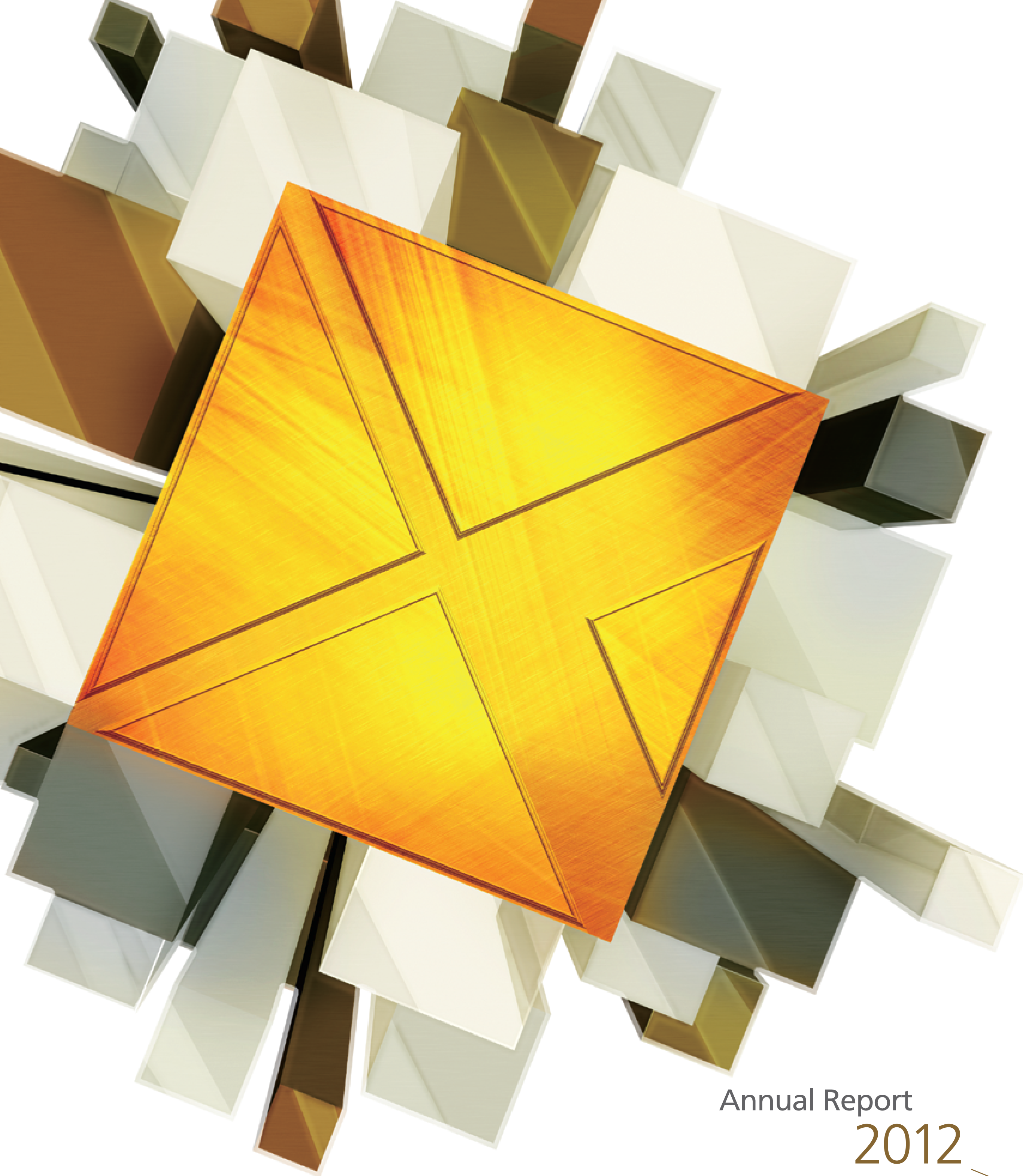

Annual Report
2012

中國置業投資控股有限公司*
CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
Stock Code: 736

* For identification purposes only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Xu Dong *(Chairman)*
Au Tat On

NON-EXECUTIVE DIRECTOR

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah

COMPANY SECRETARY

Yip Yuk Sing

AUTHORISED REPRESENTATIVES

Yu Wai Fong
Yip Yuk Sing

AUDITOR

CCIF CPA Limited

LEGAL ADVISER

Li, Wong, Lam & W.I. Cheung

PRINCIPAL BANKER

ICBC (Asia)
Wing Lung Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway Road
Hong Kong

BERMUDA SHARE REGISTRAR AND TRANSFER AGENT

HSBC Securities Services (Bermuda) Limited
6 Front Street, Hamilton, HM11,
Bermuda

HONG KONG SHARE REGISTRAR

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

WEBSITE

http://www.736.com.hk

STOCK CODE

736

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of China Properties Investment Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2012 to the shareholders of the Company (the "Shareholders").

FINANCIAL RESULTS

For the year under review, the Group's turnover was approximately RMB7.2 million. The audited net loss for the year was approximately RMB329.0 million. The basic loss per share was RMB1.37 dollars. The increase in loss was mainly due to the change of fair value of the mining rights for the copper and molybdenum in Inner Mongolia which was caused by the decrease in the market price of copper and molybdenum last year resulting from the deteriorating global economic conditions. It was also attributable to the impairment loss of the loan receivable and the change of fair value of the investment properties.

BUSINESS AND OPERATION REVIEW

During the year under review, the Group continued to engage in its principal business activities, including the properties investment business and the exploitation of copper and molybdenum in a mine (the "Mine") located in the Inner Mongolia, the People's Republic of China ("PRC").

As at 31 March 2012, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 square meters, of which approximately 100% of the properties were leased to third parties under operating leases with lease terms ranging up to twelve years.

For the mining business, the Mine is still in the development stage and thus has not yet contributed any operational turnover to the Group during the year under review.

PROSPECTS

With the Eurozone crisis and the slowdown in economic growth of the PRC, it will be challenging for the Group for the years to coming. Due to the continuous macro control over the property market in the PRC and unforeseeable factors during the period of global recession, we are cautious about the prospects of the real property market in the PRC. The Board believes that the profitability potential in properties investment will be reduced in the short and medium term.

CHAIRMAN'S STATEMENT

Despite the global financial crises over the past decade, there are still substantial global demand in oil which is increasingly dependent on the economic growth in developing countries such as the PRC. As such, we are still optimistic on oil industry in the long run. The possible acquisition of the oilfield in the Nevada is still under negotiation. Further announcement will be made by the Company if there is any further progress.

In order to achieve better shareholders' return, the Group has diversified its business scope into money lending business in April 2012. The Directors consider that the demand for money lending in Hong Kong is significant and this business can provide an attractive opportunity to broaden the income base of the Group. Therefore, the Group intends to concurrently continue its existing business while developing the new money lending business as one of its principal business activities.

Going ahead, the Group will continue to look for other investment opportunities in any other streams in the long run so as to broaden the source of income of the Group and diversify the Group's business portfolio.

GRATITUDE

Taking this opportunity, I would like to thank all Shareholders and business partners for their continuous supports. I also thank for my fellow Directors and staff members for their dedication and contribution to the Group during the year.

Xu Dong
Chairman

Hong Kong, 27 June 2012

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Xu Dong, aged 34, was appointed as an executive director of the Company in May 2010 and was re-designated as the chairman and chief executive officer of the Company in August 2010. Mr. Xu holds a Bachelor's degree in Japanese from the Shanghai International Studies University. Mr. Xu has extensive experience in business investment and management of mineral corporations. He is responsible for the overall management, strategic planning and business development and management of the mineral business of the Company.

Mr. Au Tat On, aged 56, was appointed as an executive director of the Company in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28-year experience in banking operations and financing. He is responsible for the general management and business development of the Group.

NON-EXECUTIVE DIRECTOR

Ms. Yu Wai Fong, aged 49, was appointed as the chairman, executive director and chief executive officer of the Company in March 2009 and was re-designated as non-executive director of the Company in August 2010. Ms. Yu has extensive experience in corporate management, corporate finance, mergers and acquisitions. She is responsible for strategic planning and business development of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Wai Yin, Wilson, aged 47, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in April 2009. Mr. Lai is a fellow member of the Association of International Accountants, United Kingdom and a practising member of the Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Shue Yan University majoring in accounting. During the 20 years in the audit profession, Mr. Lai gained extensive experience in the audits of Hong Kong listed companies and multi-national companies engaged in manufacturing, construction, property investment and software development businesses as well as audits of US Securities and Future Commission regulated clients. In addition, he had involved in many initial public offering projects and due diligence works in the PRC, Hong Kong SAR, Singapore and the United States. He is currently the sole proprietor of Wilson W.Y. Lai & Co., Certified Public Accountants.

Ms. Cao Jie Min, aged 27, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in May 2009. Ms. Cao holds a bachelor of laws degree in international economy from the Shanghai Institute of Foreign Trade. Ms. Cao currently holds a practicing certificate issued by the Ministry of Justice P.R.C. She is currently working in the international settlement department of the Bank of Tokyo – Mitsubishi UFJ (Shanghai branch).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Tse Kwong Wah, aged 39, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the Company in March 2011. Mr. Tse graduated from Concordia University, Canada with a Bachelor of Arts degree majoring in applied mathematics in 1998. He also obtained certificate on business management and import/export & logistics practices from Hong Kong Baptist University and The Hong Kong Management Association respectively in 2001 and 2010. Mr. Tse has over 10 years of working experience in the area of marketing, merchandising and management.

SENIOR MANAGEMENT

Mr. Han Wei, aged 41, was appointed as the director and authorised representative of Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the Company, in December 2008. He is also the director and legal representative of certain indirect wholly owned subsidiaries of the Company in the PRC. Mr. Han has extensive experience in banking and business management. Prior to his appointment, Mr. Han served as the general manager of an investment company in Shanghai for about five years and served as a manager of Bank of Shanghai.

Mr. Zhou Hong Tao, aged 34, is currently a project manager of Keshi Ketengqi Great Land Mine Industries Company Limited, a non wholly owned subsidiary of the Company. He is also the director and legal representatives of certain indirect wholly owned subsidiaries of the Company in the PRC. Mr. Zhou obtained a Bachelor's degree in Engineering from the Dalian University of Technology and a Master degree in Business Administration from the Beijing Jiaotong University. He also obtained the IFM certificate from U.S.A. in 2005 and has over ten years of experience in management and merger and acquisition of resource related projects. Prior to joining the Company, Mr. Zhou served (i) at the office of Yanshan District Committee, Beijing City as deputy general manager; (ii) at PKU Resource Group as director of the project operation centre; (iii) at Shanghai Xiang Chen Hang Place The Industry Co. Limited as deputy general manager.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year under review, the Group's turnover was approximately RMB7.2 million (2011: approximately RMB3.7 million), representing an increase of approximately 94.6% compared with last year. The increase in turnover was mainly due to rearrangement of certain operating leases during the year under review.

The audited net loss for the year was approximately RMB329.0 million (2011: approximately RMB38.1 million) and the loss per share was RMB1.37 dollars (2011: restated RMB3.12 dollars). Increase in loss for the year was mainly due to the change of fair value of the mining rights for the copper and molybdenum in Inner Mongolia which was caused by the decrease in the market price of copper and molybdenum last year resulting from the deteriorating global economic conditions. An impairment loss of approximately RMB240.7 million was recognised for the year ended 31 March 2012 since the recoverable amount of the cash generate unit for the mining rights were below their carrying amount. It was also attributable to the impairment loss of the loan receivable and the change of fair value of the investment properties. However, there was no cash flow impact on the Group for such changes of fair value.

The administrative and selling expenses of the Group for the year amounted to approximately RMB37.9 million (2011: approximately RMB30.8 million). The finance costs of the Group amounted to approximately RMB4.3 million which was incurred for the bank loans under the security of investment properties in Shanghai and the interest on convertible bonds.

BUSINESS REVIEW

During the year under review, the Group continued to engage in its principal business activities, including the properties investment business and the exploitation of the Mine.

As at 31 March 2012, the aggregate gross floor area of the investment properties being held by the Group was approximately 7,004 square meters, of which approximately 100% of the properties were leased to third parties under operating leases with lease terms ranging up to twelve years.

Regarding the mining business, the Keshi Ketengqi Great Land Mine Industries Company Limited (the "Mining Company"), a subsidiary of the Company, began to develop and construct the Mine in 2011. In order to support the construction of the Mine, the Mining Company built a three-kilometer road in the mine area. The new road leads directly to the mining face transport equipments and production water supply. In accordance with the provisions of the national work safety laws, a safety pre-assessment should be reported for record before the construction of a mine. The Mining Company has entrusted the relevant technical adviser to deliver the safety pre-assessment report regarding the production systems of the Mine. So far, the field exploration, sampling and test have been completed. In order to provide scientific basis for the mine construction, the Mining Company entrusted a professional scientific geological surveyor to survey the mine and provide data related to engineering survey, engineering geology and hydrological geology. The surveyor has completed the survey and delivered a topographic mapping report on the Mine. After the topographic mapping, the Mining Company also entrusted a survey and design company to perform a detailed geological survey on the Mine. By drilling, sampling and analysis, a geological exploration report has been completed. With an aim to provide a basis for the mine construction so as to reduce the risk of development and achieve maximum economic benefits, the Mining Company has entrusted 內蒙古有色金屬勘查局 (Non-Ferrous Metal Geological Exploration Bureau of Inner Mongolia) to perform a geological survey, high-precision magnetic survey, deep engineering reveal, systematic sampling and test in order to find out the structure of magmatite at the bottom level of the Mine and other basic geological characteristics of the deposit. The fieldwork is under process and is expected to complete by August this year.

MANAGEMENT DISCUSSION AND ANALYSIS

In addition, the original mining license of the Mine has expired on 17 November 2011. The Mining Company has submitted to 赤峰市國土資源局 all information and data required for the application for extension of mining license in October 2011. The application for extension has been approved and the mining license has been extended for a further period of 3 years from 17 November 2011 to 17 November 2014. In accordance with the relevant laws and regulations of the PRC, the Mining Company has the right to apply for further extension upon expiration of the mining license.

The expenditure incurred on the mining exploration and development for the year ended 31 March 2012 was approximately RMB3.8 million.

There is no material change in the estimated mineral resources of the Mine for the year ended 31 March 2012.

During the year under review, the Company completed a rights issue exercise by issuing 4,974,493,440 rights shares to the qualifying shareholders of the Company at subscription price of HK$0.068 per rights share on the basis of thirty (30) rights shares for every one (1) then existing share held. The gross proceeds of the rights issue is approximately HK$338.3 million.

On 27 July 2011, the Company entered into a participation deed with the Simsen Capital Finance Limited ("**Simsen**") and a sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK$42,000,000 and second participation amount of HK$8,000,000 (together the "**Participation Loans**"). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with the loan agreement (the "**Loan Agreement**") between Simsen and Make Success Limited ("**Borrower**"). The Borrower has assigned a promissory note of HK$300,000,000 (the "**PN**") and a convertible note of HK$90,000,000 (the "**CN**") as security to Simsen under the Loan Agreement. The PN and the CN were issued by Mayer Holdings Limited ("**Mayer**") to the Borrower. The Board considered that the entering into of the Participation Loans provided a higher interest income to the Company as compared to depositing the cash in a bank and the Participation Loans are of a short term nature which will not exert significant cash flow pressure on the operation of the Company. Due to the litigation between Mayer and the Borrower, Simsen disposed of the PN on 10 February 2012 in the amount of HK$10,000,000 with the consent of the Company. The Company anticipates that after the payment of all costs and expenses incurred in connection with the disposal, the portion that will be repaid to the Company by Simsen will be approximately HK$5.7 million which will be applied to settle part of the accrued interest. Yet the recoverability of the Participation Loans is not ascertainable at the present moment. Due to the uncertain outcome of the litigation, Simsen had not yet confirmed and repaid the disposal amount to the Company. Therefore, the Company had not yet recognised the amount as income for the year ended 31 March 2012. Taking into consideration the legal advice on the recoverability and the assessment of the market value of the Participation Loans, provision for impairment loss has been made for the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2012, the Group's net current assets were approximately RMB40.9 million (2011: net current liabilities approximately RMB22.2 million), including cash and bank balances of approximately RMB64.8 million (2011: approximately RMB5.9 million).

The Group had borrowings of approximately RMB52.0 million as at 31 March 2012 (2011: approximately RMB55.5 million). The borrowings were bank loans under security, of which 7.7% were due within one year from balance sheet date, 8.7% were due more than one year but not exceeding two years, 31.7% were due more than two years but not exceeding five years and 51.9% were due more than five years. The gearing ratio, defined as the percentage of net debts to the total equity of the Company, was nil (2011: approximately 32%).

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT POSITION

The Group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2012.

FOREIGN EXCHANGE EXPOSURE

As most of the Group's assets and liabilities are denominated in Renminbi and the liabilities of the Group are well covered by its assets, the Group does not have any significant exposure to foreign exchange fluctuation. During the year under review, the Group did not use any financial instruments for hedging purposes.

SHARES CAPITAL AND CAPITAL STRUCTURE

During the year under review, the Company early redeemed all the outstanding convertible bonds in the aggregate amount of HK$180 million and there were no convertible shares being issued under the convertible bonds. As at 31 March 2012, there were no outstanding convertible bonds.

On 4 May 2011, the Company issued 4,974,493,440 new shares under the rights issue exercise on the basis of thirty (30) rights shares for every one (1) existing issued share at the subscription price of HK$0.068 per rights share.

On 30 August 2011, the Company issued 1,028,000,000 new shares at HK$0.022 per share under the placing agreement dated 15 August 2011 and the supplemental agreement to placing agreement dated 23 August 2011.

On 10 October 2011, the Company issued 40,000,000 new shares at HK$0.181 per share under the placing agreement dated 28 September 2011.

On 16 February 2012, the Company issued 49,000,000 new shares at HK$0.195 per share under the placing agreement dated 6 January 2012.

Save as disclosed above, there was no change in the capital structure of the Company for the year ended 31 March 2012.

CHARGES ON GROUP'S ASSETS

As at 31 March 2012, the Group's investment properties with a value of approximately RMB197.7 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 31 March 2012, the Group did not have any material contingent liability (2011: Nil).

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Company did not have any acquisition or disposal of subsidiaries during the year.

EMPLOYEES

As at 31 March 2012, the Group had 41 employees (2011: 41). The remuneration of employees was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The Group provides mandatory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

REPORT OF THE DIRECTORS

The board (the "Board") of the directors (the "Directors") of the Company herein present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 24.

The Directors do not recommend payment of any dividends in respect of the year under review.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 111. This summary does not form part of the audited financial statements.

PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the plant and equipment of the Company and plant and equipment, and investment properties of the Group during the year are set out in notes 16 and 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws ("Bye-laws") or the laws 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 ended 31 March 2012.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2012, the aggregate amount of reserves available for distribution to equity holders of the Company was approximately RMB532,803,000 (2011: approximately RMB584,308,000) subject to the restriction on the share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the Group's five largest customers accounted for approximately 100% of the total turnover for the year and turnover attributable to the largest customer included therein amounted to approximately 73%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 55%.

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 in the Group's five largest suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

EXECUTIVE DIRECTORS:

Xu Dong *(Chairman)*
Au Tat On

NON-EXECUTIVE DIRECTOR:

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah

According to Bye-law 87(1), one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election. Ms. Yu Wai Fong and Mr. Lai Wai Yin, Wilson will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

There were no service contracts entered into between the Company and the independent non-executive Directors. They will be subject to the general requirement of retirement by rotation under the Bye-laws.

The Company has received the annual written confirmation from each of the independent non-executive Directors of their independence to the Company. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on page 5 of the annual report.

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Company's remuneration and nomination committee with reference to the Directors' duties, responsibilities and performance and the results of the Group.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had interests in any contract of significance subsisting during or at the financial year ended 31 March 2012 in relation to the business of the Group taken as a whole.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2012, the interests and short positions of the Directors of the Company in the share capital (the "Shares") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of Director	Capacity of Shares held	No. of Shares held	Percentage of issued Share
Yu Wai Fong	Beneficial owner	2,118,871	0.72%

The interests of Directors in the share options of the Company are separately disclosed in the note 29 to the financial statements.

Save as disclosed above, as at 31 March 2012, none of Directors had registered an interest or short position in the Shares or any shares of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2012, so far as was known to the Directors of the Company, no person being directly or indirectly interested or deemed to be interested in 5% or more of the Share of the Company, were recorded in the register kept by the Company under section 336 of the SFO.

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 March 2012, which do not constitute connected transactions under the Listing Rules, are disclosed in note 33 to the financial statements.

NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Details of the significant non-adjusting events after the reporting period of the Group are set out in note 36 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of Directors, the Company maintained a sufficient public float throughout the year ended 31 March 2012.

AUDITOR

The financial statements for the year ended 31 March 2012 were audited by CCIF CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCIF CPA Limited as auditor of the Company.

ON BEHALF OF THE BOARD

Xu Dong
Chairman

Hong Kong, 27 June 2012

CORPORATE GOVERNANCE REPORT

In view of the corporate governance practices, the Company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our Shareholders' expectations. The Company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 to the Listing Rules. The Company recognizes the maintenance of good corporate governance practices is essential to the growth of the Company. In the opinion of the Directors, the Company had complied with the CG Code throughout the year ended 31 March 2012, except for the Code Provision A.2.1. Detail of the deviation is set out in the relevant section below.

BOARD OF DIRECTORS

COMPOSITION

The Board comprises six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. Details of the Board composition are set out in the Report of Directors.

The Board formulates overall strategies and policies of the Group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the Board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in Board members, major transactions and investment commitments, annual budget, all policy matters etc. The day-to-day management, administration and operation of the Company are delegated to senior management which is accountable to the Board for the implementation of the Group's overall strategies and coordination of overall business operations.

The Board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the Company and its shareholders at all times. To the best knowledge of the Company, there is no financial, business, family or other relevant relationship amongst Directors. Biographical details of the Directors are set out on page 5 under the section headed "Biographical details of the Directors and Senior Management" of this annual report.

During the year ended 31 March 2012, the Board held 42 full Board meetings. The attendance of each member at the Board meetings is set out below:

Name of Directors	Attendance/ Number of Meetings
Executive Directors:	
Xu Dong *(Chairman)*	42/42
Au Tat On	42/42
Non-executive Director:	
Yu Wai Fong	42/42
Independent non-executive Directors:	
Lai Wai Yin, Wilson	41/42
Cao Jie Min	42/42
Tse Kwong Wah	42/42

CORPORATE GOVERNANCE REPORT

CHAIRMAN

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the Company also acted as chief executive officer of the Company during the year under review, which was deviated from the requirement of the Code Provision A.2.1. The Board considered that this structure was conductive with strong and consistent leadership, enabling the Company to make and implement decisions promptly and efficiently.

The chairman of the Group takes the lead in formulating overall strategies and policies of the Group which include compliance with good corporate governance practices and to facilitate active contribution of Directors in Board activities. He also ensures that all Directors are properly briefed on issues arising at Board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

EXECUTIVE DIRECTORS

The executive Directors are responsible for management of the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and the Group's business conforms to applicable laws and regulations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the Group and its shareholders. The Board consists of three independent non-executive Directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the independent non-executive Directors a confirmation of independence for the year pursuant to the Listing Rules. On this basis, the Company considers all such Directors to be independent.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which currently comprises three independent non-executive Directors. The duties of the Audit Committee include the following:

- To act as the key representative body for overseeing the Company's relations with the external auditor, and to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to consider any questions of its resignation or dismissal.

- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

CORPORATE GOVERNANCE REPORT

- To develop and implement policy on engaging an external auditor to supply non-audit services.
- To monitor integrity of the Company's financial statements and annual report and accounts, half-year report and to review significant financial reporting judgments contained therein.
- To review the Company's financial controls, internal control and risk management systems.
- To discuss the internal control system with management to ensure that management has performed its duty to have an effective internal control system.
- To consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings.
- To review the Group's financial and accounting policies and practices.
- To review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response.
- To ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter.
- To consider other topics, as defined by the Board.
- To review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters, and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.
- To perform the duties as set out in Code Provision C.3.3 of the CG Code.

During the year, the Audit Committee held 2 meetings, details of attendance are set out below:–

Members	**Attendance/ Number of meetings**
Lai Wai Yin, Wilson	1/2
Cao Jie Min	2/2
Tse Kwong Wah	2/2

The Audit Committee during the year in conjunction with the auditor has reviewed the internal controls, interim and annual results of the Group and its other duties (if relevant) in the CG Code.

The Board has not taken any different view from that of the Audit Committee regarding selection, appointment, resignation or dismissal of external auditor.

CORPORATE GOVERNANCE REPORT

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee (the "**Committee**") of the Company has been established by the Board. The Committee currently comprises three independent non-executive Directors. The duties of the Committee include the following:

- To make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy.

- To review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives.

- To make recommendations to the Board on the remuneration of non-executive Directors.

- To consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group.

- To review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive.

- To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

- To ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

- To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships.

- To assess the independence of independent non-executive Directors.

- To make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman of the Board and the chief executive officer.

In addition, the Committee 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. Where vacancies exist, the Committee 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.

CORPORATE GOVERNANCE REPORT

For the avoidance of doubt, the Directors and their associates do not participate in decisions making relating to their own remuneration.

During the year, the Committee held 2 meetings, details of attendance are set out below:–

Members	Attendance/ Number of meetings
Lai Wai Yin, Wilson	2/2
Cao Jie Min	2/2
Tse Kwong Wah	2/2

DIRECTORS' SECURITIES TRANSACTION

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

The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard as set out in the Model Code.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the Group for the year. The Directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the Board and management with an appropriate consideration to materiality. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the financial statements of the Company on a going concern basis.

The statement of the auditor of the Company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 22 of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains sound and effective internal controls to safeguard the Shareholders' investments and the Group's assets. The Group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the Group's operational systems for the achievement of the Group's business objectives. These have all been in place throughout the year under review and up to the date of this report and are reviewed regularly by the Board.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the Company's auditor, CCIF CPA Limited, for the year is set out as follows:

Services rendered	**Fee paid/payable Approximately** RMB
Audit services (2011: approximately RMB823,000)	795,000
Non-audit services (2011 approximately RMB1,293,000)	622,000
Total:	1,417,000

COMMUNICATION WITH SHAREHOLDERS

The Company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the Company has established, including but not limited to, the following various channels:

- annual general meeting provides a forum for shareholders of the Company to raise comments and exchange views with the Board. The chairman and the Directors are available at annual general meetings to address Shareholders' queries;
- separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the Shareholders to facilitate the enforcement of Shareholders' rights;
- interim and annual results are announced as early as possible so that the Shareholders are kept informed of the Group's performance and operations; and
- corporate website www.736.com.hk contains extensive information and updates on the Company's business developments and operations, financial information and other information.

INDEPENDENT AUDITOR'S REPORT

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Properties Investment Holdings Limited (the "company") and its subsidiaries (together the "group") set out on pages 24 to 110, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, 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.

INDEPENDENT AUDITOR'S REPORT

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 auditor's judgment, 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 auditor considers 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 the affairs of the company and of the group as at 31 March 2012 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.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to note 2(b)(i) and 20 to the consolidated financial statements of the group for the year about the going concern and possible acquisition of Pure Power Holdings Limited. Pursuant to the supplemental memorandum of understanding dated 20 September 2010 and the letter of confirmation dated 20 June 2012, the company agreed to settle the balance of the deposit of US$131 million (equivalent to approximately RMB860 million) before 20 September 2012. As at the date of this report, the company has not yet arranged sufficient financing for the payment. The directors of the company consider they are still in negotiation with the vendors for the terms and conditions of the possible acquisition and will obtain the required facilities to settle the remaining balance before the prescribed date.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2012

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2012

	Note	**2012** **RMB'000**	2011 RMB'000
Turnover	7	**7,243**	3,735
Cost of sales		**(3,806)**	(3,338)
		3,437	397
Valuation (loss)/gains on investment properties	17	**(658)**	12,197
Other revenue	8(a)	**1,183**	139
Other net income	8(b)	**115**	131
Selling expenses		**(1,655)**	(429)
Administrative expenses		**(36,253)**	(30,364)
Exploration and development expenses of mine		**(3,843)**	–
Other operating expenses	9(d)	**(287,250)**	(10,996)
Loss from operations		**(324,924)**	(28,925)
Finance costs	9(a)	**(4,256)**	(6,080)
Loss before taxation	9	**(329,180)**	(35,005)
Income tax	12(a)	**165**	(3,049)
Loss for the year		**(329,015)**	(38,054)
Attributable to:			
Owners of the company		**(306,607)**	(37,762)
Non-controlling interests		**(22,408)**	(292)
Loss for the year		**(329,015)**	(38,054)
			(Restated)
Loss per share			
– Basic	15(a)	**(RMB1.37)**	(RMB3.12)
– Diluted	15(b)	**(RMB1.37)**	(RMB3.12)

The notes on pages 32 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

	2012 RMB'000	2011 RMB'000
Loss for the year	**(329,015)**	(38,054)
Other comprehensive loss for the year		
Exchange differences on translation of financial statements of group entities outside the PRC	**(8,488)**	(4,098)
Total other comprehensive loss for the year, net of nil tax	**(8,488)**	(4,098)
Total comprehensive loss for the year	**(337,503)**	(42,152)
Attributable to:		
Owners of the company	**(315,095)**	(41,860)
Non-controlling interests	**(22,408)**	(292)
Total comprehensive loss for the year	**(337,503)**	(42,152)

The notes on pages 32 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Plant and equipment	16	**14,595**	14,859
Investment properties	17	**197,656**	198,314
Intangible assets	19	**259,000**	499,398
Deposit for acquisition of subsidiaries	20	**120,479**	124,799
		591,730	837,370
Current assets			
Trade and other receivables	21	**4,131**	1,765
Trading securities	22	**120**	150
Cash and cash equivalents	23	**64,819**	5,943
		69,070	7,858
Current liabilities			
Other payables	24	**24,073**	26,592
Interest-bearing bank borrowings	25	**4,000**	3,500
Current taxation	26(a)	**–**	–
		28,073	30,092
Net current assets/(liabilities)		**40,997**	(22,234)
Total assets less current liabilities		**632,727**	815,136
Non-current liabilities			
Interest-bearing bank borrowings	25	**48,000**	52,000
Deferred tax liabilities	26(b)	**10,971**	11,136
Convertible bonds	27	**–**	147,680
		58,971	210,816
NET ASSETS		**573,756**	604,320
EQUITY			
Equity attributable to owners of the company			
Share capital	28	**7,333**	2,833
Reserves	30	**542,211**	554,867
		549,544	557,700
Non-controlling interests		**24,212**	46,620
TOTAL EQUITY		**573,756**	604,320

Approved and authorised for issue by the board of directors on 27 June 2012.

On behalf of the board

Xu Dong
Director

Au Tat On
Director

The notes on pages 32 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Contributed surplus reserve RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2010	40,406	454,940	(9,988)	18,689	16,632	31,669	(179,602)	372,746	245,473	618,219
Loss for the year	–	–	–	–	–	–	(37,762)	(37,762)	(292)	(38,054)
Other comprehensive loss Exchange differences on translation of financial statements of group entities outside the PRC	–	–	–	–	–	(4,098)	–	(4,098)	–	(4,098)
Total comprehensive loss for the year	–	–	–	–	–	(4,098)	(37,762)	(41,860)	(292)	(42,152)
Acquisition of additional interest in a subsidiary through acquired the target companies (note 31)	–	–	(46,237)	–	–	–	–	(46,237)	(198,561)	(244,798)
Placing and subscription of new shares before share consolidation (note 28(iv))	13,340	66,065	–	–	–	–	–	79,405	–	79,405
Placing and subscription of new shares after share consolidation I, before capital reorganisation (note 28(v))	28,151	8,294	–	–	–	–	–	36,445	–	36,445
Placing and subscription of new shares after capital reorganisation (note 28(vi))	23	9,197	–	–	–	–	–	9,220	–	9,220
Share issue expenses	–	(5,075)	–	–	–	–	–	(5,075)	–	(5,075)
Conversion of convertible bonds (note 28(vii))	14,701	138,355	–	–	–	–	–	153,056	–	153,056
Capital reorganisation (note 28(ii))	(93,788)	–	–	(18,689)	–	757	111,720	–	–	–
At 31 March 2011	2,833	671,776	(56,225)	–	16,632	28,328	(105,644)	557,700	46,620	604,320

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

	Attributable to owners of the company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Contributed surplus reserve RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2011	2,833	671,776	(56,225)	–	16,632	28,328	(105,644)	557,700	46,620	604,320
Loss for the year	–	–	–	–	–	–	(306,607)	(306,607)	(22,408)	(329,015)
Other comprehensive loss Exchange differences on translation of financial statements of group entities outside the PRC	–	–	–	–	–	(8,488)	–	(8,488)	–	(8,488)
Total comprehensive loss for the year	–	–	–	–	–	(8,488)	(306,607)	(315,095)	(22,408)	(337,503)
Reduction of par value in the shares and realignment of the exchange difference (note 28(ii)(b))	(2,691)	–	–	–	–	2,691	–	–	–	–
Placing and subscription of new shares before share consolidation III (note 28(ix))	844	17,713	–	–	–	–	–	18,557	–	18,557
Placing and subscription of new shares (note 28(x))	978	4,921	–	–	–	–	–	5,899	–	5,899
Placing and subscription of new shares (note 28(xi))	1,193	6,561	–	–	–	–	–	7,754	–	7,754
Rights issue (note 28(viii))	4,176	279,841	–	–	–	–	–	284,017	–	284,017
Share issue expenses	–	(9,288)	–	–	–	–	–	(9,288)	–	(9,288)
At 31 March 2012	7,333	971,524	(56,225)	–	16,632	22,531	(412,251)	549,544	24,212	573,756

The notes on pages 32 to 110 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
Loss before taxation		**(329,180)**	(35,005)
Adjustments for:			
Finance costs		**4,256**	6,080
Interest income		**(578)**	(8)
Depreciation		**4,202**	2,600
Valuation loss/(gains) on investment properties	17	**658**	(12,197)
Fair values loss on convertible bonds	9(d)	**5,448**	10,882
Fair values loss/(gains) on trading securities		**26**	(45)
Impairment of loan receivables	9(d)	**41,054**	114
Impairment of intangible assets	9(d)	**240,748**	–
Gain on disposal of plant and equipment		**(91)**	–
Foreign exchange loss, net		**(2,925)**	(4,829)
		(36,382)	(32,408)
Changes in working capital			
Increase/(decrease) in trade and other receivables		**(43,420)**	7,746
Decrease in other payables		**(2,519)**	(863)
Cash used in operations		**(82,321)**	(25,525)
Tax paid		**–**	–
Net cash used in operating activities		**(82,321)**	(25,525)
Investing activities			
Purchase of plant and equipment		**(4,008)**	(8,065)
Deposit for acquisition of subsidiaries		**–**	(124,799)
Addition of intangible assets		**(350)**	–
Proceeds on disposal of plant and equipment		**120**	–
Interest received		**578**	8
Net cash used in investing activities		**(3,660)**	(132,856)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2012

	Note	2012 RMB'000	2011 RMB'000
Financing activities			
Proceeds from issuance of new shares		**316,227**	125,070
Share issue expenses		**(9,288)**	(5,075)
Repayment of bank loans		**(3,500)**	(3,000)
Early redemption of convertible bonds		**(149,572)**	(25,629)
Proceeds from issue of zero convertible bonds		**–**	85,425
Interest paid for bank borrowings		**(4,143)**	(3,840)
Interest paid for convertible bonds		**(1,700)**	(2,240)
Acquisition of additional interest in a subsidiary through acquiring the target companies	31	**–**	(77,007)
Net cash generated from financing activities		**148,024**	93,704
Net increase/(decrease) in cash and cash equivalents		**62,043**	(64,677)
Cash and cash equivalents at 1 April		**5,943**	73,784
Effect of foreign exchange rate changes, net		**(3,167)**	(3,164)
Cash and cash equivalents at 31 March	23	**64,819**	5,943

The notes on pages 32 to 110 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2012

	Note	2012 RMB'000	2011 RMB'000
Non-current assets			
Plant and equipment	16	–	–
Interest in subsidiaries	18	**373,729**	622,460
Deposit for acquisition of subsidiaries	20	**120,479**	124,799
		494,208	747,259
Current assets			
Other receivables	21	**86**	41
Trading securities	22	**120**	150
Cash and cash equivalents	23	**55,788**	5,568
		55,994	5,759
Current liabilities			
Other payables	24	**816**	2,973
Net current assets		**55,178**	2,786
Total assets less current liabilities		**549,386**	750,045
Non-current liabilities			
Convertible bonds	27	–	147,680
NET ASSETS		**549,386**	602,365
EQUITY			
Equity attributable to owners of the company			
Share capital	28	**7,333**	2,833
Reserves	30	**542,053**	599,532
TOTAL EQUITY		**549,386**	602,365

Approved and authorised for issue by the board of directors on 27 June 2012.

On behalf of the board

Xu Dong
Director

Au Tat On
Director

The notes on pages 32 to 110 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

1. CORPORATE INFORMATION

China Properties Investment Holdings Limited (the "company") is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

The company was incorporated and domiciled in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its principal place of business is Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for current accounting period of the group and the company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

i) Going Concern

The group incurred a loss attributable to owners of the company of RMB306,607,000 (2011: RMB37,762,000) and negative operating cash flows of RMB82,321,000 (2011: RMB25,525,000) for the year ended 31 March 2012.

In preparing these financial statements, the directors of the company have given careful consideration to the impact of the current and anticipated future liquidity of the group and the ability of the group to attain positive cash flow operations in the immediate and longer term.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

i) *Going Concern (Continued)*

In order to strengthen the capital base of the group and to improve the group's financial position, liquidity and cash flows in the immediate foreseeable future, and to sustain the group as a going concern, the group has adopted the following measures.

For the mining business, the group entered into a corporation agreement in 2011 with independent third party to operate the production of the mine, and with a view that the group will not require to further increase capital expenditure in this operation and can generate positive cash flows and enhance the profitability of the group in a future period.

For the acquisition of Pure Power Holdings Limited ("Pure Power") (Note 20), pursuant to the supplemental memorandum of understanding dated 20 September 2010 and the letter of confirmation dated 20 June 2012, the company agreed to settle the balance of the consideration of US$131 million (equivalent to approximately RMB860 million) before 20 September 2012. As at the date of this report, the company has not yet arranged financing for the payment of the balance of the consideration. The directors of the company considered that as they are still in negotiation with the vendors for the payment terms of the possible acquisition, they will consider obtaining the required funding to settle the remaining balance before the prescribed date after finalizing the terms of the acquisition.

After the payment of the deposit, the directors of the Company will seek other possible financing alternatives to complete the acquisition of Pure Power and the operation cost of the company.

In the opinion of the directors of the company, in light of the measures taken to date, together with the expected results of other measures in progress, the group will have sufficient working capital for its current requirements. Accordingly, the directors of the company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

ii) Basis of measurement

The consolidated financial statements for the year ended 31 March 2012 comprise the company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment in equity securities, investment properties and convertible bonds are stated at their fair value as explained in the accounting policies set out in notes 2(d), 2(f) and 2(n) respectively below.

Items included in the financial statements of each entity in the group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the company. All amounts are rounded to the nearest thousand except where otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amount of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of financial liabilities.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and the total comprehensive loss for the year between non-controlling interests and the owners of the company. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards). Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses (see note 2(i)) unless the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) OTHER INVESTMENTS IN EQUITY SECURITIES

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(p)(ii) and (iii).

Investments are recognised/derecognised on the date the group and/or the company commits to purchase/sell the investments or when they expire.

e) PLANT AND EQUIPMENT

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	5 years or over the remaining term of the lease, if shorter
Furniture and equipment	5 years
Motor vehicles	4 to 5 years

Where parts of an item of plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) PLANT AND EQUIPMENT (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

f) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(i).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

g) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Mining rights with finite useful lives are carried at cost less accumulated amortisation and impairment losses (see note 2(i)). The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

h) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) LEASED ASSETS (Continued)

i) Classification of assets leased to the group

Assets held by the group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)).

ii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as expenses in the accounting period in which they are incurred.

i) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries – see note 2(d)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

  Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale); and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim Financial Reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. (see note 2(i)).

Impairment losses recognised in an interim period in respect of available-for-sale equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

j) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment for doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(i)).

k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

l) OTHER PAYABLES

Other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit and loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) CONVERTIBLE BONDS

Convertible bonds of the company consisted of the liability component and embedded derivatives, (such as embedded conversion option, and early redemption option). Conversion options that were not settled by the exchange of a fixed amount for a fixed number of the company's equity instrument was considered as embedded derivatives not closely related to the host contract (the liability component).

The group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. At the end of such reporting period subsequent to initial recognition, the entire convertible bonds were measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Transaction costs that were directly attributable to the issue of the convertible bonds designated as financial liabilities at fair value through profit or loss were recognised immediately in profit or loss.

o) INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) INCOME TAX (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) INCOME TAX (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the company or the group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the company or the group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

p) REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Dividend income from listed investments

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) REVENUE RECOGNITION (Continued)

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iv) Government grant

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching condition will be complied with. When the grant relates to an expenses item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

q) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On the disposal of a foreign operation (i.e., a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) BORROWING COSTS

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

s) RELATED PARTIES

(a) A person, or a close member of that person's family, is related to the group if that person:

i) has control or joint control over the group;

ii) has significant influence over the group; or

iii) is a member of the key management personnel of the group or the group's parent.

(b) An entity is related to the group if any of the following conditions applies:

i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) EMPLOYEE BENEFITS

i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Share options granted to employees on or before 7 November 2002

In prior years, no amounts were recognised when employees (which terms include Directors) were granted share option over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2 "Share-based Payment", the group recognises the fair value of such share options as an expense in the income statement. A corresponding increase is recognised in the Employee share-based compensation reserve within equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) EMPLOYEE BENEFITS (Continued)

ii) Share-based payments (Continued)

Share options granted to employees on or before 7 November 2002 (Continued)

Where the employees are required to meet vesting conditions before they become entitled to the option, the group recognises the fair value of the option granted over the vesting period. Otherwise, the group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related Employee share-based compensation reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related Employee share-based compensation reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002.

iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

u) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the board of directors, chief operating decision maker ("CODM"), for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, ant the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised for other liabilities of uncertain timing or amount when the group or the company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

w) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching condition will be complied with. When the grant relates to an expenses item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

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

In the current year, the group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs in the current year has had no material effect on the group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's major financial instruments include trade and other receivables, trading securities, interest-bearing borrowings, other payables and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) CREDIT RISK

a) As at 31 March 2012 and 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

b) ***Deposits with financial institutions***

The group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2012, the group has certain concentration of credit risk as 95% (2011: 91%) of total cash and cash equivalents were deposited at one financial institution in Hong Kong with high credit ratings.

c) In respect of trade receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition is performed on each and every major tenant periodically. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The group has received rental deposits amounting to RMB1,765,000 (2011: RMB1,272,000) from the tenants as collateral. Rents are usually due upon presentation of billing.

d) In respect of trade receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The default risk of the industry in which tenants operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the group has a certain concentration of credit risk as 100% (2011: 100%) of the total rental receivables was due from the group's largest tenant.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 21.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) LIQUIDITY RISK

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The group relies on bank borrowings as a significant source of liquidity.

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the group's and the company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the group and the company are required to pay:

The group

	2012						2011					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities												
Other payables	24,073	–	–	–	24,073	24,073	26,592	–	–	–	26,592	26,592
Interest-bearing bank borrowings	7,955	8,145	24,410	28,745	69,255	52,000	7,354	7,590	29,906	28,901	73,751	55,500
Convertible bonds	–	–	–	–	–	–	–	–	149,920	–	149,920	147,680
	32,028	8,145	24,410	28,745	93,328	76,073	33,946	7,590	179,826	28,901	250,263	229,772

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) LIQUIDITY RISK (Continued)

The company

	2012						2011					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities												
Other payables	816	–	–	–	816	816	2,973	–	–	–	2,973	2,973
Convertible bonds	–	–	–	–	–	–	–	–	149,920	–	149,920	147,680
	816	–	–	–	816	816	2,973	–	149,920	–	152,893	150,653

iii) CURRENCY RISK

The group is exposed to foreign currency risk related primarily to cash and cash equivalents, other receivables, other payables, trading securities and convertible bonds that are denominated in currencies other than the functional currency of the relevant group entities.

Most of the group's and the company's transactions, assets and liabilities are denominated in RMB, which is the same as the functional currency of the entity to which they related.

The following table details the group's and the company's exposure at the end of the reporting to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iii) CURRENCY RISK (Continued)

The group

	2012 RMB'000	2011 RMB'000
Deposits for acquisition of subsidiaries	**120,479**	124,799
Trade and other receivables	**758**	41
Cash and cash equivalents	**63,872**	5,568
Trading securities	**120**	150
Other payables	**(832)**	(2,973)
Convertible bonds	**–**	(147,680)
Overall net exposure – Hong Kong Dollars	**184,397**	(20,095)

The company

	2012 RMB'000	2011 RMB'000
Deposits for acquisition of subsidiaries	**120,479**	124,799
Other receivables	**86**	41
Cash and cash equivalents	**55,788**	5,568
Trading securities	**120**	150
Other payables	**(817)**	(2,973)
Convertible bonds	**–**	(147,680)
Overall net exposure – Hong Kong Dollars	**175,656**	(20,095)

An analysis of the estimated change in the group's loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the group has significant exposure at the end of the reporting period is presented in the following table.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iii) CURRENCY RISK (Continued)

The group

	2012			2011		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax RMB'000**	**Effect on equity RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax RMB'000	Effect on equity RMB'000
Hong Kong Dollars	**5%**	**(7,699)**	**7,699**	5%	839	(839)
	(5%)	**7,699**	**(7,699)**	(5%)	(839)	839

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of a reasonably possible change in foreign exchange rates until the end of the next annual reporting period. The analysis is performed on the same basis for 2011.

iv) INTEREST RATE RISK

The group's exposure to market risk for changes in interest rates related primarily to the group's variable rate interest-bearing borrowings. The group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2012, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's loss after tax and accumulated losses attributable to variable rate bank borrowings by approximately RMB520,000 (2011: RMB555,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until at the end of the next annual reporting period. The analysis is performed on the same basis for 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iv) INTEREST RATE RISK (Continued)

The interest rate profile of the group's bank borrowings at the end of the reporting period is as follows:

	2012 RMB'000	2011 RMB'000
Variable rate borrowing		
Interest-bearing bank borrowings	**52,000**	55,500
Effective interest rates	**7.76%**	7.04%

v) EQUITY PRICE RISK

The group is exposed to equity price risk arising from the trading of listed securities classified as trading securities in the consolidated statement of financial position. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the end of the reporting period, if the quoted market prices of the trading securities had been 10% higher or lower while all other variables were held constant, the group's net loss would decrease or increase by approximately RMB12,000 (2011: RMB15,000) as a result of changes in fair value of investments. The group's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price in existence at that date. It also assumed that the fair values of the group's trading securities would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variable, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

vi) FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

	The group and the company							
	2012				2011			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss								
Trading securities	**120**	**–**	**–**	**120**	150	–	–	150
Financial liabilities at fair value through profit or loss								
Convertible bonds	**–**	**–**	**–**	**–**	–	147,680	–	147,680

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

vii) ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

a) Interest-bearing bank borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

b) Convertible bonds

The fair value of convertible bonds is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

c) Trading securities

Fair value for quoted equity investments are based on the closing bid prices at the end of the reporting period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The carrying amounts of the non-current portions of interest-bearing bank borrowings approximate their fair values.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) Impairment of receivables

The group maintains impairment allowance for doubtful accounts based on the evaluation of the recoverability of the trade receivable and other receivables at the end of each reporting period. The estimates are based on the ageing of the trade receivable and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance might be required.

The carrying amount of trade and other receivables net of impairment allowance as at 31 March 2012 was RMB2,783,000 (2011: RMB683,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ii) *Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recovered during the year. The useful lives are based on the group's historical experience with similar assets and taking into account anticipated obsolescence and technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

The carrying amount of plant and equipment as at 31 March 2012 was RMB14,595,000 (2011: RMB14,859,000).

iii) *Fair value of investment properties*

Investment properties are carried in the consolidated statement of financial position at 31 March 2012 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

The carrying amount of investment properties as at 31 March 2012 was RMB197,656,000 (2011: RMB198,314,000).

iv) *Impairment of intangible assets*

The Group assess whether there are any indicators of impairment for intangible assets. An impairment exists when the carrying amount of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of intangible assets as at 31 March 2012 was RMB259,000,000 (2011: RMB499,398,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the group's accounting policies.

i) Going concern

As mentioned in note 2(b)(i) to the financial statements, the directors are satisfied that the company will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the company will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

Should the group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their immediate recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

ii) Mining right

As disclosed in note 19 to the financial statements, the group's mining right for the copper and molybdenum will expire in November 2014. The company's directors have considered, after having obtained a PRC legal opinion, that in accordance with the relevant PRC laws and regulations, the group is entitled to renew the mining rights when it expires. The company's directors are of the opinion that there is no foreseeable circumstances which will preclude the group from obtaining a renewal of the mining right when it expires.

iii) Fair value of convertible bonds

Management uses their judgement in selecting an appropriate valuation technique for convertible bonds that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the convertible bonds.

iv) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the group's most senior executive management ("CODM") for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspectives. Geographically, management considers the performance of the segments in Hong Kong and mainland China. The group has presented the following two reportable segments. These segments are managed separately. The property investment segment and the investing in mining activities segment offer very different products and services.

1) PROPERTIES INVESTMENT

The properties investment reportable operating segment derives its revenue primarily from leasing of investment properties.

2) INVESTING IN MINING ACTIVITIES

The investing in mining activities reportable segment derives its revenue from the cooperation of the exploitation of copper and molybdenum mines with third party.

No reportable operating segment has been aggregated.

a) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sale generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than trading securities and corporate assets. All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT REPORTING (Continued)

2) INVESTING IN MINING ACTIVITIES (Continued)

a) *Segment results, assets and liabilities (Continued)*

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resource allocation and assessment of segment performance for the year ended 31 March 2012 and 2011 is set out below.

	2012			2011		
	Properties investment RMB'000	**Investing in mining activities RMB'000**	**Total RMB'000**	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000
Revenue from external customers	**7,243**	**–**	**7,243**	3,735	–	3,735
Reportable segment revenue	**7,243**	**–**	**7,243**	3,735	–	3,735
Reportable segment (loss)/profit before taxation	**(7,069)**	**(250,268)**	**(257,337)**	3,903	(1,409)	2,494
Interest income	**4**	**1**	**5**	4	–	4
Depreciation	**(581)**	**(3,204)**	**(3,785)**	(488)	(538)	(1,026)
Impairment of trade receivables	**–**	**–**	**–**	(114)	–	(114)
Impairment of intangible assets	**–**	**(240,748)**	**(240,748)**	–	–	–
Income tax credit/(expense)	**165**	**–**	**165**	(3,049)	–	(3,049)
Finance costs	**(4,143)**	**–**	**(4,143)**	(3,840)	–	(3,840)
Reportable segment assets	**203,456**	**268,525**	**471,981**	201,293	506,137	707,430
Additions to non-current segment asset during the year	**842**	**368**	**1,210**	899	6,707	7,606
Reportable segment liabilities	**55,408**	**19,832**	**75,240**	58,676	14,043	72,719
Deferred tax liabilities	**10,971**	**–**	**10,971**	11,136	–	11,136
Total liabilities	**66,379**	**19,832**	**86,211**	69,812	14,043	83,855

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT REPORTING (Continued)

2) INVESTING IN MINING ACTIVITIES (Continued)

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2012 RMB'000	2011 RMB'000
Revenue		
Total reportable segment revenue	**7,243**	3,735
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**7,243**	3,735
Profit/(loss)		
Total reportable segments' (loss)/profit	**(257,337)**	2,494
Unallocated corporate income	**6**	176
Depreciation	**(417)**	(1,574)
Interest income	**573**	4
Finance costs	**(113)**	(2,240)
Unallocated corporate expenses	**(71,892)**	(33,865)
Consolidated loss before taxation	**(329,180)**	(35,005)
Assets		
Total reportable segments' assets	**471,981**	707,430
Unallocated corporate assets	**188,819**	137,798
Consolidated total assets	**660,800**	845,228
Liabilities		
Total reportable segments' liabilities	**(86,211)**	(83,855)
Unallocated corporate liabilities	**(833)**	(157,053)
Consolidated total liabilities	**(87,044)**	(240,908)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT REPORTING (Continued)

2) INVESTING IN MINING ACTIVITIES (Continued)

c) *Revenue from major services*

The following is an analysis of the group's revenue from its major services:

	2012	2011
	RMB'000	RMB'000
Properties investment	**7,243**	3,735

d) *Geographical information*

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The group's non-current assets include plant and equipment, investment property, intangible assets and deposit for acquisition of subsidiaries. The geographical location of plant and equipment and investment property are based on the physical location of the asset. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		**Non-current assets**	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong (place of domicile)	**–**	–	**124,179**	126,086
The PRC	**7,243**	3,735	**467,551**	711,284
	7,243	3,735	**591,730**	837,370

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

6. SEGMENT REPORTING (Continued)

2) INVESTING IN MINING ACTIVITIES (Continued)

e) Information about major customers

Revenues from customers contributing 10% or more of the total revenue of the group are as follows:

	2012	2011
	RMB'000	RMB'000
Customer A – revenue from properties investment – the PRC	**–**	3,065
Customer B – revenue from properties investment – the PRC	**–**	670
Customer C – revenue from properties investment – the PRC	**5,262**	–
Customer D – revenue from properties investment – the PRC	**1,068**	–
Customer E – revenue from properties investment – the PRC	**913**	–
	7,243	3,735

7. TURNOVER

The principal activities of the group are property investment and investment in mining activities.

Turnover represents rental income from investment properties. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2012	2011
	RMB'000	RMB'000
Rental income from investment properties	**7,243**	3,735

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

8. OTHER REVENUE AND OTHER NET INCOME

		2012 RMB'000	2011 RMB'000
a)	**Other revenue**		
	Interest income on loan receivables	**554**	–
	Interest income on bank deposits	**24**	8
	Total interest income on financial assets not at fair value through profit or loss	**578**	8
	Sundry income	**605**	131
		1,183	139
b)	**Other net income**		
	Fair value (loss)/gain on trading securities	**(26)**	45
	Gain on disposal of plant and equipment	**91**	–
	Government subsidy*	**50**	86
		115	131
		1,298	270

* Subsidy income from government mainly relates to cash subsidies in respect of property industry which is unconditional grants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

		2012 RMB'000	2011 RMB'000
a)	**Finance costs**		
	Interest expenses on bank borrowings not wholly repayable within five years	**4,143**	3,840
	Total interest expenses on financial liabilities not at fair value through profit or loss	**4,143**	3,840
	Interest on convertible bonds	**113**	2,240
	Total interest expenses	**4,256**	6,080
b)	**Staff costs (including directors' remuneration)**		
	Salaries, wages and other benefits	**10,050**	7,111
	Contribution to defined contribution retirement plans	**607**	596
		10,657	7,707
c)	**Other items**		
	Auditor's remuneration		
	– audit services	**795**	823
	– other services	**622**	1,293
	Depreciation	**4,202**	2,600
	Gross rental income from investment properties less direct outgoings of RMB3,806,000 (2011: RMB3,338,000)	**(3,437)**	(397)
	Operating lease charges: minimum lease payments	**3,029**	2,473
	Gain on disposal of plant and equipment	**(91)**	–
	Exploration and development expenses of mine	**3,843**	244*

* The amounts included in administrative expenses for the year ended 31 March 2011.

		2012 RMB'000	2011 RMB'000
d)	**Other operating expenses**		
	Impairment of trade receivables	**–**	114
	Impairment of loan receivables	**41,054**	–
	Fair value loss on convertible bonds	**5,448**	10,882
	Impairment of intangible assets	**240,748**	–
		287,250	10,996

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. DIRECTORS' REMUNERATION

The aggregate amounts of the directors' remuneration, disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance, are as follows:

	2012					
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Au Tat On	–	500	10	510	–	510
Xu Dong	–	2,797	10	2,807	–	2,807
	–	3,297	20	3,317	–	3,317
Independent non-executive directors						
Lai Wai Yin	99	–	–	99	–	99
Cao Jie Min	99	–	–	99	–	99
Tse Kwong Wah	98	–	–	98	–	98
	296	–	–	296	–	296
Non-executive director						
Yu Wai Fong	–	1,509	10	1,519	–	1,519
	–	1,509	10	1,519	–	1,519
Total	296	4,806	30	5,132	–	5,132

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

10. DIRECTORS' REMUNERATION (Continued)

	2011					
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement scheme contribution RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Yu Wai Fong (resigned on 6 August 2010)*	–	316	4	320	–	320
Au Tat On	–	274	10	284	–	284
Xu Dong (appointed on 6 August 2010)*	–	1,046	10	1,056	–	1,056
	–	1,636	24	1,660	–	1,660
Independent non-executive directors						
Lam Man Yui (resigned on 1 March 2011)**	103	–	–	103	–	103
Lai Wai Yin	103	–	–	103	–	103
Cao Jie Min	103	–	–	103	–	103
Tse Kwong Wah (appointed on 1 March 2011)**	–	–	–	–	–	–
	309	–	–	309	–	309
Non-executive director						
Yu Wai Fong (appointed on 6 August 2010)*	–	975	6	981	–	981
	–	975	6	981	–	981
Total	309	2,611	30	2,950	–	2,950

Note:

* Yu Wai Fong was re-designated from executive director to non-executive director on 6 August 2010. Xu Dong was appointed to be executive director on 27 May 2010.

** Lam Man Yui resigned as an independent non-executive director and Tse Kwong Wah was appointed to be independent non-executive director on 1 March 2011.

No emoluments have been paid to the directors as an inducement to join or upon joining the group or as compensation for loss of office during the years ended 31 March 2012 and 2011. No director waived or agreed to waive any emoluments during the years ended 31 March 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the group, three (2011: three) are directors of the company whose emoluments are included in the disclosure in note 10 above. The emoluments of the remaining two (2011: two) individuals are as follows:

	2012	2011
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,679**	1,008
Retirement scheme contributions	**49**	83
	1,728	1,091

The emoluments of the two (2011: two) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2012	2011
HK$Nil – HK$1,000,000 (equivalent to RMBNil – RMB812,950)	**1**	2
HK$1,000,001 – HK$1,500,000 (equivalent to RMB812,951 – RMB1,219,425)	**–**	–
HK$1,500,001 – HK$2,000,000 (equivalent to RMB1,219,426 – RMB1,625,900)	**1**	–
	2	2

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2012	2011
	RMB'000	RMB'000
Current tax		
Hong Kong profits tax	**–**	–
Overseas tax calculated at rates prevailing in relevant jurisdiction	**–**	–
	–	–
Deferred tax (note 26(b))		
Origination and reversal of temporary differences	**(165)**	3,049
Tax (credit)/charge	**(165)**	3,049

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

a) (Continued)

No provision for Hong Kong profits tax has been provided for the year as the group had no estimated assessable profits in Hong Kong for the year (2011: Nil).

The PRC enterprise income tax (the "EIT") for the year ended 31 March 2012 is 25% (2011: 25%). EIT has not been provided for as the group has incurred losses for the year.

No deferred tax liabilities have been recognised on the retained profits of subsidiaries as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain profits earned by the group's PRC subsidiaries will not be distributed in the foreseeable future. Particularly, the group's PRC subsidiaries incurred a loss for the year ended 31 March 2012.

b) Reconciliation between tax (credit)/charge and accounting loss at applicable tax rate:

	2012	2011
	RMB'000	RMB'000
Loss before taxation	**(329,180)**	(35,005)
Notional tax on loss before taxation, calculated at the tax rate applicable to loss in the jurisdictions concerned	**(76,181)**	(5,672)
Tax effect of non-deductible expenses	**69,037**	69
Tax effect of deductible temporary differences not recognised	**(114)**	(27)
Tax effect of unused tax losses not recognised	**7,093**	8,679
Tax (credit)/charge	**(165)**	3,049

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the company includes a loss of approximately RMB351,253,000 (2011: RMB47,550,000) which has been dealt with in the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

14. DIVIDENDS

The directors did not propose the payment of any dividend for the year ended 31 March 2012 (2011: Nil) in view of the loss for the year.

15. LOSS PER SHARE

a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the company of RMB306,607,000 (2011: loss of RMB37,762,000) and the weighted average number of 223,871,000 ordinary shares (2011: 12,087,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares:

	2012	2011
	'000	'000
Issued ordinary shares at the beginning of the year *	**842,674**	4,834,168
Effect of five-for-one share consolidation (note 28(i))	**–**	(4,751,588)
Effect of fifty-for-one share consolidation (note 28(ii)(c))	**–**	(1,742,413)
Effect of rights issue (note 28(viii))	**4,524,745**	–
Effect of issue of new shares by placements (note 28(ix) to (xi))	**627,584**	1,692,203
Effect of issue of new shares upon conversion of convertible bonds (note 28(vii))	**–**	330,241
Effect of thirty-for-one share consolidation (note 28(iii))	**(5,771,132)**	(350,524)
Weighted average number of ordinary shares at the end of the year	**223,871**	12,087

* The number of ordinary shares has been adjusted to take into account the adjustment to the number of shares outstanding before the rights issue which completed on 21 April 2011 to reflect the bonus element inherent in the rights issue.

b) DILUTED LOSS PER SHARE

Diluted loss per share equals to basic loss per share because the outstanding share options had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2012.

Diluted loss per share equals to basic loss per share because the outstanding convertible bonds and share options had an anti-dilutive effect on the basic loss per share for the year ended 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. PLANT AND EQUIPMENT

The group

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 April 2010	33	938	4,570	5,541
Additions	–	31	8,034	8,065
Addition upon acquisition of subsidiaries	–	17	5,742	5,759
Exchange realignment	(1)	(15)	(108)	(124)
At 31 March 2011	32	971	18,238	19,241
At 1 April 2011	**32**	**971**	**18,238**	**19,241**
Additions	**–**	**64**	**3,944**	**4,008**
Disposal	**–**	**–**	**(354)**	**(354)**
Exchange realignment	**(1)**	**–**	**(75)**	**(76)**
At 31 March 2012	**31**	**1,035**	**21,753**	**22,819**
Accumulated depreciation				
At 1 April 2010	(4)	(572)	(1,254)	(1,830)
Charge for the year	(1)	(143)	(2,456)	(2,600)
Exchange realignment	–	14	34	48
At 31 March 2011	(5)	(701)	(3,676)	(4,382)
At 1 April 2011	**(5)**	**(701)**	**(3,676)**	**(4,382)**
Charge for the year	**(1)**	**(91)**	**(4,110)**	**(4,202)**
Disposal	**–**	**–**	**325**	**325**
Exchange realignment	**–**	**–**	**35**	**35**
At 31 March 2012	**(6)**	**(792)**	**(7,426)**	**(8,224)**
Carrying amount				
At 31 March 2012	**25**	**243**	**14,327**	**14,595**
At 31 March 2011	27	270	14,562	14,859

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

16. PLANT AND EQUIPMENT (Continued)

The company

	Furniture and equipment RMB'000
Cost	
At 1 April 2010	124
Exchange realignment	(6)
At 31 March 2011, 1 April 2011 and 31 March 2012	118
Accumulated depreciation	
At 1 April 2010	(124)
Charge for the year	–
Exchange realignment	6
At 31 March 2011, 1 April 2011 and 31 March 2012	(118)
Carrying amount	
At 31 March 2012	–
At 31 March 2011	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

17. INVESTMENT PROPERTIES

The group

	RMB'000
Valuation:	
At 1 April 2010	186,117
Gain on revaluation	12,197
At 31 March 2011	198,314
At 1 April 2011	198,314
Loss on revaluation	(658)
At 31 March 2012	197,656

All of the group's investment properties are held in the PRC under medium-term leases.

All of the group's investment properties were revalued on 31 March 2012 and 31 March 2011 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties which had been revalued on an open market basis. The investment properties are leased to third parties under operating leases, further details of which are included in note 32(i) to the financial statements.

All of the group's investment properties were pledged to secure general banking facilities granted to the group (note 25).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN SUBSIDIARIES

	The company	
	2012	2011
	RMB'000	RMB'000
Unlisted shares, at cost	**623,466**	623,466
Less: Impairment losses		
At 1 April	**32,009**	32,009
Impairment loss recognised	**287,744**	–
At 31 March	**319,753**	32,009
Unlisted shares, net	**303,713**	591,457
Due from subsidiaries	**174,286**	139,012
Less: Impairment losses		
At 1 April	**108,009**	92,040
Impairment loss recognised	**–**	20,431
Exchange realignment	**(3,739)**	(4,462)
At 31 March	**104,270**	108,009
Due from subsidiaries, net	**70,016**	31,003
	373,729	622,460

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year. In the opinion of the company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximate their fair value.

The subsidiaries made further losses and no sufficient income will be generated by the subsidiaries to fully repay the outstanding balance due to the company and an impairment of RMB20,431,000 was made in 2011. After considering the operating performance of the subsidiaries, the directors of the company are of the opinion that the impairment loss should not be reversed in 2012 and 2011.

Due to the decrease in the fair value of the mine for the year ended 31 March 2012. The directors of the company are of the opinion that an impairment of RMB287,744,000 was made in 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN SUBSIDIARIES (Continued)

The following are the particulars of subsidiaries which principally affected the results, assets and liabilities of the group. The class of shares held are ordinary unless otherwise stated.

All these companies are subsidiaries as defined under note 2(c) and have been included in the consolidated financial statements.

			Proportion of ownership interest			
Name	**Place of establishment, incorporation and operation**	**Particulars of issued and paid up share capital/ registered capital**	**Group's effective interest**	**Held by the company**	**Held by a subsidiary**	**Principal activities**
Luck Grow Group Limited	The British Virgins Island	US$1	100%	100%	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	100%	–	100%	Investment holding
Shanghai Xiang Chen Hang Place The Industry Co Ltd ("Shanghai Xiang Chen Hang")* (Note (i))	PRC	US$12,571,540	100%	–	100%	Property investment
Main Pacific Group Limited ("Main Pacific")	The British Virgins Island	US$1	100%	100%	–	Investment holding
Citigain Holdings Limited	Hong Kong	HK$1	100%	–	100%	Investment holding
鼎裕投資諮詢（深圳）有限公司 Dingyu Investment Consulting (Shenzhen) Company Limited* (Note (i))	PRC	HK$1,000,000	100%	–	100%	Investment holding
上海卓衡實業有限公司 Shanghai Zhuoheng Shiye Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding
克什克騰旗大地礦業有限責任公司 Keshi Ketengqi Great Land Mine Industries Company Limited* ("Keshi Ketengqi") (Note (ii) & (iv))	PRC	RMB10,000,000	91% (Note ii)	–	100%	Mining
上海吉譯實業有限公司 Shanghai Jiyi Shiye Company Limited* (Note (iv))	PRC	RMB20,000,000	85%	–	85%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of establishment, incorporation and operation	Particulars of issued and paid up share capital/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Allied China Development Limited ("Allied China')	The British Virgins Island	US$1	100%	100%	–	Investment holding
Main Pacific Holdings Limited ("Main Pacific Holdings")	Hong Kong	HK$1	100%	–	100%	Investment holding
Universe Prosper Limited ("Universe") (Note (iii))	The British Virgins Island	US$1	100%	100%	–	Investment holding
Sinowood Holdings Limited ("Sinowood")	Hong Kong	HK$1	100%	–	100%	Investment holding
東滙科技(深圳)有限公司 Dong Hui Yuan Technology (Shenzhen) Company Limited* (Note (i))	PRC	RMB500,000	100%	–	100%	Investment holding
上海躍寶商貿有限責任公司 Shanghai Yue Bao Trade Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding
北京海創天元貿易有限公司 Beijing Hai Chong Tianyuan Trading Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding
景城集團有限公司 View Success Holdings Ltd	Hong Kong	HKD10,000	100%	–	100%	Investment holding
北京博思嘉睿商務顧問有限公司 (Note (i))	PRC	HKD4,000,000	100%	–	100%	Not yet commenced business
三豐集團有限公司 Triglory Group Ltd	The British Virgins Island	USD50,000	100%	100%	–	Investment holding
三榮集團有限公司 Triple Glory Holdings Ltd	Hong Kong	HKD10,000	100%	–	100%	Not yet commenced business

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

18. INTEREST IN SUBSIDIARIES (Continued)

i) Registered under the laws of the PRC as a wholly-foreign-owned enterprise.

ii) During the year ended 31 March 2011, the group acquired a further 40% equity interest in Keshi Ketengqi through the acquisition of Universe. Upon the completion of the acquisition, the equity interest of Keshi Ketengqi attributable to the company was increased to 91%.

iii) On 18 August 2010, the company entered into a sale and purchase agreement with an independent third party for the acquisition of the entire equity interest in Universe and its subsidiaries for a consideration of approximately RMB257 million (equivalent to HK$300 million). The fair value of the total consideration given was approximately RMB244,715,000. ("Acquisition") (note 31). The acquisition was completed on 13 October 2010.

iv) These companies are registered under the laws of the PRC as limited liability companies.

* For identification only.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

19. INTANGIBLE ASSETS

	The group RMB'000
Cost	
At 1 April 2010, 31 March 2011 and 1 April 2011	499,398
Addition	350
At 31 March 2012	499,748
Accumulated impairment	
Charge for the year ended 31 March 2012	240,748
Carrying amount	
At 31 March 2012	259,000
At 31 March 2011	499,398

a) In year 2010, the group acquired the subsidiaries which hold the mining right for the copper and molybdenum in Inner Mongolia in the PRC with a carrying amount of RMB499,398,000.

b) The mining right is stated at cost less accumulated amortisation and any impairment losses.

No amortisation was made during the year as the mine is in a development stage and no mining activities are conducted in the mine.

c) As at 31 March 2012, the group determined the recoverable amounts of cash generate unit for the mining rights based on value in use calculation. That calculation used cash flows projections based on financial budgets as approved by management at pre-tax discount rate of 16.94% (2011: 16.25%) with reference to the valuation performed by Roma Appraisals Limited, who is an independent firm of professionally qualified valuers and has a recognised and relevant professional qualification and experiences in the category of mining, as at 31 March 2012. As a result, the recoverable amount of the cash generate unit for the mining rights were below their carrying amount, impairment losses of approximately RMB240,748,000 have been recognised to profit and loss and included in other operating expenses in the consolidated income statements. The decrease in the recoverable amounts of cash generate units for the mining rights for the year ended 31 March 2012 was mainly due to the decrease in the recent market price and the growth rate of copper and molybdenum and the income expected to be generated from the mine decreased.

The decreased in the fair value of the mining rights for the year ended 31 March 2011 was mainly due to the change of plan of the mining operating segment. Previously, the group planned to operate the mines on its own. However, in June 2011, the group entered into a co-operation agreement with an independent contractor under which the contractor is responsible for the construction of mining and processing equipment, infrastructure and other ancillary facilities. After completion of the construction, the contractor will operate the mine. The group will share 30% – 60% of the profit generated from the mine on a progressive basis throughout the term of the co-operation agreement. The term of the co-operation agreement is 15 years and it can be renewed with the mutual agreement between the company and the contractor. In the opinion of the company's directors, no impairment to the carrying value of the mining rights as at 31 March 2011 is required since its fair value is higher than its carrying amount of RMB499,398,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

19. INTANGIBLE ASSETS (Continued)

d) The group's mining right at 31 March 2012 is as follows:

Mining right	Location	Expiry date
永勝礦區	內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經柵鎮	17 November 2014

e) During the year ended 31 March 2012, the group renewed the mining right up to 17 November 2014.

In accordance with the relevant laws and regulations of the PRC, the group has the right to apply for further extension upon expiration of the mining license.

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 21 June 2010, the company entered a Memorandum of Understanding ("MOU of Pure Power") with certain independent third parties in relation to the possible acquisition of 100% equity interest in Pure Power Holdings Limited ("Pure Power") which owns a 100% equity interest in Bright Sky Energy & Minerals, INC (" Bright Sky"), a company incorporated in Nevada, USA. Bright Sky is the holder of three leases with exploration and exploitation rights for oil and gas assets in Nevada, USA. The equity interest of the possible acquisition of Pure Power was amended to 71.76% under the letter of confirmation signed on 20 September 2011.

According to the Supplemental Memorandum of Understanding (the "SMOU") signed on 20 September 2010, the total deposit of the transaction is US$150 million (approximately equivalent to RMB985 million). According to the letter of confirmation signed on 20 June 2012, the group has to settle the balance of the deposit of US$131 million (equivalent to approximately RMB860 million) before 20 September 2012.

In accordance with the terms of the MOU of Pure Power, the MOU of Pure Power shall have a term of three months. The company has requested and the BVI companies have agreed to extend the term of the MOU of Pure Power for another one month to until 20 October 2010 by entering into the SMOU. Pursuant to the SMOU, the company shall have the rights to extend the period. The exclusivity period has also been extended for one month to 20 October 2010. On 20 October 2010, the company entered into a letter of confirmation with the sellers whereby, inter alia, the term of the MOU as amended by the SMOU was further extended to 20 December 2010. The letter of confirmation was extended several times to 20 September 2012 during the year. During the year, the company obtained the indemnity letter from the major shareholder of Pure Power, who guarantees to the company to repay the deposit to the company if the transaction is default.

As at the date of the report, the group has not yet arranged sufficient financing for the payment of the balance of the deposit of US$131 million (equivalent to approximately RMB860 million). The directors of the company considered that as they are still in negotiation with the vendors for the terms and conditions of the possible acquisition, will obtain the required facilities to settle the remaining balance before the prescribed date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

21. TRADE AND OTHER RECEIVABLES

	The group		The company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**4,824**	2,956	**–**	–
Less: allowance for doubtful debts	**(2,838)**	(2,838)	**–**	–
Trade receivables (net)	**1,986**	118	**–**	–
Loan receivables (note 2)	**41,054**	–	**41,054**	–
Less: impairment (note 2)	**(41,054)**	–	**(41,054)**	–
Loan receivables (net)	**–**	–	**–**	–
Other receivables	**797**	565	**–**	–
Loans and receivables	**2,783**	683	**–**	–
Prepayments and deposits	**1,348**	1,082	**86**	41
	4,131	1,765	**86**	41

Note:

(1) All of the trade and other receivables are expected to be recovered within one year.

(2) On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited ("**Simsen**") and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK$42,000,000 and second participation amount of HK$8,000,000 (together the "**Participation Loans**"). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the "**Loan Agreement**") between Simsen and Make Success Limited ("**Borrower**"). The Borrower has assigned a promissory note of HK$300,000,000 (the "**PN**") and a convertible note of HK$90,000,000 (the "**CN**") as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited ("**Mayer**") to the Borrower.

The repayment date of the loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been draw down by the Borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

Due to the litigation between Mayer and the Borrower, Simsen disposed the PN on 10 February 2012 in the amount of HK$10,000,000 with the consent of the company. The company anticipates that after the payment of all costs and expenses incurred in connection with the disposal, the portion that will be repaid to the company by Simsen is approximately HK$5.7 million which will be applied to settle part of the accrued interest. Due to the uncertain outcome of the litigation, Simsen had not yet confirmed and repaid the disposal amount to the company. Therefore, the company had not yet recognised the amount as income for the year ended 31 March 2012.

As at 31 March 2012, the company engaged an independent valuer to perform the valuation on the loan receivables. The valuation performed by Castores Magi Asia Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in this area. Taking into consideration the legal advice on the recoverability and the assessment of the market value of the loan receivables, the directors of the company considered that the loan receivables of RMB41,054,000 (equivalent to HK$50,000,000) was fully impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

21. TRADE AND OTHER RECEIVABLES (Continued)

a) AGEING ANALYSIS

Trade receivables are net of allowance for doubtful debts of RMB2,838,000 (2011: RMB2,838,000) with the following ageing analysis presented based on invoice date as of the end of the reporting period:

	The group	
	2012	2011
	RMB'000	RMB'000
Current	**–**	–
1 to 3 months overdue	**1,986**	118
	1,986	118

Trade receivables are due after the date of billing. Further details on the group's credit policy are set out in note 4(i).

b) IMPAIRMENT OF TRADE RECEIVABLES

Impairment losses in respect of trade receivables are recorded using an allowance account unless the group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for doubtful debts

	The group	
	2012	2011
	RMB'000	RMB'000
At 1 April	**2,838**	2,724
Impairment loss recognised (note)	**–**	114
At 31 March	**2,838**	2,838

Note:

As at 31 March 2012, trade receivables of the group amounting to approximately RMB2,838,000 (2011: RMB2,838,000) were individually determined to be impaired. These individually impaired receivables were outstanding for over 180 days as at the end of the reporting period and the management considered the recoverability of the amount is low. The group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

21. TRADE AND OTHER RECEIVABLES (Continued)

C) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	**–**	–
Past due but not impaired		
– Within 3 months past due	**1,986**	118
– More than 3 months but less than 12 months past due	**–**	–
	1,986	118

Receivables that were past due but not impaired relate to a tenant that has 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 balances are still considered fully recoverable. The group hold rental deposits of RMB1,765,000 (2011: RMB1,272,000) as collateral over these balances.

22. TRADING SECURITIES

	The group and the company	
	2012	2011
	RMB'000	RMB'000
Listed equity securities, at market value in Hong Kong	**120**	150

The market value of listed equity securities is based on their closing bid prices at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

23. CASH AND CASH EQUIVALENTS

	The group		The company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**64,819**	5,943	**55,788**	5,568
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**64,819**	5,943		

Deposit with banks carry interest at market rates which ranging from 0.01% to 0.36% (2011: 0.01% to 0.40%) per annum.

24. OTHER PAYABLES

	The group		The company	
	2012	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**16,187**	17,827	**816**	2,973
Amounts due to directors (Note 33) (Note b)	**49**	–	**–**	–
Amounts due to related parties (Note 33) (Note b)	**6,072**	7,493	**–**	–
Financial liabilities measured at amortised cost	**22,308**	25,320	**816**	2,973
Rental deposits received	**1,765**	1,272	**–**	–
	24,073	26,592	**816**	2,973

Notes:

a) All of the other payables (including amounts due to related parties and amounts due to directors) are expected to be settled or recognised as income within one year or are repayable on demand.

b) The amounts due to directors and amounts due to related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

25. INTEREST-BEARING BANK BORROWINGS

At 31 March 2012, the bank borrowings were secured and repayable as follows:

	The group	
	2012	2011
	RMB'000	RMB'000
Current liabilities		
Within 1 year or on demand	**4,000**	3,500
Non-current liabilities		
After 1 year but within 2 years	**4,500**	4,000
After 2 years but within 5 years	**16,500**	21,000
After 5 years	**27,000**	27,000
	48,000	52,000
Total	**52,000**	55,500

All of the interest-bearing borrowings were carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

None of the portion of interest-bearing borrowings due for repayment after one year which contain a repayment on demand clause and that is classified as a current liabilities is expected to be settled within one year.

The range of effective interest-rates (which are also equal to contracted interest rates) on the group's bank borrowings are as follows:

	2012	2011
Effective interest rates:		
Variable-rate borrowings	**7.76%**	7.04%

At 31 March 2012, the bank borrowings were secured by the investment properties of the group with a total carrying amount of approximately RMB197,656,000 (2011: approximately RMB198,314,000) (see note 17).

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) Current taxation in the consolidated statement of financial position represents:

	2012	2011
	RMB'000	RMB'000
Provision for Hong Kong profits tax	**–**	–
Provision for PRC enterprise income tax	**–**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

b) DEFERRED TAX LIABILITIES RECOGNISED

The group

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000
Deferred tax liabilities arising from:	
At 1 April 2010	8,087
Deferred tax charged to the profit or loss	3,049
At 31 March 2011	11,136
At 1 April 2011	**11,136**
Deferred tax credited to the profit or loss	**(165)**
At 31 March 2012	**10,971**

c) DEFERRED TAX ASSETS NOT RECOGNISED

At the end of the reporting period, the group has unused tax losses arising in Hong Kong of HK$29,869,273 (2011: HK$29,869,273) 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 the tax losses due to the unpredictability of future profit streams.

In addition, the group has unused tax losses of RMB44,273,035 (2011: RMB25,345,100) available for offset against future profits that may be carried forward for a period of up to five years for PRC Enterprise Income tax purposes. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No deferred tax liabilities have been recognised on the retained profits of subsidiaries as the company controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain profits earned by the group's PRC subsidiaries will not be distributed in the foreseeable future. Particularly, the group's PRC subsidiaries incurred a loss for the year ended 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. CONVERTIBLE BONDS

i) 3% COUPON BONDS I

On 27 July 2009, the company issued convertible bonds with an aggregate principal amount of HK$260,000,000 (equivalent to approximately RMB231,140,000) which bears interest at 3% per annum payable annually in arrear. The bondholder has the option to convert the bonds into fully paid shares at HK$0.2 per share at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjusting events, the conversion price of the convertible bonds can be reset (if necessary) 12 times (i.e., on the last business day of each month) in each calendar year before the date of its maturity in the event that the average closing price of the shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date (the "Reset Price") is lower than the conversion price of the convertible bonds. When such situation takes place, the conversion price of the convertible bonds will be adjusted downwards to the Reset Price with effect from the next trading day, and in any case the reset conversion price should not be less than the par value of the share of HK$0.01 each.

The average closing price of the shares of the company for the last three consecutive trading days in July 2009 was HK$0.121 per share, which was lower than the initial conversion price of HK$0.20. Therefore, the conversion price of the convertible bonds was reset to HK$0.121 per share with effect from 3 August 2009.

The average closing price of the shares of the company for the last three consecutive trading days in November 2009 was HK$0.115, which was lower than the reset price of HK$0.121 with effect from 3 August 2009. Therefore, the conversion price of the convertible bonds was reset to HK$0.115 per share with effect from 30 November 2009.

The average closing price of the shares of the company for the last three consecutive trading days in December 2009 was HK$0.081, which was lower than the reset price of HK$0.115 which took effect from 30 November 2009. Therefore, the conversion price of the convertible bonds was reset to HK$0.081 per share with effect from 4 January 2010.

The average closing price of the shares of the company for the last three consecutive trading days in May 2010 was HK$0.06 per share, which was lower than the reset price of HK$0.081 which took effect as from 4 January 2010. Therefore, the conversion price of the convertible bonds was reset to HK$0.06 per share with effect from 1 June 2010.

The average closing price of the shares of the company for the last three consecutive trading days in June 2010 was HK$0.033 per share, which was lower than the reset price of HK$0.06 which took effect as from 1 June 2010. Therefore, the conversion price of the convertible bonds was reset to HK$0.033 per share with effect from 2 July 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. CONVERTIBLE BONDS (Continued)

i) 3% COUPON BONDS I (Continued)

The average closing price of the shares of the company for the last three consecutive trading days in July 2010 was HK$0.106 per share, which was lower than the reset price of HK$0.165 (after the consolidation of five issued and unissued shares into one consolidated shares) which took effect as from 2 July 2010. Therefore, the conversion price of the convertible bonds was reset to HK$0.106 per share with effect from 2 August 2010.

The average closing price of the shares of the company for the last three consecutive trading days in August 2010 was HK$0.073 per share, which was lower than the reset price of HK$0.106 which took effect as from 2 August 2010. Therefore, the conversion price of the convertible bonds was reset to HK$0.073 per share with effect from 1 September 2010.

The average closing price of the shares of the company for the last three consecutive trading days in September 2010 was HK$0.041 per share, which was lower than the par value of the shares of HK$0.05 each after the effective date of share consolidation of five issued and unissued shares into one consolidated share. Therefore, the conversion price of the convertible bonds was reset to HK$0.05 per share with effect from 4 October 2010.

Immediately prior to the capital reorganisation becoming effective on 11 October 2010, the conversion price of the convertible bonds was adjusted from HK$0.05 per share to HK$2.5 per share.

The company redeemed part of the convertible bond amounting to HK$36,000,000 (equivalent to approximately RMB32,004,000) in 2009. The bondholder converted bonds amounting to HK$61,000,000 (equivalent to approximately RMB54,229,000) and HK$85,000,000 (equivalent to approximately RMB75,565,000) on 4 August 2009 and 9 September 2009 respectively into ordinary shares of the company at the conversion price of HK$0.121 respectively.

The bondholder converted bonds amounting to HK$6,000,000 (equivalent to approximately RMB5,293,000), HK$33,000,000 (equivalent to approximately RMB28,935,000), HK$12,000,000 (equivalent to approximately RMB10,536,000), HK$11,000,000 (equivalent to approximately RMB9,424,000) and HK$16,000,000 (equivalent to approximately RMB13,678,000) on 4 June 2010, 13 July 2010, 11 August 2010, 13 October 2010 and 26 October 2010 respectively into ordinary shares of the company.

The company may at any time before the maturity date with the consent of the holder of the convertible bonds redeem in whole or in part the convertible bonds. Unless previously converted, purchased and cancelled, the company shall pay the outstanding principal amount under the convertible bonds by cash on the date of maturity of the convertible bonds.

At the end of the reporting period, the convertible bonds were fully converted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. CONVERTIBLE BONDS (Continued)

ii) ZERO COUPON BONDS I

On 15 August 2009, the company entered into a placing agreement (the "Placing Agreement") with Cheong Lee Securities Limited (the "Placing Agent") pursuant to which the Placing Agent conditionally agreed to procure independent placees to subscribe in cash for the 2-year zero coupon convertible redeemable bonds up to the maximum principal amount of HK$600,000,000 (equivalent to approximately RMB533,400,000) (the "zero coupon convertible bonds"). The Placing Agreement was approved by the shareholders of the company at the special general meeting on 21 September 2009

On 10 February 2010, the Placing Agent procured two placees to subscribe for two tranches of zero coupon convertible bonds in principal amounts of HK$10,620,000 (equivalent to approximately RMB9,428,000) per tranche. The subscription agreement for the two tranches was entered into between the two placees and the company on 10 February 2010.

On 9 March 2010, the Placing Agent procured six additional placees to subscribe for six tranches of zero coupon convertible bonds in the principal amounts of HK$10,620,000 (equivalent to approximately RMB9,428,000) per tranche and a subscription agreement was entered into between the Company and each placee on 9 March 2010.

As at 31 March 2010, the placing of the eight tranches of zero coupon convertible bonds had been completed for an aggregate principal amount of HK$84,960,000 (equivalent to approximately RMB75,190,000). Based on the conversion price of HK$0.118 per conversion share, a maximum number of 720,000,000 conversion shares had been allotted and issued upon exercise of the conversion rights attached to the eight tranches of zero coupon convertible bonds. After completion of the placement of the said eight tranches in February and March 2010, zero coupon convertible bonds up to an aggregate principal amount of HK$515,040,000 have not been placed.

The date of fulfillment of the conditions precedent under the Placing Agreement was 20 March 2010, being 180 days after the date of the SGM (or such other time and date as the Placing Agent and the Company shall agree in writing). On 10 March 2010, the Placing Agent and the company mutually agreed in writing that the fulfillment date of the Placing Agreement would be extended to 20 June 2010.

On 19 June 2010, the placing agent and the company signed a letter of confirmation and mutually agreed in writing that, subject to shareholders' approval in a special general meeting of the shareholders, the fulfillment date will be further extended to 20 December 2010.

On 20 September 2010, the company and the placing agent entered into a termination agreement to terminate the Placing Agreement. Pursuant to the termination agreement, the parties thereto shall have no obligation and liabilities towards each other under the Placing Agreement.

There is no placing and conversion of zero coupon bonds I during the year ended 31 March 2011 and there is no outstanding amount as at 31 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. CONVERTIBLE BONDS (Continued)

iii) ZERO COUPON BONDS II

On 20 September 2010, the company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent has agreed to procure for not less than six independent placees to subscribe in cash for convertible bonds of up to an aggregate principal amount of HK$100,000,000.

The placing agreement was approved by the shareholders of the company at the special general meeting on 22 October 2010.

The group completed the placing of the total amount of HK$100,000,000 convertible bonds on 9 November 2010 and 14 December 2010. The bondholder converted 34,340,657 and 50,000,000 ordinary shares of HK$0.001, each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds II at a conversion price of HK$1.456 per share and HK$1 per share respectively. The total net cash inflow is HK$48,200,000 (equivalent to approximately RMB42,770,000) and HK$48,410,000 (equivalent to approximately RMB42,655,000) respectively. There is no outstanding zero coupon bonds II as at 31 March 2011.

iv) 3% Coupon Bonds II

On 13 October 2010, the company issued convertible bonds with a total principal amount of HK$210,000,000 (equivalent to approximately RMB179,907,000) which bear interest at 3% per annum payable annually in arrears. The fair value of the 3% coupon bonds II was approximately RMB167,612,000 at the completion date. The bondholder has the option to convert the bonds into fully paid shares at HK$0.085 per share at any time within three years from the date of issue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

27. CONVERTIBLE BONDS (Continued)

iv) 3% COUPON BONDS II (Continued)

The conversion price of the convertible bonds was adjusted from HK$0.085 per share to HK$4.25 per share as the capital reorganisation became effective on 11 October 2010. The company redeemed the outstanding convertible bonds amounting to HK$180,000,000 (equivalent to approximately RMB147,680,000) (2011: HK$30,000,000 (equivalent to approximately RMB25,629,000)) with the consent of bond holders during the year. There is no conversion of 3% coupon bonds II during the year 2011 and 2012. There is no outstanding 3% coupon bonds II as at 31 March 2012.

The carrying amount of convertible bonds was as follows:

	3% coupon bonds II RMB'000	Total RMB'000
At 31 March 2011	147,680	147,680
Fair value change	5,448	5,448
Redemption at par value	(149,572)	(149,572)
Interest element – Actual paid	(1,587)	(1,587)
Exchange difference	(1,969)	(1,969)
At 31 March 2012	–	–
Capitalisation rate	5.55% – 6.13%	

Convertible bonds of the company consisted of the liability component and embedded conversion option. The group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition.

The fair value of the convertible bonds was determined based on discounted cash flow calculations. The fair value of convertible bonds is affected by market interest rates, the credit spread of the group and the time to maturity.

At 31 March 2011, the entire convertible bonds were measured at fair value. In determining the fair value of the entire convertible bonds, Castores Magi Asia Limited, an independent professional valuer, which has among its staff members possessing recognised and relevant professional qualifications and experience, had assessed the value of financial liability based on the present value of the contractually determined stream of future cash flows discounted at the rate of interest applicable at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. For the conversion option, Black-Scholes model had been used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE CAPITAL

	At 31 March 2012		At 31 March 2011	
	No. of shares ‘000	**Amount RMB’000**	No. of shares ‘000	Amount RMB’000
Authorised				
Ordinary shares of HK0.01 each at beginning of the year	**10,000,000**	**8,593**	30,000,000	266,996
Share consolidation I (note i)	**–**	**–**	(24,000,000)	–
Ordinary shares of HK$0.05 each after the share consolidation I	**–**	**–**	6,000,000	266,996
Share subdivision (note ii (a))	**–**	**–**	14,994,000,000	–
Reduction of capital (note ii (b))	**–**	**–**	(14,500,000,000)	(258,403)
Share consolidation II (note ii (c))	**–**	**–**	(490,000,000)	–
Ordinary shares of HK$0.001 each after the share consolidation II	**10,000,000**	**8,593**	10,000,000	8,593
Share consolidation III (note iii)	**(9,666,667)**	**–**	–	–
Ordinary shares of HK$0.03 each at end of the year	**333,333**	**8,593**	–	8,593

	At 31 March 2012		At 31 March 2011	
	No. of shares ‘000	**RMB’000**	No. of shares ‘000	RMB’000
Issued and fully paid				
At the beginning of year	**165,815**	**2,833**	4,542,909	40,406
Placing and subscription of new shares before share consolidation I (note iv)	**–**	**–**	1,510,000	13,340
Share consolidation I (note i)	**–**	**–**	(4,922,328)	–
Placing and subscription of new shares after share consolidation I, and before capital reorganization (note v)	**–**	**–**	640,000	28,151
Share consolidation II (note ii (c))	**–**	**–**	(2,140,114)	–
Right issue (note viii)	**4,974,493**	**4,176**	–	–
Placing and subscription of new shares (note ix)	**1,028,000**	**844**	–	–
Share consolidation III (note iii)	**(5,962,698)**	**–**	–	–
Reduction of par value in the shares and realignment of the exchange difference (note ii (b))	**–**	**(2,691)**	–	(93,788)
Placing and subscription of new shares after capital reorganization (note vi)	**–**	**–**	27,000	23
Conversion of convertible bonds (note vii)	**–**	**–**	508,348	14,701
Placing and subscription of new shares (note x)	**40,000**	**978**	–	–
Placing and subscription of new shares (note xi)	**49,000**	**1,193**	–	–
At the end of year	**294,610**	**7,333**	165,815	2,833

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE CAPITAL (Continued)

i) SHARE CONSOLIDATION I

On 9 July 2010, the shareholders approved the resolution for the consolidation of the company's then existing shares in a special general meeting under which every 5 issued and unissued shares of HK$0.01 each were to be consolidated into one consolidated share of HK$0.05 each. The share consolidation became effective on 12 July 2010.

ii) CAPITAL REORGANIZATION

a) Share subdivision

On 8 October 2010, the shareholders approved the subdivision of each authorized but unissued share into 2,500 subdivided shares of HK$0.00002 each in the special general meeting. The share subdivision became effective on 11 October 2010.

b) Reduction of capital

On 8 October 2010, the shareholders approved a reduction in the par value of the company's shares in a special general meeting from HK$0.05 to HK$0.00002 by cancelling the amount of HK$0.04998 on each issued and paid-up share. The reduction of capital became effective on 11 October 2010. Due to the realignment of the exchange rate, the amount of capital was adjusted during the year.

c) Share consolidation II

On 8 October 2010, the shareholders approved the resolution for the consolidation of the company's then existing shares in a special general meeting under which every 50 issued and unissued shares of HK$0.00002 each were to be consolidated into one consolidated share of HK$0.01 each. The share consolidation became effective on 11 October 2010.

iii) Share consolidation III

On 12 September 2011, the shareholder approved the resolution for the company's share consolidation on the basis that every 30 issued and unissued shares of HK$0.001 each be consolidated into 1 consolidated share of HK$0.03 each. The share consolidation became effective on 14 September 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE CAPITAL (Continued)

iv) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 BEFORE SHARE CONSOLIDATION I

On 27 March 2010, Ms. Yu Wai Fong ("Ms. Yu"), the director of the company, the company and Cheong Lee Securities Limited (the "Placing Agent") entered into a placing agreement pursuant to which the Placing Agent agreed to place 510,000,000 placing shares at the price of HK$0.084 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 510,000,000 subscription shares at a price of HK$0.084 per subscription share. The placing and subscription of shares were completed on 1 April 2010. The proceeds of the top-up subscription was approximately HK$42,840,000 (equivalent to approximately RMB37,912,000).

On 27 May 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent agreed to place 500,000,000 placing shares at the price of HK$0.055 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company agreed to issue a total of 500,000,000 subscription shares at a price of HK$0.055 per subscription share. The placing and subscription of shares were completed on 10 June 2010. The proceeds of the top-up subscription was approximately HK$27,500,000 (equivalent to approximately RMB24,283,000).

On 17 June 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent has agreed to place 500,000,000 placing shares at the price of HK$0.039 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 500,000,000 subscription shares at a price of HK$0.039 per subscription share. The placing and subscription of shares were completed on 28 June 2010. The proceeds of the top-up subscription was approximately HK$19,500,000 (equivalent to approximately RMB17,210,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK$86,597,000 (equivalent to approximately RMB76,538,000).

v) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 AFTER SHARE CONSOLIDATION I, AND BEFORE CAPITAL REORGANIZATION

On 5 August 2010, Ms. Yu, the company and the Placing Agent entered into a placing agreement. Pursuant to the placing agreement, the Placing Agent agreed to place to not less than six independent placees up to 100,000,000 existing shares at a price of HK$0.076 per placing share, for and on behalf of Ms. Yu. Pursuant to the subscription agreement, Ms. Yu subscribed for such number of new shares as equaled to the number of placing shares successfully placed by the Placing Agent at a price of HK$0.076 per subscription share.

Simultaneously upon signing of the placing agreement, the company also entered into a new share placing agreement with the Placing Agent pursuant to which the Placing Agent agreed to place to not less than six independent placees for up to 180,000,000 new shares at a price of HK$0.076 per new placing share.

The proceeds of the shares subscription of 280,000,000 shares was approximately HK$21,280,000 (equivalent to approximately RMB18,683,000).

On 6 September 2010, the company entered into a placing agreement with the Placing Agent pursuant to which the Placing Agent agreed to place to not less than six independent placees for up to 360,000,000 new shares at a price of HK$0.056 per placing share, for and on behalf of the company. The proceeds of the shares placement was approximately HK$20,160,000 (equivalent to approximately RMB17,762,000).

The total net proceeds of the above share subscription and placement, after deduction of the relevant expenses was approximately HK$39,868,000 (equivalent to approximately RMB35,063,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE CAPITAL (Continued)

vi) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 AFTER CAPITAL REORGANIZATION

On 27 January 2011, the company entered into a placing agreement with Pico Zeman Securities (HK) Limited (the "Second Placing Agent") pursuant to which the Second Placing Agent agreed to place to not less than six independent placees for up to 270,000,000 new shares at a price of HK$0.405 per placing share. The proceeds of the shares placement was approximately HK$10,935,000 (equivalent to approximately RMB9,220,000). The total net proceeds of the above share placement, after deduction of the relevant expenses was approximately HK$10,607,000 (equivalent to approximately RMB8,943,000).

vii) CONVERSION OF CONVERTIBLE BONDS

3% coupon bonds I

During the year ended 31 March 2011, 100,000,000, 200,000,000, 113,207,547, 4,400,000 and 6,400,000 ordinary shares of HK$0.01, HK$0.01, HK$0.05, HK$0.001 and HK$0.001 each were issued pursuant to the exercise of the conversion rights attached to the company's 3% coupon bonds I at a conversion price of HK$0.06 per share, HK$0.165 per share, HK$0.106 per share, HK$2.5 per share and HK$2.5 per share respectively. The bondholder converted 3% coupon bonds I amounting to HK$6,000,000 (equivalent to approximately RMB5,293,000), HK$33,000,000 (equivalent to approximately RMB28,935,000), HK$12,000,000 (equivalent to approximately RMB10,536,000), HK$11,000,000 (equivalent to approximately RMB9,424,000) and HK$16,000,000 (equivalent to approximately RMB13,678,000).

As at 31 March 2011, the 3% coupon bonds I bondholder converted a total of 424,007,547 ordinary shares.

Zero coupon bonds II

For the zero coupon bonds II, 34,340,657 and 50,000,000 ordinary shares of HK$0.001 each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds II at a conversion price of HK$1.456 per share and HK$1 per share respectively.

The bondholder converted zero coupon bonds II amounting to HK$48,200,000 (equivalent to approximately RMB42,545,000) and HK$48,410,000 (equivalent to approximately RMB42,645,000).

As at 31 March 2011, the zero coupon bonds II bondholder converted a total of 84,340,657 ordinary shares.

viii) RIGHTS ISSUE

On 6 April 2011, the company proposed to issue 4,974,493,440 rights shares at the subscription price of HK$0.068 per rights share on the basis of thirty rights shares for every one existing issued share. 4,974,493,440 shares were fully issued when the rights issue was completed on 4 May 2011 and approximately HK$338,265,000 (equivalent to approximately RMB284,017,000) was raised, before deduction of relevant expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

28. SHARE CAPITAL (Continued)

ix) PLACING OF NEW SHARES

On 15 August 2011, the company and United Simsen Securities Limited, (the "Third Placing Agent") entered into a placing agreement pursuant to which the Third Placing Agent agreed to place up to 1,028,000,000 new shares at the price of HK$0.027 per placing share to not less than 6 independent placees.

On 23 August 2011, the company entered into a supplemental agreement with the Third Placing Agent in respect of the placing, pursuant to which the placing price of HK$0.027 per placing share was amended and replaced by the new placing price of HK$0.022 per placing share. Save as and except for the change of the placing price, all the terms and conditions of the placing agreement remain unchanged. The placing of shares were completed on 30 August 2011.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK$22,616,000 (equivalent to approximately RMB18,557,000).

x) PLACING OF NEW SHARES

On 28 September 2011, the company entered into a placing agreement with Pico Zeman Securities (HK) Limited to place up to 40,000,000 new shares at the price of HK$0.181 each to not less than 6 independent placees. The placing of shares were completed on 10 October 2011.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK$7,240,000 (equivalent to approximately RMB5,899,000).

xi) PLACING OF NEW SHARES

On 6 January 2012, the company entered into a placing agreement with Cheong Lee Securities Limited to place up to 49,000,000 new shares at the price of HK$0.195 each to not less than 6 independent placees. The placing of shares were completed on 16 February 2012.

The total proceeds of the above share placement, before deduction of the relevant expenses was approximately HK$9,555,000 (equivalent to approximately RMB7,754,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. SHARE OPTION SCHEME

The company has adopted a share option scheme ("Old Scheme") on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any non-controlling interest in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of the options should be the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of the grant. The options are exercisable after the vesting date but within the period from 28 November 2007 to 3 October 2012. The options give the holder the right to subscribe for ordinary shares in the company.

a) The terms and conditions of the grants under the Old Scheme that existed during the years are as follows:

Date of grant	Exercisable period	Exercise price	Number of shares issuable under options
i) Options granted to directors			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	91,160,000
			306,010,000
ii) Options grant to employees			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	103,500,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	141,080,000
			244,580,000
			550,590,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. SHARE OPTION SCHEME (Continued)

a) The terms and conditions of the grants under the Old Scheme that existed during the years are as follows: (Continued)

For the year ended 31 March 2012

	Number of shares issuable under options									
Name or category of participant	Outstanding at 1 April 2011	Granted during the year	Exercise during the year	Forfeited during the year	Adjustments during the year#	Expired during the year	Outstanding at 31 March 2012	Date of grant of share options*	Exercisable period of share options	Exercise price of share options** RMB
Directors										
Ms. Yu Wai Fong	70,540	–	–	–	(58,466)	–	12,074	28-11-2007	28-11-2007 to 03-10-2012	876.30
Mr. Au Tat On	70,540	–	–	–	(58,466)	–	12,074	28-11-2007	28-11-2007 to 03-10-2012	876.30
	141,080	–	–	–	(116,932)	–	24,148			
Employees										
Other employees	141,080	–	–	–	(116,932)	–	24,148	28-11-2007	28-11-2007 to 03-10-2012	876.30
	141,080	–	–	–	(116,932)	–	–			
Total shares issued under options	282,160	–	–	–	(233,864)	–	48,296			

* The share options vested immediately from the date of the grant.

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

\# As a result of the rights issue and share consolidation that became effective on 21 April 2011 and 14 September 2011 respectively, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK$876.30 and 48,296 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. SHARE OPTION SCHEME (Continued)

a) The terms and conditions of the grants under the Old Scheme that existed during the years are as follows: (Continued)

For the year ended 31 March 2011

	Number of shares issuable under options									
Name or category of participant	Outstanding at 1 April 2011	Granted during the year	Exercise during the year	Forfeited during the year	Adjustments during the year***	Expired during the year	Outstanding at 31 March 2012	Date of grant of share options*	Exercisable period of share options	Exercise price of share options** HK$
Directors										
Ms. Yu Wai Fong	17,635,000	–	–	–	(17,564,460)	–	70,540	28-11-2007	28-11-2007 to 03-10-2012	150
Mr. Au Tat On	17,635,000	–	–	–	(17,564,460)	–	70,540	28-11-2007	28-11-2007 to 03-10-2012	150
	35,270,000	–	–	–	(35,128,920)	–	141,080			
Employees										
Other employees	35,270,000	–	–	–	(35,128,920)	–	141,080	28-11-2007	28-11-2007 to 03-10-2012	150
	35,270,000	–	–	–	(35,128,920)	–	141,080			
Total shares issued under options	70,540,000	–	–	–	(70,257,840)	–	282,160			

* The share options vested immediately from the date of the grant.

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

*** As a result of the share consolidation and capital reorganisation that became effective on 12 July 2011 and 11 October 2011 respectively, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK$150 and 282,160 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. SHARE OPTION SCHEME (Continued)

b) The number and weighted average exercise price of share options under the Old Scheme are as follows:

	2012		2011	
	Weighted average exercise price HK$	**Number of shares issuable under options**	Weighted average exercise price HK$	Number of shares issuable under options
Outstanding at 1 April	**150**	**282,160**	0.6	70,540,000
Effect of share consolidation (note (i))	**–**	**–**	3	(56,432,000)
Effect of capital reorganisation (note (ii))	**–**	**–**	150	(13,825,840)
Effect of rights issue (note (iii))	**29.21**	**1,166,732**	–	–
Effect of share consolidation (note (iv))	**876.30**	**(1,400,596)**	–	–
Outstanding at 31 March	**876.30**	**48,296**	150	282,160
Issuable at the end of the year	**876.30**	**48,296**	150	282,160
Exercisable at the end of the year	**876.30**	**48,296**	150	282,160

i) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$3 and 14,108,000 new shares after the consolidation of shares on the basis that every five issued and unissued shares of HK$0.1 each were consolidated into one consolidated share of HK$0.05 each with effect from 12 July 2010.

ii) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$150 and 282,160 new shares after the consolidation of shares on the basis that every fifty issued and unissued shares of HK$0.00002 each consolidated were into one consolidated share of HK$0.01 each with effect from 11 October 2010.

iii) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$29.21 and 1,448,892 new shares after issuing 4,974,493,440 rights shares at the subscription price of HK$0.068 per rights share on the basis of thirty right shares for every one existing issued share with effect from 21 April 2011.

iv) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$876.30 and 48,296 new shares after the consolidation of shares on the basis that every thirty issued and unissued shares of HK$0.001 each were consolidated into one consolidated share of HK$0.03 each with effect from 5 September 2011.

v) The weighted average share price at the date of exercise of share option during the year was HK$Nil (2011: HK$Nil) since no share options was exercised during the year.

vi) The options outstanding at 31 March 2012 had an exercise price of HK$876.30 (2011: HK$150) per share and a weighted average remaining contractual life of 0.9 year (2011: 1.9 years).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

29. SHARE OPTION SCHEME (Continued)

c) The company has passed a resolution at the special general meeting held on 16 December 2011 to terminate the Old Scheme and to approve and adopt a new scheme ("New Scheme"). Save for a few changes that have been made in the New Scheme to conform with the market practices, terms of the New Scheme and the Old Scheme are broadly similar. The terms of the New Scheme provide that in granting options under the New Scheme, the board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance criteria to be satisfied before such options can be exercised and/or any other terms as the board may determine in its absolute discretion. The board will also have the discretion in determining the subscription price in respect of any option, provided that the relevant requirements in the Listing Rules are complied with. A summary of the terms of the New Scheme is set out in the appendix to company's circular published on 30 November 2011.

The New Scheme constitutes a share option scheme governed by chapter 17 of the Listing Rules. No option has been granted under the New Scheme for the year ended 31 March 2012.

30. RESERVES

a) The group

The reconciliation between the opening and closing balances of each component of the group's consolidated equity is set out in the consolidated statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

30. RESERVES (Continued)

b) The company

	Share premium RMB'000	Contributed surplus RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2010	454,940	18,689	16,632	3,079	(151,638)	341,702
Loss for the year	–	–	–	–	(47,550)	(47,550)
Other comprehensive loss Exchange differences on translation of financial statements of group entities outside the PRC	–	–	–	(5,244)	–	(5,244)
Total comprehensive loss for the year	–	–	–	(5,244)	(47,550)	(52,794)
Placing and subscription of new shares before share consolidation I (note 28 (iv))	66,065	–	–	–	–	66,065
Placing and subscription of new shares after share consolidation I, before capital reorganization (note 28 (v))	8,294	–	–	–	–	8,294
Placing and subscription of new shares after capital reorganization (note 28 (vi))	9,197	–	–	–	–	9,197
Share issue expenses	(5,075)	–	–	–	–	(5,075)
Conversion of convertible bonds (note 28 (vii))	138,355	–	–	–	–	138,355
Capital reorganisation (note 28 (ii))	–	(18,689)	–	757	111,720	93,788
At 31 March 2011	671,776	–	16,632	(1,408)	(87,468)	599,532
At 1 April 2011	**671,776**	**–**	**16,632**	**(1,408)**	**(87,468)**	**599,532**
Loss for the year	**–**	**–**	**–**	**–**	**(351,253)**	**(351,253)**
Other comprehensive loss Exchange differences on translation of financial statements of group entities outside the PRC	**–**	**–**	**–**	**(3,283)**	**–**	**(3,283)**
Total comprehensive loss for the year	**–**	**–**	**–**	**(3,283)**	**(351,253)**	**(354,536)**
Reduction of par value in the shares and realignment of the exchange difference (note 28(ii)(b))	**–**	**–**	**–**	**(2,691)**	**–**	**(2,691)**
Placing and subscription of new shares (note 28 (ix))	**17,713**	**–**	**–**	**–**	**–**	**17,713**
Placing and subscription of new shares (note 28 (x))	**4,921**	**–**	**–**	**–**	**–**	**4,921**
Placing and subscription of new shares (note 28 (xi))	**6,561**	**–**	**–**	**–**	**–**	**6,561**
Rights issue (note 28 (viii))	**279,841**	**–**	**–**	**–**	**–**	**279,841**
Share issue expenses	**(9,288)**	**–**	**–**	**–**	**–**	**(9,288)**
At 31 March 2012	**971,524**	**–**	**16,632**	**(7,382)**	**(438,721)**	**542,053**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

30. RESERVES (Continued)

c) NATURE AND PURPOSES OF THE RESERVES

i) *Share premium*

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981. The share premium account of the company is distributable to the owners of the company in the form of fully paid bonus shares.

ii) *Special reserve*

The group's special reserve represents the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the group reorganisation in prior years, over the nominal value of the company's shares issued in exchange therefor and the difference between the total consideration and the net assets value of the subsidiaries acquired for the year ended 31 March 2011.

iii) *Contributed surplus*

The contributed surplus arose from the capital reduction and share premium reduction on 21 May 2007. Pursuant to the scheme, the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling HK$0.19 from each share together with the associated share premium of HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated loss. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganisation. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws, including to apply such credit against the accumulated losses of the company. During the year ended, the contributed surplus was set off against the accumulated losses when the capital organisation became effective on 11 October 2010.

iv) *Employee share-based compensation reserve*

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

v) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities operating outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in note 2(q).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

30. RESERVES (Continued)

d) DISTRIBUTABILITY OF RESERVES

At 31 March 2012, the aggregate amount of reserves available for distribution to owners of the company was approximately RMB532,803,000 (2011: approximately RMB584,308,000) subject to the restriction on the share premium account as stated above.

e) CAPITAL MANAGEMENT

The group's objectives when managing capital are to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest– bearing bank borrowings and convertible bonds) less cash and cash equivalents. Adjusted capital comprises all components of equity plus adjusted net debt.

During the year ended 31 March 2012, the group's strategy, which was unchanged from 2011, was to maintain a gearing ratio within 20% to 30%. The gearing ratios at 31 March 2012 and 2011 were as follows:

	2012 **RMB'000**	2011 RMB'000
Total borrowings		
Interest-bearing bank borrowings (Note 25)	**52,000**	55,500
Convertible bonds (Note 27)	**–**	147,680
	52,000	203,180
Less: Cash and cash equivalents (Note 23)	**64,819**	5,943
Adjusted net (cash)/debt	**(12,819)**	197,237
Total equity	**573,756**	604,320
Total capital	**560,937**	801,557
Gearing ratio	**N/A**	32%

Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE

On 18 August 2010, the company entered into a sale and purchase agreement with certain non-controlling interest of the group for the acquisition of the entire equity interest in Universe Prosper Limited ("Universe") and its subsidiaries for a consideration of approximately RMB257 million (equivalent to HK$300 million). The fair value of the total consideration given was approximately RMB244,715,000. Universe directly and indirectly owned 100% equity interest of 3 subsidiaries – Sinowood Holdings Limited, Dong Hui Yuan Technology (Shenzhen) Company Limited and Shanghai Yue Bao Trade Company Limited (the "Target Companies"). The Target Companies' principal activities are the indirect holding of a 40% equity interest of the group's subsidiary – Keshi Ketengqi, which hold the mining right in certain copper and molybdenum mines in Inner Mongolia, PRC. The group indirectly holds 51% equity interest of Keshi Ketengqi before this acquisition. After completion of the acquisition, the group indirectly holds 91% equity interest of Keshi Ketengqi. The completion date of the transaction was 13 October 2010, which is also the acquisition date for accounting purposes. The group accounted for the acquisition of subsidiary as an asset acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE (Continued)

The allocation of acquisition consideration on Sinowood Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Previous carrying amount	**Allocation of acquisition consideration**
	RMB'000	RMB'000
Net assets acquired		
Plant and equipment	5,759	5,759
Available for sale investment	27,000	–
Amount due from fellow subsidiary	1,159	1,159
Other receivables	5,034	5,034
Cash and cash equivalent	96	96
Other payables	(12,131)	(12,131)
	26,917	(83)
Interest originally held by the group as subsidiary		198,561
		198,478
Consideration		(244,715)
Excess of consideration paid recognised in special reserve within the equity		(46,237)
Total consideration satisfied by:		
Cash consideration		77,103
Fair value of convertible bonds (Note 27)		167,612
		244,715
Net cash outflow arising on acquisition:		
Cash consideration paid		(77,103)
Cash and cash equivalents acquired		96
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries		(77,007)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE (Continued)

i) The subsidiaries acquired did not contribute any turnover to the group but added net loss of RMB1,373,502 to the consolidated net loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2010, total group's revenue for the year would not change and the loss for the year would have been increased by approximately RMB591,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

ii) As 100% interest of the intangible assets (note 19) was consolidated to the group before the acquisition, so no further purchase consideration should be allocated to this item.

32. COMMITMENTS

OPERATING LEASE COMMITMENTS

i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from two to ten years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2012	2011
	RMB'000	RMB'000
Within one year	**7,045**	5,344
In the second to fifth year, inclusive	**41,350**	21,593
Over five years	**58,790**	26,773
	107,185	53,710

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

32. COMMITMENTS (Continued)

OPERATING LEASE COMMITMENTS (Continued)

ii) The group as lessee:

At the end of the reporting period, the group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012 RMB'000	2011 RMB'000
Within one year	**3,926**	3,382
In the second to fifth years, inclusive	**8,916**	8,703
Over five years	**6,966**	8,734
	19,808	20,819

33. MATERIAL RELATED PARTY TRANSACTIONS

a) KEY MANAGEMENT PERSONNEL EMOLUMENTS

Emoluments for key management personnel, including amounts paid to the company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	2012 RMB'000	2011 RMB'000
Short-term employee benefits	**4,744**	2,139
Post-employment benefits	**61**	86
	4,805	2,225

Total emoluments is included in "staff costs" (see note 9(b)).

b) OUTSTANDING BALANCES WITH RELATED PARTIES

	2012 RMB'000	2011 RMB'000
Amounts due to directors (note 24)	**49**	–
Amounts due to related parties (note 24)	**6,072**	7,493

The amounts due to related parties represented the advance from directors of a subsidiary. The balances with these related parties and the amounts due to directors are unsecured, interest-free and repayment on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

34. LITIGATION

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of RMB40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

35. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the group at 5% of the beneficiaries' basic remuneration specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

36. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Triple Glory Holdings Limited ("Triple Glory"), an indirectly wholly-owned subsidiary of the company, was incorporated in Hong Kong under the laws of Hong Kong with limited liability on 29 April 2011 and has been granted a money lenders licence by the licensing court in Hong Kong to carry on business as a money lender in Hong Kong on 3 April 2012.

On 15 June 2012, Triple Glory entered into an agreement with a borrower and an indemnifier, pursuant to which the Triple Glory has agreed to lend to the borrower a secured term loan in the principal amount of HK$7,000,000 repayable on 8 November 2012. The secured loan was drawn down on 18 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2012

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2012 and which have not been adopted in these financial statements.

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

HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKFRS 7 (Amendments)	Disclosures – Transfer of financial assets[3]
	Disclosures – Offsetting financial assets and financial liabilities[4]
	Mandatory effective date of HKFRS 9 and transition disclosure[6]
HKAS 27 (Revised in 2011)	Separate financial statements[4]
HKAS 28 (Revised in 2011)	Investments in associates and joint ventures[4]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[1]
HKAS 19 (Revised in 2011)	Employee benefits[4]
HKAS 32 (Amendments)	Offsetting financial assets and financial liabilities[2]
HK(IFRIC)-Int 20	Stripping costs in the production phase of a surface mine[4]

1 Effective for annual periods beginning on or after 1 July 2012.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2015.

The directors have not yet performed a detailed analysis of the impact of the application of these amendments and hence have not yet quantified the extent of the impact.

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**7,243**	3,735	7,750	17,254	17,859
Loss before tax	**(329,180)**	(35,005)	(10,613)	(245,432)	(34,491)
Income Tax	**165**	(3,049)	(8,688)	54,487	7,074
Loss for the year	**(329,015)**	(38,054)	(19,301)	(190,945)	(27,417)

ASSETS AND LIABILITIES

	As at 31 March				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**660,800**	845,228	766,556	212,439	463,409
Total Liabilities	**(87,044)**	(240,908)	(148,337)	(94,902)	(156,778)
Net assets	**573,756**	604,320	618,219	117,537	306,631

PROPERTIES HELD BY THE GROUP FOR INVESTMENT

As at 31 March 2012

	Location	Existing Use	Term of Lease
1.	Unit Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	Commercial	Medium term
2.	Whole of Levels 1 and 2, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term
3.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term