented approximately 5.5% of the Company's shares in issue as at that date.

33. PLEDGE OF ASSETS

At 31 March 2011, the Group's banking facilities were secured by the Group's fixed deposits of HK$7,335,000 (2010: HK$7,330,000) (note 23).

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**2,720**	3,660
In the second to fifth years, inclusive	**1,734**	2,768
	4,454	6,428

In addition, the Group is required to pay an annual fee in respect of the use of certain land in Mainland China for its electronic products business up to October 2011 with an increment of 15% for every ten years commencing from 1993. The total future annual fee payables under such non-cancellable operating lease falling due as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Within one year	**56**	95
In the second to fifth years, inclusive	**–**	56
	56	151

At the end of the reporting period, the Company had no significant operating lease commitments (2010: Nil).

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following capital commitments at the end of the reporting period:

	Group	
	2011	2010
	HK$'000	HK$'000
Contracted, but not provided for:		
Capital contributions to a joint venture company	**–**	15,288

On 13 November 2007, the Group entered into a joint venture agreement (the "JV Agreement") with Food Company of Ho Chi Minh City (the "Food Company"), a wholly-owned subsidiary of Vietnam Southern Food Corporation, pursuant to which, both parties agreed to establish a joint venture company (the "JV Company") on or before 12 May 2008 for the future operation of convenience retail stores in Vietnam. During the year ended 31 March 2009, the Group entered into certain agreements with the Food Company for the revision and amendment on certain terms stated in the JV Agreement (collectively referred to as the "Revised JV Agreements"). In accordance with the Revised JV Agreements, the total equity interest in the JV Company will be held as to 49% by the Group and 51% by the Food Company, and the total invested capital of the JV Company would amount to US$4,000,000 (equivalent to HK$31,200,000). The Group is required to contribute US$1,960,000 (equivalent to HK$15,288,000) in form of legal capital and shareholders' loans to the JV Company upon the formation of the JV Company, based on its 49% interest therein.

The date for the formation of the JV Company has been further extended from 30 June 2010 to 31 December 2010 by entering into a supplemental agreement on the joint venture agreement on 30 June 2010. The supplemental agreement had expired, and the JV Company had not been set up as at 31 March 2011.

At the end of the reporting period, the Company did not have any significant commitment (2010: Nil).

36. RELATED PARTY TRANSACTIONS

The Group considers the directors of the Company to be the key management personnel, whose compensation has been disclosed in note 8 to the financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

Group – 2011

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Convertible notes – loan portion	–	70,365	–	70,365
Convertible notes – conversion option derivatives	390	–	–	390
Available-for-sale equity investments	–	–	18,812	18,812
Equity investments at fair value through profit or loss	159,757	–	–	159,757
Trade receivables	–	2,210	–	2,210
Financial assets included in prepayments, deposits and other receivables	–	13,513	–	13,513
Pledged time deposits	–	7,335	–	7,335
Cash and cash equivalents	–	43,372	–	43,372
	160,147	136,795	18,812	315,754

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group – 2011

Financial liabilities

	Financial liabilities at fair value through profit or loss HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Trade payables	–	1,305	1,305
Financial liabilities included in other payables and accruals	–	257	257
Finance lease payables	–	355	355
Derivative component of convertible bonds	45,450	–	45,450
Convertible bonds	–	142,595	142,595
	45,450	144,512	189,962

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group – 2010

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK$'000	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
Convertible notes – loan portion	–	50,913	–	50,913
Available-for-sale equity investments	–	–	16,895	16,895
Equity investments at fair value through profit or loss	147,526	–	–	147,526
Trade receivables	–	1,407	–	1,407
Financial assets included in prepayments, deposits and other receivables	–	953	–	953
Pledged time deposits	–	7,330	–	7,330
Cash and cash equivalents	–	134,111	–	134,111
	147,526	194,714	16,895	359,135

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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

Group – 2010

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade payables	993
Financial liabilities included in other payables and accruals	659
Convertible bonds	187,991
	189,643

Company

All the Company's financial assets as at 31 March 2011 and 2010, including amounts due from subsidiaries, deposits and other receivables, and cash and cash equivalents are categorised as loans and receivables.

All the Company's financial liabilities as at 31 March 2011 and 2010, including amounts due to subsidiaries and convertible bonds, are categorised as financial liabilities at amortised cost, except for the derivative component of convertible bonds which has been categorised as financial liability at fair value through profit or loss.

38. FAIR VALUE HIERARCHY

Fair value hierarchy

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

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

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

Level 3: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value as at 31 March 2011 and 2010:

Group

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
31 March 2011				
Available-for-sale equity investments	**18,812**	**–**	**–**	**18,812**
Equity investments at fair value through profit or loss	**159,757**	**–**	**–**	**159,757**
Convertible notes-conversion option derivatives	**–**	**390**	**–**	**390**
	178,569	**390**	**–**	**178,959**
31 March 2010				
Available-for-sale equity investments	16,895	–	–	16,895
Equity investments at fair value through profit or loss	147,526	–	–	147,526
Convertible notes-conversion option derivatives	–	–	–	–
	164,421	–	–	164,421

38. FAIR VALUE HIERARCHY (continued)

Liabilities measured at fair value as at 31 March 2011:

Group

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 March 2011				
Derivative component of convertible bonds	–	45,450	–	45,450

Company

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
31 March 2011				
Derivative component of convertible bonds	–	45,450	–	45,450

During the year ended 31 March 2011, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise equity investments, convertible bonds, cash and short term 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 trade receivables and trade payables. Details of the major financial instruments and the Group's accounting policies in relation to them are disclosed in note 2.4 to the financial statements.

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

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

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 Group reviews the recoverable amount of each individual trade debtor at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, pledged time deposits, available-for-sale equity investments and equity investments at fair value through profit or loss, 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.

39. 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., trade receivables) 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 the Group's available cash and its available banking facilities.

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

Group – 2011

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	651	654	–	1,305
Other payables	–	257	–	–	257
Finance lease payables	–	25	125	237	387
Convertible bonds	–	–	–	200,000	200,000
	–	933	779	200,237	201,949

Group – 2010

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Trade payables	–	993	–	–	993
Other payables	–	659	–	–	659
Convertible bonds	–	–	200,000	–	200,000
	–	1,652	200,000	–	201,652

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company – 2011

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	**–**	**–**	**–**	**200,000**	**200,000**
Due to subsidiaries	**7,498**	**–**	**–**	**–**	**7,498**
	7,498	**–**	**–**	**200,000**	**207,498**

Company – 2010

	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total HK$'000
Convertible bonds	–	–	200,000	–	200,000
Due to subsidiaries	7,498	–	–	–	7,498
	7,498	–	200,000	–	207,498

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as trading equity investments (note 19) and available-for-sale investments (note 18) as at 31 March 2011. The Group's listed investments are listed on the Hong Kong and Singapore stock exchanges and are valued at quoted market prices at the end of the reporting period.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period. For the purpose of this analysis, for the available-for-sale equity investments the impact is deemed to be on the available-for-sale equity investment revaluation reserve and no account is given for factors such as impairment which might impact on the income statement.

	Carrying amount of equity investments HK$'000	**Change in the Group's loss before tax HK$'000**	**Change in the Group's equity* HK$'000**
2011			
Investments listed in:			
Hong Kong – Available-for-sale	**538**	**–**	**27**
– Held-for-trading	**159,757**	**7,988**	**–**
Singapore – Available-for-sale	**18,274**	**–**	**914**

	Carrying amount of equity investments HK$'000	Change in the Group's loss before tax HK$'000	Change in the Group's equity* HK$'000
2010			
Investments listed in:			
Hong Kong – Available-for-sale	404	–	20
– Held-for-trading	147,526	7,376	–
Singapore – Available-for-sale	16,491	–	825

* Excluding accumulated losses

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objective of the Group's capital management is 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 and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2011 and 2010.

The Group monitors capital on the basis of the debt-to-equity ratio calculated as total debt divided by total equity. The debt-to-equity ratios as at the end of the reporting periods were as follows:

Group

	2011 **HK$'000**	2010 HK$'000
Trade payables	**1,305**	993
Finance lease payables	**355**	–
Other payables and accruals	**8,543**	8,255
Liability component of the convertible bonds	**188,135**	187,991
Total debt	**198,338**	197,239
Total equity	**120,867**	168,674
Debt-to-equity ratio	**164%**	117%

40. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 12).

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 June 2011.