iMerchants Limited
菱控有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 8009)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2011; (2) UNUSUAL SHARE PRICE AND VOLUME MOVEMENT; AND (3) RESUMPTION OF TRADING

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of the iMerchants Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the issuer. The directors of iMerchants Limited, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

On behalf of iMerchants Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**"), the board (the "**Board**") of directors (the "**Directors**") are pleased to present the audited financial results for the year ended 31 March 2011 together with the audited comparative figures for the year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2011

	NOTES	**2011** ***HK$'000***	2010 *HK$'000* (Restated)
Turnover	*4*	**119,728**	108,633
Revenue	*5*	**114,626**	8,595
Cost of sale		**(65,296)**	(29,637)
Gross profit (loss)		**49,330**	(21,042)
Investment income		**22**	29
Other income	*6*	**25**	357
Net gain (loss) on disposal of available-for-sale investments		**3,220**	(17,830)
Net gain on disposal of listed trading securities		**–**	1,729
Impairment loss on goodwill		**(16,952)**	(14,377)
Impairment loss on investment deposits		**(5,000)**	–
Impairment loss on other receivables		**(116)**	(18,240)
Impairment loss on loan receivables	*14*	**(18,800)**	–
Impairment loss on intangible asset	*12*	**(271,168)**	–
Selling expenses		**(3,310)**	(5,292)
Administrative expenses		**(11,964)**	(12,177)
Finance costs	*7*	**(14,093)**	(5,923)
Loss before taxation	*8*	**(288,806)**	(92,766)
Income tax expense	*9*	**(28,496)**	(390)
Loss for the year		**(317,302)**	(93,156)
Other comprehensive income (expense) for the year			
Exchange difference arising on translation		**40,324**	65
Change in fair value of available-for-sale investments		**–**	4,147
Release of investment revaluation reserve upon disposal of available-for-sale investments		**(4,452)**	54,378
Total comprehensive expense for the year		**(281,430)**	(34,566)
Loss for the year attributable to:			
Owners of the Company		**(316,804)**	(92,503)
Non-controlling interests		**(498)**	(653)
		(317,302)	(93,156)
Total comprehensive expense attributable to:			
Owners of the Company		**(280,946)**	(33,926)
Non-controlling interests		**(484)**	(640)
		(281,430)	(34,566)
Dividends	*10*	**–**	–
Loss per share (HK cents)			
Basic and diluted	*11*	**(5.57)**	(3.12)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**6,170**	6,875
Prepaid lease payments		**2,627**	2,576
Intangible asset	12	**606,089**	899,874
Goodwill		**–**	16,952
Available-for-sale investments		**–**	6,312
		614,886	932,589
Current assets			
Inventories		**–**	799
Trade and other receivables	13	**135,703**	2,663
Loan receivables	14	**700**	2,500
Prepaid lease payments		**63**	60
Cash held at non-bank financial institutions		**598**	25,711
Bank balances and cash		**343**	21,925
		137,407	53,658
Current liabilities			
Trade and other payables	15	**9,104**	3,989
Secured other loans	16	**4,169**	–
Amount due to a non-controlling shareholder of a subsidiary		**2,645**	2,542
Income tax payables		**28,777**	364
		44,695	6,895
Net current assets		**92,712**	46,763
Total assets less current liabilities		**707,598**	979,352
Capital and reserves			
Share capital	17	**477,403**	125,555
Non-redeemable convertible preference shares		**285,848**	587,696
Reserves		**(157,499)**	139,940
Equity attributable to owners of the Company		**605,752**	853,191
Non-controlling interests		**27**	511
Total equity		**605,779**	853,702
Non-current liabilities			
Secured other loans	16	**–**	3,990
Convertible bonds		**101,819**	121,660
		101,819	125,650
		707,598	979,352

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Attributable to owners of the Company												
	Share capital	Non-redeemable convertible preference shares	Share Premium	Capital redemption reserve	Merger reserve	Investment revaluation reserve	Special capital reserve	Translation reserve	Equity component of convertible bonds	Accumulated profits (losses)	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 17)	*(Note c)*			*(Note b)*		*(Notes a and c)*						
At 1 April 2009	113,251	–	–	3,297	45,918	(54,073)	60,592	(104)	–	8,619	177,500	1,151	178,651
Total comprehensive income (expense) for the year	–	–	–	–	–	58,525	–	52	–	(92,503)	(33,926)	(640)	(34,566)
Issuance of shares	12,304	–	46,142	–	–	–	–	–	–	–	58,446	–	58,446
Issue of non-redeemable preference shares *(Note c)*	–	587,696	–	–	–	–	(20,570)	–	–	–	567,126	–	567,126
Issue of convertible bonds	–	–	–	–	–	–	–	–	84,045	–	84,045	–	84,045
At 31 March 2010	125,555	587,696	46,142	3,297	45,918	4,452	40,022	(52)	84,045	(83,884)	853,191	511	853,702
At 1 April 2010	125,555	587,696	46,142	3,297	45,918	4,452	40,022	(52)	84,045	(83,884)	853,191	511	853,702
Total comprehensive income (expense) for the year	–	–	–	–	–	(4,452)	–	40,310	–	(316,804)	(280,946)	(484)	(281,430)
Issuance of shares upon conversion of convertible bonds	50,000	–	4,518	–	–	–	–	–	(21,011)	–	33,507	–	33,507
Issuance of shares upon conversion of non-redeemable convertible preference shares	301,848	(301,848)	(10,565)	–	–	–	10,565	–	–	–	–	–	–
At 31 March 2011	477,403	285,848	40,095	3,297	45,918	–	50,587	40,258	63,034	(400,688)	605,752	27	605,779

Notes:

(a) Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 22 July 2005 and the subsequent order of the High Court of Hong Kong ("the High Court") made on 13 December 2005, the entire amount of HK$207,130,000 then standing to the credit of the share premium accounts of the Company was cancelled in accordance with the provisions of the Hong Kong Companies Ordinance (the "Capital Reduction").

Out of the credit arising from the Capital Reduction, HK$146,538,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2005 and the remaining balance of HK$60,592,000 of the credit arising from the Capital Reduction was credited to a special capital reserve in the accounting records of the Company.

(b) The merger reserve of the Group represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the Company's shares issued as consideration for the acquisition in March 2000 less the premium arising on repurchase of shares and the amount transferred to the capital redemption reserve.

(c) On 23 October 2009, the Company issued approximately 2,938,478,000 non-redeemable convertible preference shares with a par value of HK$0.2 each, as subsequently subdivided of share of HK$0.2 each into five shares of HK$0.04 per share, as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary. The fair value of the convertible preference shares as at 23 October 2009 amounted to approximately HK$567,126,000, representing HK$0.193 per convertible preference share. The discount of approximately HK$20,570,000, which represented the difference between the fair value of the non-redeemable convertible preference shares as of 23 October 2009 and the par value, is charged to the special capital reserve of the Company.

During the year ended 31 March 2011, the discount charged to the special capital reserve was proportionately transferred to the share premium account of the Company upon the conversion of approximately 7,546,195,000 non-redeemable convertible preference shares, out of total of approximately 14,692,390,000, into ordinary shares with a par value of HK$0.04 per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2011

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

As at 31 March 2010, the immediate holding company and ultimate holding company are Bonus Raider Investments Limited ("Bonus Raider"), a company incorporated in the British Virgin Islands, and China Water Industry Group Limited ("China Water"), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange. Following the conversion of convertible preference shares and convertible bonds during the year, the equity interest in the Company held by Bonus Raider and China Water was diluted and ceased to have controlling interest over the Company. As at 31 March 2011, the Company did not have a parent and ultimate holding company.

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

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-Time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First Time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong – Interpretation ("Int") 5	Presentation of Financial Statements – Classification by Borrower of a Term Loan that Contains a Repayment on Demand Clause
Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") – Int 17	Distributions of Non-cash Assets to Owners

The adoption of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these financial statements and/or disclosures set out in these financial statements.

HKFRS 3 (Revised) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the financial statements for the current or prior accounting periods.

Result of the Group in future periods, may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

This amendment has had no effect to the financial statements as the convertible bonds that were issued during the year ended 31 March 2010 were classified as non-current liabilities based on when cash settlement may be required to be made. As at 31 March 2011, the liability component of the convertible bonds with the carrying amount of approximately HK$101,819,000 (2010: HK$121,660,000) has been presented as non-current liabilities.

Amendments to HKAS 17 Lease

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions set out in the amendments of HKAS 17, the Group reassessed the classification of land elements of unexpired leases at 1 April 2010 based on information which existed at the inception of these leases. The adoption of amendments to HKAS 17 Leases had no material impact on the financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 3 (as revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflaion and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[7]
HKFRS 10	Consolidated Financial Statements[7]
HKFRS 11	Joint Arrangements[7]
HKFRS 12	Disclosure of Interests in Other Entities[7]
HKFRS 13	Fair Value Measurement[7]
HKAS 1 (Revised)	Presentation of Financial Statements[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (Revised)	Employee Benefits[7]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (Revised)	Separate Financial Statements[7]
HKAS 28 (Revised)	Investments in Associates and Joint Ventures[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

[2] Effective for annual periods beginning on or after 1 July 2010

[3] Effective for annual periods beginning on or after 1 January 2011

[4] Effective for annual periods beginning on or after 1 July 2011

[5] Effective for annual periods beginning on or after 1 January 2012

[6] Effective for annual periods beginning on or after 1 July 2012

[7] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial positions of the Company and the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

4. TURNOVER

Turnover represents gross proceeds from sale of investments, management service fee income, dividend and interest income from investments as well as revenue generated from manufacture and trading of ceramic sewage materials, and is analysed as follows:

	2011 ***HK$'000***	2010 *HK$'000*
Proceeds from disposal of available-for-sale investments	**5,080**	88,235
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	11,774
Dividends from listed available-for-sale investments	**22**	29
Turnover from investments	**5,102**	100,038
Management service fee income	**108,986**	–
Revenue from manufacture and trading of ceramic sewage materials	**5,640**	8,595
	119,728	108,633

5. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

In order to better evaluate the nature and financial effects of the business activities on which the Group engages and the economic environments in which the Group operates, the Group has changed the composition of the reportable segments in the current year. The business segment for the comparable period has been restated accordingly.

Before the change of composition of the reportable segments, the operating segments operated by the Group was (a) investment in financial and investment products and (b) manufacture and trading of ceramic sewage materials.

After the change of composition of business segments, the Group's operating and reportable segments under HKFRS 8 are as follows:

(a) Provision of management services

(b) Investment in financial and investment products

(c) Manufacture and trading of ceramic sewage materials

Information regarding the above segments is reported below.

Segment information about these reportable segments is presented below:

Segment Revenue and Results
For the year ended 31 March

	Provision of management services		Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	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:								
External sales	**108,986**	–	**–**	–	**5,640**	8,595	**114,626**	8,595
Investment income	**–**	–	**22**	29	**–**	–	**22**	29
	108,986	–	**22**	29	**5,640**	8,595	**114,648**	8,624
SEGMENT RESULTS	**(225,057)**	(25,710)	**3,242**	(16,203)	**(18,914)**	(35,274)	**(240,729)**	(77,187)
Unallocated corporate income and expenses							**(48,077)**	(15,579)
Loss before taxation							**(288,806)**	(92,766)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment (loss) profit represents the loss from/profit earned by each segment without allocation of central administration costs, directors' salaries, impairment loss on investment deposits and loan receivables, interest income and finance costs. This is the measure reported to the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance.

Segment Assets and Liabilities
As at 31 March

	Provision of management services		Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS								
Segment assets	**720,811**	899,874	**598**	32,023	**10,236**	28,707	**731,645**	960,604
Unallocated segment assets							**20,648**	25,643
Total assets							**752,293**	986,247
LIABILITIES								
Segment liabilities	**5,736**	–	**–**	–	**5,410**	5,301	**11,146**	5,301
Unallocated segment liabilities							**135,368**	127,244
Total liabilities							**146,514**	132,545

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

- all assets are allocated to reportable segments, other than bank balances and cash and assets which are not able to allocate into reportable segments.

- all liabilities are allocated to reportable segments, other than secured other loans, income tax payables, convertible bonds and certain other payables which are not able to allocate into reportable segments.

For the year ended 31 March

	Provision of management services		Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
OTHER SEGMENT INFORMATION:								
Amounts included in the measure of segment profit or loss or segment asset:								
Addition to non-current assets *(Note)*	**–**	925,584	**–**	–	**26**	850	**26**	926,434
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**–**	–	**–**	–	**418**	488	**418**	488
Amortisation of intangible asset	**62,875**	25,710	**–**	–	**–**	–	**62,875**	25,710
Net (gain) loss on disposal of available-for-sale investments	**–**	–	**(3,220)**	17,830	**–**	–	**(3,220)**	17,830
Net gain on disposal of listed trading securities	**–**	–	**–**	(1,729)	**–**	–	**–**	(1,729)
Allowance for inventories	**–**	–	**–**	–	**252**	–	**252**	–
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**564**	–	**564**	–
Impairment loss on trade receivables	**–**	–	**–**	–	**600**	775	**600**	775
Impairment loss on other receivables	**–**	–	**–**	–	**116**	18,240	**116**	18,240
Impairment loss on goodwill	**–**	–	**–**	–	**16,952**	14,377	**16,952**	14,377
Impairment loss on intangible asset	**271,168**	–	**–**	–	**–**	–	**271,168**	–
Amounts regularly provided to the chief operation decision maker but not included in measure of segment profit or loss or segment assets:								
Depreciation of unallocated property, plant and equipment	**–**	–	**104**	38	**–**	–	**104**	38
Impairment loss on unallocated investment deposits	**–**	–	**5,000**	–	**–**	–	**5,000**	–
Impairment loss on loan receivables	**–**	–	**18,800**	–	**–**	–	**18,800**	–
Interest income	**–**	–	**(3)**	(3)	**(2)**	(2)	**(5)**	(5)
Finance costs	**13,666**	5,705	**–**	–	**427**	218	**14,093**	5,923
Income tax expense	**28,397**	–	**–**	–	**99**	390	**28,496**	390

Note: Non-current assets exclude available-for-sale investments.

Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are disclosed below:

	Revenue from external customers		Non-current assets *(note)*	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC	**114,626**	8,595	**614,832**	926,206
Hong Kong	**–**	–	**54**	71
	114,626	8,595	**614,886**	926,277

Note: Non-current assets excluded available-for-sale investments

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	2011	2010
	HK$'000	*HK$'000*
Customer A[1]	**–**	2,197
Customer B[1]	**N/A[3]**	5,685
Customer C[2]	**108,986**	–

1 Revenue from manufacture and trading of ceramic sewage materials.

2 Revenue from provision of management services.

3 The corresponding revenue did not contribute over 10% of the total sales of the Group during the year ended 31 March 2011.

6. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Interest income	**5**	5
Government subsidies *(Note)*	**–**	307
Net exchange gain	**–**	8
Sundries	**20**	37
	25	357

Note: The amounts represented the unconditional subsidies granted from the PRC government for the Group's contribution to environmental protection for the year ended 31 March 2010 (2011: nil).

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Imputed interest expenses on convertible bonds	**13,666**	5,705
Interest expenses on secured other loans wholly repayable within five years	**427**	218
	14,093	5,923

8. LOSS BEFORE TAXATION

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries and allowances	**3,595**	4,103
Retirement benefits scheme contributions	**79**	75
	3,674	4,178
Amortisation of intangible asset (included in cost of sale)	**62,875**	25,710
Amortisation of prepaid lease payments	**62**	60
Auditor's remuneration	**550**	480
Cost of inventories recognised as expenses	**2,421**	3,927
Depreciation of property, plant and equipment	**460**	466
Allowance for inventories (included in cost of sale)	**252**	–
Impairment loss on property, plant and equipment	**564**	–
Impairment loss on trade receivables (included in administrative expenses)	**600**	775
Operating lease charges in respect of rented premises	**1,253**	1,168

9. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
PRC Enterprise Income Tax ("EIT")		
– Current	**28,496**	364
– Under provision in prior years	**–**	26
	28,496	390

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

No provision for Hong Kong Profit Tax had been made as the Group did not generate any assessable profits in Hong Kong for the year ended 31 March 2011 and no tax is payable on the profit for the year ended 31 March 2010 arising in Hong Kong since the assessable profit was wholly absorbed by tax losses brought forward.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

The income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011	2010
	HK$'000	*HK$'000*
Loss before taxation	**(288,806)**	(92,766)
Taxation at domestic income tax rate of 25% (2010: 16.5%) *(Note)*	**(72,202)**	(15,306)
Tax effect of expenses not deductible for tax purpose	**97,340**	15,595
Tax effect of income not taxable for tax purpose	**(536)**	(13)
Tax effect of deductible temporary differences not recognised	**380**	128
Utilisation of tax losses previously not recognised	**(46)**	(231)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,560**	191
Under provision in prior years	**–**	26
Tax expense for the year	**28,496**	390

Note: The domestic income tax rate in the jurisdiction where the operation of the Group is substantially based is used.

At 31 March 2011, the Group had unused estimated tax losses of approximately HK$121,833,000 (2010: HK$122,017,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

At 31 March 2011, the Group also has other deductible temporary differences of approximately HK$2,295,000 (2010: HK$775,000). No deferred tax assets has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2011, nor has any dividend been proposed since the end of the reporting period (2010: nil).

11. LOSS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Loss		
Loss for the purposes of basic loss per share (loss for the year attributable to owners of the Company)	**(316,804)**	(92,503)
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic loss per share	**5,690,757**	2,966,118

Diluted loss per share was same as the basic loss per share for the year ended 31 March 2011 and 2010, as the effect of the conversion of the Company's convertible bonds and non-redeemable convertible preference shares were anti-dilutive for the year ended 31 March 2011 and 2010.

The weighted average number of ordinary shares for the year ended 31 March 2010 for the purpose of basic loss per share has been adjusted for the share subdivision on 2 November 2009.

12. INTANGIBLE ASSET

	The Group
	HK$'000
COST	
At 1 April 2009	–
Acquired through acquisition of a subsidiary	925,584
At 31 March 2010, 1 April 2010	925,584
Exchange realignment	41,408
At 31 March 2011	966,992
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 April 2009	–
Provided for the year	25,710
At 31 March 2010 and 1 April 2010	25,710
Provided for the year	62,875
Impairment loss recognised in the year	271,168
Exchange realignment	1,150
At 31 March 2011	360,903
CARRYING VALUES	
At 31 March 2011	606,089
At 31 March 2010	899,874

The intangible asset represented the exclusive right derived from a management agreement ("**Management Agreement**") to receive management fee equivalent to 70% of the net profits of Shenzhen Careall Capital Investment Co., Ltd ("**Shenzhen Careall**"), a company established in the PRC and being an independent third party of the Group. Under the Management Agreement, Shenzhen Careall and one of the ultimate beneficial owner of the vendor of Supreme Luck Limited ("**Supreme Luck**") shall irrevocably and unconditionally warrant, guarantee and undertake to and with Supreme Luck that the net profits of Shenzhen Careall during the one-year period commencing from the date of the Management Agreement, 19 August 2009, shall not be less than approximately HK$113,380,000 (equivalent to RMB100,000,000); the second one-year period commencing from the date of the Management Agreement shall not be less than approximately HK$170,070,000 (equivalent to RMB150,000,000); and the third one-year period commencing from the date of the Management Agreement shall not be less than approximately HK$226,760,000 (equivalents to RMB200,000,000). The shareholders of Shenzhen Careall have signed a share pledge agreement with Supreme Luck that all the rights and interests in the registered capital of Shenzhen Careall are pledged in favour of Supreme Luck for the period covered under the Management Agreement. Shenzhen Careall principally engaged in venture investment, venture investment advisory and management services, with the objective of investment in the equities of the new technology-based enterprises in the PRC. The exclusive right was acquired through the acquisition of the entire issued share capital of Supreme Luck during the year ended 31 March 2010.

The intangible asset is amortised on straight-line basis over its estimated useful lives of 15 years.

The recoverable amount of the exclusive right has been determined on the basis of value-in-use calculation with reference to a valuation performed by Grant Sherman Appraisal Limited, an independent qualified valuer not connected to the Group. The value-in-use calculations use cash flow projections of 14 years (2010: 15 years) and based on financial budgets approved by management of the Company covering a 3-year period, and a discount rate of 21.52% (2010: 20.23%). Cash flows beyond the 3-year period have been extrapolated using a steady 3% growth rate. This rate is based on the relevant track record of Shenzhen Careall and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for the exclusive right is based on the budgeted sales and expected realisable profit during the budget period and the similar quality of new investments during the budget period. Expected cash inflows/outflows, which include budgeted sales of listed securities, cost of acquiring new investment portfolio and other direct costs have been determined based on past performance and management's expectations for the market development. The directors of the Company are of the opinion that the recoverable amount is less than its respective carrying amount as at 31 March 2011, accordingly an impairment loss of approximately HK$271,168,000 (2010: nil) was recognised.

13. TRADE AND OTHER RECEIVABLES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Management service fee receivables	**114,722**	–
Other trade receivables	**2,132**	1,715
Less: impairment loss recognised	**(1,437)**	(787)
	115,417	928
Investment deposits	**23,095**	–
Less: impairment loss recognised	**(5,000)**	–
	18,095	–
Other receivables	**19,496**	18,561
Less: impairment loss recognised	**(18,356)**	(18,240)
	1,140	321
Prepayments and deposits	**1,051**	1,414
	135,703	2,663

Management service fee receivables are due upon the presentation of invoices and the Group allows an 180 days given to its customers.

As at 31 March 2011 and 31 March 2010, include in other receivables are receivables relating to profit guarantee provided by the vendor of Plenty One Limited of approximately HK$18,240,000 (2010: HK$18,240,000).

As at 31 March 2011, included in investment deposits are refundable deposits amounting to HK$23,095,000 paid for potential investment projects.

The following is an aged analysis of the trade receivables presented based on the invoice date net of impairment loss at the end of reporting period:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within 180 days	**–**	542
181 to 365 days	**115,417**	386
	115,417	928

(a) At 31 March 2011 and 2010, the aging analysis of trade receivables that were past due but not impaired are as follows:

The Group

	Total	**Neither past due nor impaired**	**Past due but not impaired >180 days**
	HK$'000	*HK$'000*	*HK$'000*
2011	115,417	–	115,417
2010	928	542	386

Trade receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default. The Group does not hold any collateral over these balances.

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable. Other than the management services fee receivables amounting to approximately HK$114,722,000 (2010: Nil) was pledged by the rights and interests in the registered capital of Shenzhen Careall as disclosed in note 12, the Group does not hold any collateral over these balances.

(b) The movements in impairment loss of trade receivables were as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Balance at beginning of the year	**787**	10
Recognised during the year	**600**	775
Exchange realignment	**50**	2
Balance at end of the year	**1,437**	787

Included in impairment loss are individually impaired trade receivables with an aggregate balance of approximately HK$1,437,000 (2010: HK$787,000) which were due to long outstanding. The Group does not hold any collateral over these balances.

(c) The movements in impairment loss of other receivables and investment deposits were as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Impairment loss of other receivables		
Balance at beginning of the year	**18,240**	–
Recognised during the year	**116**	18,240
Balance at end of the year	**18,356**	18,240
Impairment loss of investment deposits		
Balance at beginning of the year	**–**	–
Recognised during the year	**5,000**	–
Balance at end of the year	**5,000**	–

The Group has individually assessed all other receivables and investment deposits and provided impairment of the amounts that are considered not recoverable.

Included in impairment loss of other receivables are individually impaired relating to the profit guarantee provided by the vendor of Plenty One Limited with an aggregate balance of approximately HK$18,240,000 which the Company encountered difficulties in recovering as at 31 March 2011 and 2010.

Included in the impairment loss of investment deposits are individually impaired relating to the deposits paid for the potential investment in the PRC. Legal proceeding was filed against the deposit holders and the directors of the Company considered that the Company encountered difficulties in recovering the amount. The above other receivables and investment deposits were secured by guarantees from different individuals and companies.

14. LOAN RECEIVABLES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Loan receivables	**19,500**	2,500
Less: impairment loss recognised	**(18,800)**	–
	700	2,500

Included in loan receivables were amounts advanced to two independent third parties (the "**Borrowers**") amounting to HK$10,000,000 and HK$9,500,000 respectively. Impairment loss of HK$18,800,000 was recognised in the consolidated income statement during the year ended 31 March 2011. The loan receivables are secured by personal guarantees from a major shareholder of the Borrowers, repayable within one year and carry interest at fixed rate of 0.5% or 1% per annum.

The Group has individually assessed all loan receivables and provided impairment for the amounts that are considered not recoverable.

15. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of reporting period:

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 180 days	**–**	304	**–**	–
181 to 365 days	**294**	172	**–**	–
Over 1 year	**168**	233	**–**	–
	462	709	**–**	–
Other payables	**8,642**	3,280	**600**	1,590
	9,104	3,989	**600**	1,590

There was no specific credit period for payment granted by suppliers. The Group has financial risk management policies in place to ensure that all payables are settled within the time frame agreed with the respective suppliers.

16. SECURED OTHER LOANS

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Secured other loans – due within one year	**4,169**	–
Secured other loans – due more than one year but not exceeding two years	**–**	3,990
	4,169	3,990

At 31 March 2011, secured other loans of approximately HK$4,169,000 (equivalent to RMB3,500,000) (2010: HK$3,990,000 (equivalent to RMB3,500,000)) were fixed-rate borrowings carrying interest at 10.53% (2010: 10.53%) per annum and repayable ranging from November 2011 to March 2012.

17. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Balance at 1 April 2009 of HK$0.2 each	4,000,000,000	800,000
Increased during the year *(Note a)*	2,000,000,000	400,000
Share subdivision *(Note c)*	24,000,000,000	–
Balance at 31 March 2010, 1 April 2010 and 31 March 2011 of HK$0.04 each	30,000,000,000	1,200,000
Issued and fully paid:		
Balance at 1 April 2009 of HK$0.2 each	566,255,000	113,251
Issue of shares *(Note b)*	61,522,160	12,304
Share subdivision *(Note c)*	2,511,108,640	–
Balance at 31 March 2010 and 1 April 2010 of HK$0.04 each	3,138,885,800	125,555
Conversion of convertible preference shares *(Note d)*	7,546,194,600	301,848
Conversion of convertible bonds *(Note e)*	1,250,000,000	50,000
Balance at 31 March 2011 of HK$0.04 each	11,935,080,400	477,403

Notes:

(a) Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 17 September 2009, the shareholders of the Company approved the increase in authorised share capital of the Company from 4,000,000,000 ordinary shares of HK$0.20 each to 6,000,000,000 ordinary shares of HK$0.20 each by the creation of an additional 2,000,000,000 ordinary shares of HK$0.20 each.

(b) On 23 October 2009, the Company issued 61,522,160 ordinary shares with a par value of HK$0.2 each at a price of HK$0.95 per share. A sum of amount approximately HK$58,446,000 was raised and used as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary.

(c) Pursuant to an ordinary resolution passed by the shareholders of the Company at an extraordinary general meeting held on 30 October 2009, the Company then issued and unissued ordinary shares of HK$0.2 each in the share capital of the Company were subdivided into 5 shares of HK$0.04 each ("Share Subdivision"). The existing authorised share capital of the ordinary shares of the Company was HK$1,200,000,000 but divided into 30,000,000,000 ordinary shares of HK$0.04 each. The Share Subdivision took place on 2 November 2009.

The subdivided shares and new shares issued rank pari passu in all respects with the shares in issue prior to the Share Subdivision and the rights attaching to the subdivided shares will not be affected by the Share Subdivision.

(d) During the year ended 31 March 2011, 7,546,194,600 non-redeemable convertible preference shares were converted into ordinary shares of HK$0.04 each.

(e) During the year ended 31 March 2011, the convertible bonds holders converted the convertible bonds with an aggregate principal amount of HK$50,000,000 into ordinary shares at conversion price of HK$0.04 each.

18. EVENT AFTER THE REPORTING PERIOD

On 27 May 2011, 23 June 2011 and 28 June 2011, in aggregate of 3,740,000,000 ordinary shares of the Company were issued upon the exercise of the conversion rights attaching to the 3,740,000,000 non-redeemable convertible preference shares of HK$0.04 each by the holder.

AN EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The audit opinion for the consolidated financial statements of the Group for the year ended 31 March 2011 is extracted as follows:

Basis for qualified opinion

Loans receivables

As explained in note 14 to the financial statements, included in loans receivables were amounts advanced to two independent third parties amounting to HK$10,000,000 and HK$9,500,000 respectively. Impairment of HK$18,800,000 were recognised during the year ended 31 March 2011 for these two loans receivables. We have not been provided with sufficient evidence to satisfy ourselves as to whether these impairment losses determined by the directors of the Company against the carrying amounts of the two loans receivables were fairly stated. There are no other satisfactory audit procedures that we could adopt to ascertain the amount of impairment and the carrying value of the aforesaid loan receivables as at 31 March 2011 being fairly stated in the consolidated statement of financial position.

Any consequential effect in connection with the above matters would affect the net assets of the Group as at 31 March 2011 and the Group's net loss for the year ended 31 March 2011, and the related disclosures in the financial statements.

Qualified opinion arising from limitation of audit scope

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion, the financial statements give a true and fair view of the state of affairs of the Company and 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 Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance.

In respect alone of the limitation on our work relating to the loan receivables, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

BUSINESS REVIEW

The Chinese government is determine to control inflation with tightening policy in place. The market and business and market environment becoming increasingly challenging as wage increase , appreciating currency and higher environment and product safety standards. Raw material prices are also on increasing route. The profitability of the companies in our managing investment portfolio are diminishing as a result. In the year ended March 31 2011, we took on a impairment loss on intangible assets of approximately HK$ 271,168,000. The other major impairment on the goodwill which recognized over the cash generating unit ("**CGU**") arise from the acquisition of the manufacture and trading of ceramic sewage material subsidiary. The operation of the CGU was suspended during the year ended 31 March 2011. The Group is in the process of discussing with some potential sub-contractors but no specific contract was made as at the reporting date. The management had already taken legal action against the default party according to the contract terms and condition to seek for compensation. Currently the counter partier have given up his share of ownership of the factory as a compensation. Unfortunately, HK$16,952,000 was recognized as at 31 March 2011. Two loan receivables totalling approximately HK$18,800,000 was also being impaired during the year due to the prolonged weak financial position of the borrowers. These major impairments have made a contributions to the loss for the year.

The impaired amount had made a quite significant impact to the result for the year. The Board took a prudent approach to review the group's assets and make impairment accordingly. Hence, the Board in the coming year will promptly make the best effort to enhancing the group's internal control policies and procedures to monitor the assets of the Group, not limited to assets such as loan receivables, investment deposit and cash generating unit (profit guarantee) respectively as follows:

1) Amplify on the review and evaluation on the creditworthiness and the credit history of the borrower and the ensure sufficient amount of collateral is pledged along with a complete loan recoverability risk assessment.

2) Form an investment committee with specialist with high with high proficiency to oversee and compose a profound and comprehensive due diligence process and improve the safe guard on investment deposit.

3) increase the criteria and evaluation standards and benchmarks when accessing the competence and the qualification of current and potential business partners.

The board has also decided to appoint a professional independent internal auditor to conduct a review of the effectiveness of internal control system of the Group.

Recently, the board has made a collection on the loan receivable of HK$700,000 in June 2011, and will maintain communication with the borrowers to arrange for full repayment as well as continue the negotiation with the target party on recovering of the investment deposit. Where as, for the delayed payment of management fee for the first year due to the timing of redemption of investment income by Careall Capital had made an impact to the impairment on the value of the intangible asset. Nonetheless, the Group has been able to collect the management fee according to the schedule provided by Careall Capital. The management of the Group including the Board and the Independent Non Executive Directors of the Company has been satisfied with the progress of payment made by Careall Capital.

PROSPECTUS

Driven by the internal demand while spending power continuously increase by the majority population, the Chinese economy yet to be feared by a structural inflation in it's long run. Fortunately, with the strong hand of the Chinese government, commodities price such as raw material and property has been stabilized after the dramatic increase in price during the year . Tightening monetary policy stabilizing China's money supply have yet effectively ease off on the asset bubbles and put inflation into control. The Chinese government is determine to encourage the economy to transform from rapid growth over on GDP to a more robust and sustainable development. The result has been promising.

Collaborating with Careall Capital, our investment focus in the future will take on a direction which gears towards a more diversify yet cautious approach. In view of the government tendency to stimulate domestic consumption and increase in spending power and higher living standard of the population, the demand for energy and housing will continue to increase. We highly believe that investing in these areas will bring positive return for the company in long run. Our top priority is to explore on projects or assets which are related to the sectors such as real assets and energy. We also strongly believe these sectors will also provide good hedging effect during the period of inflation. High turnovers and booming IPOs on Chinese and Hong Kong stock markets is believe to maintain in the coming years. The Group and Careall Capital will continue take advantage by linking the market funds to quality assets and projects to increase the company's value and profitability as well as earnings.

To cope with the up coming transition and the challenge in the future investment strategy, the company is planning to strength the management team and recruit more talents with extensive knowledge and investing experience in the relating business sector and industry knowhow. We strongly believe that will help in building a better prospect for the Group in the coming years.

FINANCIAL REVIEW

Liquidity And Financial Resources

The Group had cash and cash equivalents of approximately HK$941,000 as at 31 March 2011 (2010: HK$47,636,000) and maintain a sturdy financial situation with current assets plus financial investments and deposits totaling approximately HK$137,407,000 for the year ended 31 March 2011 (2010: HK$59,970,000). The Group had approximately HK$4,169,000 of other borrowing at subsidiary level (2010: HK$3,990,000) which equivalent to RMB3,500,000 for both years.

Investment

As at 31 March 2011, the Group did not have any financial investment (2010: HK$6,312,000). The management will take a cautious and prudent approach in implementing our strategies in the future.

Revenue, Gross Profit And Administrative Expenses

For the year ended 31 March 2011, the Group's turnover was approximately HK$119,728,000 which was comprised of revenue from management service fee income and manufacture and trading of ceramic sewage material amounted to approximately HK$114,626,000 as compared to approximately HK$8,595,000 for the year ended 31 March 2010.

The gross profit for the group was approximately HK$49,330,000 (2010: loss HK$21,042,000). The Group generated a net loss attributable to owners of the Company of approximately HK$316,804,000 for the year ended 31 March 2011, compared to a net loss attributable to owners of the Company of approximately HK$92,503,000 for the year ended 31 March 2010. The loss was majorly raised from impairment loss on goodwill from our PRC Co. approximately HK$16,952,000, impairment loss on intangible assets with an amount of approximately HK$271,168,000 and impairment on loan receivables of HK$18,800,000.

Cost of sale incurred by the Group for the year ended 31 March 2011 amounted to approximately HK$65,296,000 (2010: HK$29,637,000). This amount included the amortization of an intangible asset. The amortization of intangible asset alone was approximately HK$62,875,000 (2010: HK$25,710,000). Selling expenses incurred by the Group for the year ended 31 March 2011 amounted to approximately HK$3,310,000 (2010: HK$5,292,000), representing the manufacturing and trading of ceramic sewage material subsidiary in the PRC. Administrative expenses for the year ended 31 March 2011 was approximately HK$11,964,000 (2010: HK$12,177,000). This included rental expenses of approximately HK$1,253,000 (2010: HK$1,168,000) and staff cost of approximately HK$3,674,000 (2010: HK$4,178,000).

EMPLOYEE INFORMATION

As of 31 March 2011, the Group employed approximately 15 staffs (2010: 80) which mostly located in our factory in the PRC. The Group has not granted any share option to the employees under its existing share option schemes during the year ended 31 March 2011 (2010: Nil).

DIVIDEND

The Directors do not recommend the payment of a final dividend for year ended 31 March 2011 (2010: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has three members comprising all the independent non-executive Directors, namely, Mr. Chang Kin Man ("**Mr. Chang**") as the chairman of the Audit Committee, Mr. Wu Tak Lung ("**Mr. Wu**") and Mr. Lam Tze Chung ("**Mr. Lam**"). All committee members possess appropriate industry and financial experience to advise on the Group's strategy and other matters. The composition of the Audit Committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

During the year under review, four meetings were held by the Audit Committee to approve the nature and scope of the statutory audits, and review the quarterly, interim and annual financial statements of the Group, and was content that the accounting policies and standards of the Group are in accordance with the current best practices in Hong Kong.

The Board has not taken any different view from that of the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor. The Company's annual audited results for the year ended 31 March 2011 have been reviewed by the Audit Committee.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board and senior management are committed to the principles of corporate governance and have dedicated significant efforts to provide transparency, accountability and independence.

During the period under review, the Company has applied the principles and complied with all the applicable code provisions in the Code of Corporate Governance Practices (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules, save as the following deviation.

Under code provision A.2.1, the roles of chairman and chief executive officer should be separated. Mr. Yau Yan Ming Raymond ("**Mr. Yau**") serves as the Chairman of the Board and the chief executive officer of the Company. The reason for not splitting the roles of chairman and chief executive officer are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and

- The Group has in place an internal control system to perform the check and balance function.

On 21 October 2010, Mr. Chan Wai Keung ("**Mr. Chan**") was appointed as the executive Director and chief executive officer of the Company. In line with the appointment of Mr. Chan, Mr. Yau ceased to serve as the chief executive officer of the Company. Thus, as at the date of this announcement, no deviation from the Code has been made.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the year under review, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 March 2011, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

COMPETING INTERESTS

During the year under review, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business that competed with the Group or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 March 2011.

PUBLICATION OF THE RESULTS AND ANNUAL REPORT

The results announcement is published on the website of GEM at www.hkgem.com and the Company's website at www.imerchantsltd.com. The 2011 annual report will be despatched to the shareholders of the Company and available on the same websites in due course.

UNUSUAL SHARE PRICE AND VOLUME MOVEMENT

At the request of the Stock Exchange in accordance with Rule 17.11 of the GEM Listing Rules, the Board announces that the Board has noted the increases in the price and the trading volume of the shares of the Company on 28 June 2011 i.e. the last trading day immediate preceding the Suspension of the Shares of the Company, and wishes to state that it was not aware of any reasons for such movements.

The Board has confirmed that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Chapters 19 and 20 of the GEM Listing Rules, neither is the Board aware of any matter discloseable under the general obligation imposed by Rule 17.10 of the GEM Listing Rules, which is or may be of a price sensitive nature.

RESUMPTION OF TRADING

Trading in the shares of the Company has been suspended with effect from 9:00 a.m. on 29 June 2011 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. p.m. on 8 August 2011.

By order of the Board
iMerchants Limited
Yau Yan Ming Raymond
Chairman

Hong Kong, 5 August 2011

As at the date hereof, the Board comprised the following Directors:

Executive Directors:
Mr. Yau Yan Ming Raymond
Mr. Chan Wai Keung
Mr. Yang Bin
Mr. Li Wen Jun
Mr. Wong Ka Chun Carson

Independent non-executive Directors:
Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Lam Tze Chung

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