iMerchants Limited

Annual Report 2009

Stock Code: 8009

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

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

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

The principal means of information dissemination on GEM is publication on the GEM internet website operated by the Stock Exchange ("GEM website"). Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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*This report, for which the directors ("**Directors**") of iMerchants Limited ("**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yau Yan Ming Raymond *(Chairman)*
Mr. Yang Bin
Mr. Li Wen Jun
Mr. Wong Ka Chun Carson (Appointed on 1 August 2008)

Independent non-executive Directors

Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Pan Chik

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond
AICPA, HKICPA

COMPLIANCE OFFICER

Mr. Yau Yan Ming Raymond

AUTHORISED REPRESENTATIVES

Mr. Yau Yan Ming Raymond
Mr. Yang Bin

AUDIT COMMITTEE

Mr. Chang Kin Man *(Chairman)*
Mr. Wu Tak Lung
Mr. Pan Chik

REMUNERATION COMMITTEE

Mr. Yau Yan Ming Raymond *(Chairman)*
Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Pan Chik

REGISTERED OFFICE, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1206A, 12th Floor
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

Citibank N.A.
Citigroup Global Markets Asia Limited
Goldman Sachs (Asia) L.L.C.
HSBC Private Bank (Swissee) S.A.
Wing Hang Bank, Limited
Chiyu Banking Corporation Ltd.

STOCK CODE

8009

WEBSITE

http://www.imerchantsltd.com

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the audited financial results for the year ended 31 March 2009.

OPERATING RESULTS

Under the influence of global financial turmoil, year 2009 has been proven to be a challenging year for the Group. None the less, the Group still able to report a profit of approximately HK$2.24 million for the year ended 31 March 2009 as compare to approximately HK$8.83 million in the previous year, decreasing by 74.63%. The management strategically diversifies the Groups major business in investment in overseas financial instruments and equity financial vehicles in 2008 to invest in Hong Kong stock market and investment in environmental industry in the People's Republic of China (the "**PRC**") was to key to the success of maintaining yet another profitable year under such a difficult business environment.

PROSPECTS

During the year, the Group has switched its investment to the PRC, where the fiscal policy encourages in shifting the country's focus from export growth to consumer spending. Chinese stimulus plans are in place to support domestic demands which offsetting the impact on the export-oriented economy from the contraction in world demands. While the state supporting a positive growth rate for the economy by increase capital injection for infrastructure and environmental sector, the Group is most likely to benefit from such policy by acquiring one of the biggest ceramic sewage material manufacturers, supplying to the sector which is being highly emphasized.

The Group will continue to identity and pursue investment opportunities in Hong Kong, the PRC, and other areas and shall manage the existing investment objectives and polices that achieving long-term capital appreciation and growth in profits.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all our dedicated staff for their contributions to the Group. I would also like to send our express to our shareholders for their tremendous support.

Yau Yan Ming Raymond
Chairman

Hong Kong, 24 June 2009

BUSINESS REVIEW

During the year ended 31 March 2009, the Group's principal activity was engaged in investment in financial and investment products as well as manufacture and trading of ceramic sewage products. The turnover for the Group was approximately HK$91.29 million as compared to approximately HK$138.99 million last year.

The global stock market was deeply affected by the financial turmoil since mid 2008. The Group was able to diversify its investment to avoid the banking and economic crisis and market volatility, recording a profit of approximately HK$2.24 million for the year ended 31 March 2009 as compare to approximately HK$8.83 million for the year ended 31 March 2008.

On 26 June 2008, the then issued and unissued shares of HK$1.00 each in the share capital of the Company was subdivided into 5 shares of HK$0.2 each. The shares were traded on GEM in board lots of 2,000 shares. The Share Subdivision became effective on 27 June 2008, the subdivided shares is traded on GEM in board lots of 5,000 subdivided shares. The then authorised share capital of the Company before Share Subdivision was HK$800,000,000, divided into 800,000,000 shares, of which 113,251,000 shares were in issue and fully paid. Immediately upon the effective of Share Subdivision, the authorised share capital of the Company was HK$800,000,000 divided into 4,000,000,000 subdivided shares, of which 566,255,000 subdivided shares is in issue and fully paid. The subdivided shares are rank pari passu in all respects with the shares in issue prior to the Share Subdivision and the rights attaching to the subdivided shares will not be affected by the Share Subdivision.

On 26 May 2008, Shine Gain Holdings Limited, a direct wholly-owned subsidiary of the Company, entered into the agreement with Da Luz, Sergio Augusto Josue Junior pursuant to which Da Luz, Sergio Augusto Josue Junior has agreed to sell, and Shine Gain Holdings Limited has agreed to purchase the Sale Shares, representing the entire issued share capital of Plenty One Limited ("Plenty One"), for an aggregate consideration of HK$55,000,000 which was paid in cash from internal resources of the Group.

After the completion, Shine Gain Holdings Limited holds the entire issued share capital of Plenty One, which in turn holds a 80% interest in the registered and paid-up capital of Ping Xiang City San He Lian Chuang Water Technology Company Limited (萍鄉市三和聯創水務科技有限公司) ("San He"), a domestic limited liability company established in the PRC. Effectively, Shine Gain Holdings Limited holds a 80% indirect interest in San He. The entering into of the agreement constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Details of the acquisition are included in the circular of the Company dated 19 June 2008.

PROSPECTS

The macro economic outlook is still very dire for year 2009 and economic visibility remains limited under the credit market turmoil. Eventhough the Group is still optimistic that governments implement fiscal stimulus packages will be effective in stabilizing credit environment in short run; while central banks and government injecting capital into financial institutions to take on banks' toxic assets by moving into the realm of cutting interest rate and allowing money supply to grow. In long run, central banks may take on assets that are inherently risky and which may result in losses. Furthermore, as the amount of credit outstanding is still high and the willingness of the private sector to put capital at risk in the credit market is still very limited. The risk of policy errors has increased substantially. The governments will either have to raise taxes or inflate their way out of debt. As a result, this may lead to increase in volatility and slower global growth in the future.

On 8 April 2009, the following parties:

(1) Growwise Holdings Limited, a wholly-owned subsidiary of the Company, as the Purchaser;

(2) Rightshine Holdings Limited, an investment holding company established in the British Virgin Islands with limited liability, as the Vendor;

(3) Mr. Wang Hong Jun, ("Mr. Wang") as the guarantor to guarantee to the Purchaser the due performance of the Vendor under the Agreement in all material respects as at the date of the Agreement and will continue to be so up to and including the date of Completion subject to and upon the terms and conditions of the Agreement; and

(4) the Company,

entered into the Agreement pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the Sale Share at the total consideration of HK$900,000,000. The Sale Share comprises the entire issued share capital of the Target Company.

The Consideration will be satisfied by (i) a refundable deposit of HK$100,000,000 payable in cash and/or by cheque or by issuing a promissory note as to be determined by the Purchaser in its sole discretion by no later than 180 days from the date of the Agreement; (ii) procuring the allotment and issue of the Consideration Shares by the Company credited as fully paid representing HK$12,304,432 upon Completion; (iii) procuring the issue of the Convertible Bond by the Company representing HK$200,000,000 upon Completion; and (iv) procuring the allotment and issue of the Convertible Preference Shares by the Company credited as fully paid representing HK$587,695,568 upon Completion.

As at the date of this report, the authorised share capital of the Company is HK$800,000,000 divided into 4,000,000,000 shares, of which 566,255,000 shares have been issued. In order to accommodate the future expansion and growth of the Group as well as to accommodate the allotment and issue of 61,522,160 consideration shares, 1,000,000,000 conversion shares and 2,938,477,840 converted preference shares so that a maximum of 4,000,000,000 new shares will be issued, the Board proposes to increase the authorised share capital of the Company from HK$800,000,000 divided into 4,000,000,000 shares to HK$2,000,000,000 divided into 6,000,000,000 shares and 4,000,000,000 convertible preference shares of HK$0.2 each. The capital increase is conditional upon passing of an ordinary resolution by the Shareholders at the EGM and is a condition precedent for completion. Details of the agreement and capital increase are included in the announcement of the Company dated 5 May 2009.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$37.67 million as at 31 March 2009 (2008: approximately HK$94.64 million) and maintain a sturdy financial situation with current assets plus financial investments and deposits totaling approximately HK$72.33 million for the year ended 31 March 2009 (2008: approximately HK$230.77 million). The Group had approximately HK$1.29 million of other borrowing at our newly acquired subsidiary level (2008: Nil).

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollars. The Group's exposure currency risk is minimal.

The Group's gearing ratio at 31 March 2009 was approximately 0.72% (2008: 0%), as calculated by taking the ratio of the Group total interest-bearing borrowings, divided by its shareholders' funds.

The Group has approximately HK$1.29 million of other borrowing and no contingent liabilities as at 31 March 2009 (2008: Nil). As at 31 March 2009, one of the Company's subsidiaries pledged approximately HK$5,178,000 of assets (2008: Nil) to a bank in respect of the due and punctual payment of its obligations.

INVESTMENT

As at 31 March 2009, the Group had financial investment with fair value of approximately HK$54 million (2008: approximately HK$80 million). The management will take a cautious and prudent approach in implementing our strategies in the future.

REVENUE, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

For the year ended 31 March 2009, the Group's turnover was approximately HK$91.29 million which was comprised of revenue from investments and manufacture and trading ceramic sewage material, compared to approximately HK$138.99 million for the year ended 31 March 2008. Income in this financial year includes net fair value changes on listed trading securities of approximately HK$3,400,000 (2008: approximately HK$7,423,000) which are subject to short term volatility. As most of the financial investments in our portfolio are either big-cap stocks or well-managed funds. Nonetheless, as the global economic environment is expected to fill with uncertainty, we do not believe the fair values of these investments will continue to give positive performances and we are in the position of disposing these investments during the year. The decrease in this income category also arose from the short term volatility of the global investment market.

The Group generated a net profit of approximately HK$2.24 million for the year ended 31 March 2009, compared to a net profit of approximately HK$8.83 million for the year ended 31 March 2008.

The decrease in net profit is largely attributable to the decrease in investment income form trading in financial assets and securities. Selling expenses incurred by the Group for the year ended 31 March 2009 amounted to approximately HK$202,000 (2008: Nil), representing the newly acquired manufacturing and trading of ceramic sewage material subsidiary in the PRC.

EMPLOYEE INFORMATION

As it is the intention of the management that operational and personnel expansion would mainly occur within the investee companies, it is expected that the Group can maintain a focused team at the group level. As of 31 March 2009, the Group employed approximately 85 staffs (2008: 6) which mostly located in our newly acquired factory in the PRC.

The Group has not granted any share option to the employees under its existing share option schemes during the year ended 31 March 2009 (2008: Nil).

COMMENTARY ON SEGMENTAL INFORMATION

Geographical segments

The geographical location of the Group's financial and investment products can be categorized into (i) The PRC and Hong Kong; (ii) North America; (iii) Europe; (iv) Australia; (v) Japan; (vi) Asia Pacific (other than Japan); and (vii) other regions. Details of results by geographical segments are shown in note 9 to the financial statements.

Business segments

The Group principally engages in investments in financial and investment products as well as manufacturing and trading of ceramic sewage materials. Details of results by business segments are shown in note 9 to the financial statements.

Directors And Senior Management

EXECUTIVE DIRECTORS

Mr. Yau Yan Ming Raymond, aged 41, has over 13 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is an associate member of both the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. He is currently an independent non-executive director of Willie International Holdings Limited (stock code: 273) and Grandtop International Holdings Limited (stock code: 2309), both of which are listed on the main board of the Stock Exchange. Mr. Yau holds a master degree in Science majoring in Japanese business studies and bachelor degree in Business Administration majoring in accounting in the United States of America.

Mr. Yang Bin, aged 34, was graduated from the college of Jiu-jiang, Jiangxi Province, the People's Republic of China (the "PRC"). He has also completed his studies in Economy Administration in Distance Learning College of The Party School of the Central Committee of the Communist Party of China. Mr. Yang has over 10 years of experience in marketing and management of the water supply industry in the PRC.

Mr. Li Wen Jun, aged 51, was graduated from Department of Chemical Machinery of South China University of Technology. He has passed the national training and examination organised by the State Council of the PRC in respect of the overseas delegated engineer and he has also passed the national training and examination for managers and factory director. Mr. Li has more than 25 years of extensive experience in chemical engineering and management of the chemical industry in the PRC. Mr. Li has also conducted various research and development projects in relation to organic chemistry majoring in research on treatment of sewerage by BAF (Biological Aerated Filter).

Mr. Wong Ka Chun Carson, aged 30, is a member of the American Institute of Certified Public Accountants. He graduated from Simon Fraser University with a Bachelor's degree in Economics and a Diploma in Financial Management from British Columbia Institution of Technology. He had substantial experience in auditing and financial analytical experience in a multi-national corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Kin Man, aged 45, is a certified public accountant in Hong Kong and a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang holds a bachelor degree in economics and a master degree in applied finance. Mr. Chang has extensive experience in corporate finance and in accounting field. He worked for an international accounting firm and a number of public listed companies for more than 15 years. He is currently an independent non-executive director of three companies listed on the main board of the Stock Exchange, namely China Energy Development Holdings Limited (formerly known as Hon Po Group (Lobster King) Limited) (stock code: 228), China Water Industry Group Limited (formerly known as Sky Hawk Computer Group Holdings Limited) (stock code: 1129) and Grandtop International Holdings Limited (stock code: 2309).

Mr. Wu Tak Lung, aged 44, is a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. Mr. Wu is also a full member of the Hong Kong Securities Institute and an associate member of The Hong Kong Institute of Certified Public Accountants. Mr. Wu received a bachelor degree in Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from University of Manchester and University of Wale. Mr. Wu is a Dupty President of The Association of Chartered Certified Accountants and Vice-President of The Taxation Institute of Hong Kong. He is also a Council Member of Hong Kong – Guangdong Youth Exchange Promotion Association, Kiangsu, Chekiang and Shanghai Resident (HK) Association and an Honorary Associate of the School of Business of the Hong Kong Baptist University.

Mr. Wu is currently the responsible officer of CSC Asia Limited, an investment bank licensed by the Securities and Futures Commission. He is also an independent non-executive director of (i) Neo-Neon Holdings Limited (stock code: 1868); (ii) Aupu Group Holding Company Limited (stock code: 477); (iii) China Water Industry Group Limited (stock code: 1129) and (iv) RBI Holdings Limited (stock code: 566), all of them are companies listed on the main board of the Stock Exchange; (v) Finet Group Limited (stock code: 8317), a company listed on GEM.

Mr. Pan Chik, aged 41, has over 15 years of experience in finance and investments. Currently Mr. Pan is a director of Astrum Capital Management Limited and Return Best Investments Limited. He is specializing in assets management in Hong Kong and the PRC. During the period from 1993 to 2007, Mr. Pan was the associate director of Lippo Securities Limited. Mr. Pan received a bachelor degree in Accounting, Financial and Economics from University of Essex in the United Kingdom.

The Directors present their annual report and the audited financial statements for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is financial investment as well as manufacture and trading of ceramic sewage material.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2009 are set out in note 20 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 22 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 33 to the financial statements.

Neither the Company nor any of it subsidiaries has purchased, redeemed or sold any of the Shares during the year ended 31 March 2009.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity in the financial statements.

As at 31 March 2009, the reserves of the Company available for distribution to shareholders were approximately HK$35,306,000, comprising special capital reserve of approximately HK$60,592,000, contributed surplus of approximately HK$31,104,000 and accumulated loss of approximately HK$56,390,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the shares of the Company during the year ended 31 March 2009.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 74 of the annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

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

Executive Directors:

Mr. Yau Yan Ming Raymond ("Mr. Yau")
Mr. Yang Bin ("Mr. Yang")
Mr. Li Wen Jun ("Mr. Li")
Mr. Wong Ka Chun Carson ("Mr. Wong") (Appointed on 1 August 2008)

Independent non-executive Directors:

Mr. Chang Kin Man ("Mr. Chang")
Mr. Wu Tak Lung ("Mr. Wu")
Mr. Pan Chik ("Mr. Pan")

In accordance with article 100 of the Company's Articles of Association, Mr. Wong will retire at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

In accordance with article 120 of the Company's Articles of Association, Mr. Yau and Mr. Yang will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

At 31 March 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK$0.2 each of the Company ("Shares")

No long positions of Directors in the Shares was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in underlying shares – share options granted by the Company

No long positions of Directors in the underlying shares of the equity derivatives of the Company or any of its associated corporations was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in debentures

No long positions of Directors in the debentures of the Company or any of its associated corporations were recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Long positions in the shares of associated corporation

Name of Director	Name of associated corporation	Number of shares held in the associated corporation	Approximate percentage of shareholding
Yang Bin	China Water Industry Group Limited	72,000	0.00%

Save as disclosed above, no long positions of the Directors in the shares of the associated corporations of the Company was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in the Shares

No short positions of Directors in the Shares or any of its associated corporations was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in underlying shares

No short positions of Directors in the underlying shares of the equity derivatives of the Company or any of its associated corporations was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Short positions in debentures

No short positions of Directors in the debentures of the Company or any of its associated corporations was recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, at 31 March 2009, none of the Directors or chief executive of the Company had any interests in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

At 31 March 2009, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares

Name of Substantial Shareholder	Capacity/Nature of interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company
Bonus Raider Investments Limited	Beneficial owner	481,223,500	84.98%
China Water Industry Group Limited *(Note)*	Interest of a controlled corporation	481,223,500	84.98%

Note: These shares are registered in the name of Bonus Raider Investments Limited, which is a wholly-owned subsidiary of China Water Industry Group Limited.

Long positions in underlying shares

No long positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Short positions in the Shares

No short positions of other persons and substantial shareholders in the Shares were recorded in the register.

Short positions in underlying shares

No short positions of other persons and substantial shareholders in the underlying shares of equity derivatives of the Company were recorded in the register.

Save as disclosed above, at 31 March 2009, the Directors were not aware of any persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations" above and in the share option scheme disclosures in note 36 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, 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 or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Detailed disclosures relating to the Company's share option schemes are set out in note 36 to the financial statements

CONNECTED TRANSACTIONS

During the year, there were no other transactions to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this annual report, the audit committee comprises three members, Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Pan Chik, all are independent non-executive Directors. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest suppliers of the Group in aggregate accounted for less than 10% of its cost of sales and direct costs for the year.

During the year, the five largest customers of the Group accounted for less than 30% of the turnover of the Group.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the issued share capital of the Company) have an interest in any of the five largest customers.

DIVIDEND

The Directors do not recommend the payment of a final dividend for year ended 31 March 2009 (2008: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 15 to 19 of the annual report.

PRE-EMPTIVE RIGHTS

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 36 to the financial statements.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 42 to the financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. SHINEWING (HK) CPA Limited as auditor of the Company.

By Order of the Board
Yau Yan Ming Raymond
Chairman

Hong Kong
24 June 2009

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and, save as the deviation disclosed herein, has complied with all the applicable code provisions of the Code of Corporate Governance Practice ("**Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2009.

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

During the year, the Company adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 March 2009, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

THE BOARD

Composition

The Board currently comprises seven Directors in total, with four executive Directors and three independent non-executive Directors. The Directors during the year and up to the date of this report were as follows:

Executive Directors

Mr. Yau Yan Ming Raymond
Mr. Yang Bin
Mr. Li Wen Jun
Mr. Wong Ka Chun Carson (Appointed on 1 August 2008)

Independent non-executive Directors

Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Pan Chik

The Board currently has three independent non-executive Directors, namely Mr. Chang, Mr. Wu and Mr. Pan. Mr. Wu and Mr. Chang hold appropriate professional and accounting qualifications and accounting under Rule 5.05(2) of the GEM Listing Rules.

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

There is no family relationship between any of the Directors or executive officers. All of them are free to exercise their independent judgement. Prior to their respective appointment, each of the independent non-executive Directors submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence.

In accordance with the Company's Articles of Association, one-third of the Directors are subject to retirement by rotation 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 the office and being eligible offer themselves for re-election provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment or those who were appointed by the Board during the year to fill any casual vacancy.

Number of Meetings and Directors' Attendance

Regular board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 31 March 2009, four regular board meetings, four audit committee meetings and one remuneration committee meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Director			
Mr Yau Yan Ming Raymond	4/4	N/A	1/1
Mr Yang Bin	4/4	N/A	N/A
Mr Li Wen Jun	4/4	N/A	N/A
Mr Wong Ka Chun Carson	4/4	N/A	N/A
Independent non-executive Director			
Mr Chang Kin Man	4/4	4/4	1/1
Mr Wu Tak Lung	4/4	4/4	1/1
Mr Pan Chik	2/4	2/4	1/1

Practices and Conduct of Meetings

The principal roles of the Board are to oversee the Group's strategic development, to approve the Company's objectives, strategies and policies and to monitor the operational and financial performance of the Group. The Board also reviews and approves the quarterly and annual reports of the Group.

The executive Directors and senior management meet every week to review company business matters and escalate the matters to the Board meeting for further discussion whenever necessary. The Board and each Director also have separate and independent access to the senior management whenever necessary. Moreover, they have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and who advises the Board on corporate governance and compliance matters.

The independent non-executive Directors have a wide range of experience and calibre. They bring independent and valuable advice and judgment on the Group's business strategy, investments and risk management issues.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Articles also contains provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Audit Committee

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

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

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

The Company's annual audited results for the year ended 31 March 2009 have been reviewed by the Audit Committee.

Remuneration Committee

The Remuneration Committee comprises four members, namely, Mr. Yau, Mr. Chang, Mr. Wu and Mr. Pan. The committee is chaired by Mr. Yau who is the Chairman of the Board and other members are independent non-executive Directors.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference follows the requirement of Code Provision B.1.3.

The principle functions of the Remuneration Committee include recommending to the Board the policy and structure for the remuneration of the executive Directors and senior management, determining the specific remuneration packages of all the executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to executive Directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management. The Remuneration Committee meets annually, or on an ad hoc basis.

COMPLIANCE WITH THE CODE

The Company has complied with the Code throughout the financial year ended 31 March 2009 except for deviation from code provisions below:

Chairman and chief executive officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separated.

Mr. Yau serves as the Chairman of the Board and the Chief Executive Officer. The reason for not splitting the roles of chairman and chief executive officer are as follows:

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

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

Mr. Yau is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company.

Appointment term of non-executive directors

Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term, subject to re-election while all directors should be subject to retirement by rotation at least once every three years.

All independent non-executive Directors were not appointed for a specific term but they are subject to retirement by rotation and re-election at annual general meetings of the Company in line with the Company's Articles of Association. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS AND AUDITOR'S REMUNERATION

The Board is responsible for presenting a clear and understandable assessment of annual and quarterly reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and other regulatory requirements.

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2009.

The statement of the external auditor of the Company about the reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" in this annual report.

The remuneration of the external auditor of the Company in respect of audit services for the year ended 31 March 2009 amounted to HK$420,000.

INTERNAL CONTROLS

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

The Board recognizes the importance of maintaining a sound internal control system to safeguard shareholders' interest and investments and manage the Group's assets and liabilities. Senior management assumes the overall responsibility for reviewing the adequacy and integrity of the Group's internal control and risk management system with the guidance of the executive Directors.

The Board has delegated to management the implementation of such system of internal controls as well as the review of relevant financial, operational and compliance controls and risk management procedures. Qualified personnel maintain and monitor the compliance to these controls on an ongoing basis and report any variations to the executive Directors in the weekly meetings.

The Compliance Officer independently reviews these controls and evaluates their adequacy, effectiveness and compliance, and reports directly to the Chief Executive Officer on a regular basis.

The Group's internal control system highlights several important areas:

- Check and balance

  All senior and sensitive positions and tasks will have check and balance control requiring either dual signatures or maker-checker functions. Major transactions or undertakings will have level control, thorough discussions, requiring different levels of review and approval.

- Segregation of duties

  Clear segregation of duties is in place to provide segregate control of important duties.

Based on the assessment made by the senior management on the Group's corporate governance practices and also on the review by the Board on the effectiveness of the Group's internal control systems covering financial, operational and risk management controls, the Board is satisfied that during the financial year ended 31 March 2009:

- The internal controls and accounting systems of the Group are designed to provide reasonable assurance that material assets are protected, business risks attributable to the Group are identified and monitored, material transactions are executed in accordance with management's authorization and the financial statements are reliable for publication;

- There is an ongoing process in place for identifying, evaluating and managing the significant risks faced by the Group; and

- The Group's internal control systems are adequate and effective and the Group has complied with the code provisions on internal control of the Code on Corporate Governance Practices.

BUSINESS ETHICS AND PROFESSIONAL CODE OF CONDUCTS

The Group puts high standards on business ethics and professional conducts. Employees are briefed regularly on the code of ethics and on the conducts of keeping confidentiality of the information of business partners and the Group.

The Group also adopts good employment standards of non-discrimination policy and fair compensation scheme.

Independent Auditor's Report

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF iMERCHANTS LIMITED
菱控有限公司
(incorporated in Hong Kong with limited liability)

We have audited the financial statements of iMerchants Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 73, which comprise the consolidated and Company balance sheets as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Ip Yu Chak
Practising Certificate Number: P04798

Hong Kong
24 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Turnover	*8*	**91,290**	138,985
Revenue		**1,637**	–
Cost of sale		**(1,472)**	–
Gross profit		**165**	–
Investment income		**423**	2,767
Net gain on disposal of debt securities		**1,143**	1,132
Net fair value change on listed trading securities		**3,400**	7,423
Increase in fair values of financial assets at fair value through profit or loss		**2,785**	927
Gain on disposal of convertible notes receivable		**1,328**	–
Other income	*10*	**1,295**	5,559
Reversal for a convertible bond	*24*	**–**	2,672
Selling expenses		**(202)**	–
Administrative expenses		**(7,988)**	(11,654)
Finance costs	*11*	**(106)**	–
Profit before taxation	*12*	**2,243**	8,826
Income tax expense	*14*	**–**	–
Profit for the year		**2,243**	8,826
Attributed to:			
– Equity holders of the Company		**2,386**	8,826
– Minority interests		**(143)**	–
		2,243	8,826
Earnings per share	*15*		
– Basic		**HK0.42cents**	HK1.56cents
Dividends			
– Dividend paid	*16*	**–**	2,265

Consolidated Balance Sheet

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	17	**6,412**	120
Prepaid lease payments	18	**2,604**	–
Goodwill	19	**49,569**	–
Available-for-sale investments	21	**53,852**	–
		112,437	120
Current assets			
Inventories	22	**141**	–
Trade and other receivables	23	**34,463**	31,142
Convertible notes receivable	24	**–**	2,672
Amount due from a related company	25	**–**	21,946
Financial assets at fair value through profit or loss	26	**–**	12,481
Available-for-sale investments	21	**–**	18,694
Held-for-trading investments	27	**–**	49,193
Prepaid lease payments	18	**60**	–
Cash held at non-bank financial institutions	28	**8,903**	64,510
Bank balances and cash	28	**28,765**	30,133
		72,332	230,771
Current liabilities			
Trade and other payables	29	**1,935**	653
Other loans	30	**1,287**	–
Amount due to a fellow subsidiary	31	**–**	176
Amount due to a minority shareholder of a subsidiary	32	**2,896**	–
		6,118	829
Net current assets		**66,214**	229,942
		178,651	230,062
Capital and reserves			
Share capital	33	**113,251**	113,251
Reserves		**64,249**	116,811
Equity attributable to equity holders of the Company		**177,500**	230,062
Minority interests		**1,151**	–
		178,651	230,062

The consolidated financial statements on pages 22 to 73 were approved and authorised for issue by the board of Directors on 24 June 2009 and are signed on its behalf by:

Director　　　　　　　　Director

Balance Sheet

At 31 March 2009

	NOTES	2009 HK$'000	2008 HK$'000
Non-current asset			
Investments in subsidiaries	20	**32,002**	32,002
Current assets			
Trade and other receivables	23	**–**	132
Amount due from a related company	25	**–**	4,000
Amounts due from subsidiaries	20	**118,860**	183,504
Bank balances	28	**4,250**	1,801
		123,110	189,437
Current liabilities			
Other payables	29	**420**	–
Amounts due to subsidiaries	20	**2,838**	2,838
Net current assets		**3,258**	2,838
		119,852	186,599
		151,854	218,601
Capital and reserves			
Share capital	33	**113,251**	113,251
Reserves	34	**38,603**	105,350
		151,854	218,601

Director

Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Attributable to equity holders of the Company									
	Share capital HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000 (Note b)	Investment revaluation reserve HK$'000	Special capital reserve HK$'000 (Note a)	Translation reserve HK$'000	Accumulated profits HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2007	114,237	2,311	45,918	1,147	60,592	–	600	224,805	–	224,805
Increase in fair value of available-for-sale investments	–	–	–	771	–	–	–	771	–	771
Release of investment revaluation reserve upon disposals of available-for-sale investments	–	–	–	(1,147)	–	–	–	(1,147)	–	(1,147)
Income and expenses directly recognised in equity	–	–	–	(376)	–	–	–	(376)	–	(376)
Profit for the year and total recognised income and expense for the year	–	–	–	–	–	–	8,826	8,826	–	8,826
Dividends paid	–	–	–	–	–	–	(2,265)	(2,265)	–	(2,265)
Repurchase of shares	(986)	986	–	–	–	–	(928)	(928)	–	(928)
At 31 March 2008 and 1 April 2008	113,251	3,297	45,918	771	60,592	–	6,233	230,062	–	230,062
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(104)**	**–**	**(104)**	**(27)**	**(131)**
Decrease in fair value of available-for-sale investments	**–**	**–**	**–**	**(54,073)**	**–**	**–**	**–**	**(54,073)**	**–**	**(54,073)**
Release of investment revaluation reserve upon disposals of available-for-sale investments	**–**	**–**	**–**	**(771)**	**–**	**–**	**–**	**(771)**	**–**	**(771)**
Income and expenses directly recognised in equity	**–**	**–**	**–**	**(54,844)**	**–**	**(104)**	**–**	**(54,948)**	**(27)**	**(54,975)**
Profit for the year and total recognised income and expense for the year	**–**	**–**	**–**	**–**	**–**	**–**	**2,386**	**2,386**	**(143)**	**2,243**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**976**	**976**
Capital contribution from a minority shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**345**	**345**
At 31 March 2009	**113,251**	**3,297**	**45,918**	**(54,073)**	**60,592**	**(104)**	**8,619**	**177,500**	**1,151**	**178,651**

Notes:

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

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

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

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**2,243**	8,826
Adjustments for:		
Amortisation of prepaid lease payments	**35**	–
Depreciation of property, plant and equipment	**198**	289
Dividends from listed securities	**(376)**	(1,736)
Finance costs	**106**	–
Gain on disposal on convertible note receivables	**(1,328)**	–
Gain on disposal of property, plant and equipment	**–**	(69)
Net gain on disposal of debt securities	**(1,143)**	(1,132)
Increase in fair values of financial assets at fair value through profit or loss	**(2,785)**	(927)
Interest income	**(286)**	(1,958)
Interest income from debt securities and equity linked deposits	**(47)**	(1,031)
Reversal for a convertible bond	**–**	(2,672)
Operating cash flows before movements in working capital	**(3,383)**	(410)
Decrease in inventories	**420**	–
Decrease (increase) in trade and other receivables	**2,508**	(29,720)
Decrease in held-for-trading investments	**49,193**	60,153
(Increase) decrease in available-for-sale investments	**(88,859)**	15,777
Decrease in financial assets at fair value through profit or loss	**15,266**	27,298
Decrease in trade and other payables	**(321)**	(382)
Repayment from a related company	**17,294**	541
Decrease (increase) in cash held at non-bank financial institutions	**55,607**	(58,312)
Interest received from debt securities and equity linked deposits	**47**	2,167
Dividend received from listed securities	**376**	1,736
NET CASH FROM OPERATING ACTIVITIES	**48,148**	18,848
INVESTING ACTIVITIES		
Proceeds from disposal of convertible note receivables	**4,000**	–
Interest received	**286**	1,958
Net cashflow in respect of the acquisition of subsidiaries *(Notes 35)*	**(49,413)**	–
Purchases of property, plant and equipment	**(2,690)**	(970)
Decrease in bank deposits	**–**	7,800
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(47,817)**	8,788

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Repayment to a minority shareholder of a subsidiary	**(1,001)**	–
Repayment of other loans	**(679)**	–
(Repayment to) advance from a fellow subsidiary	**(176)**	176
Interest paid	**(106)**	–
Contribution from a minority shareholder of a subsidiary	**345**	–
Repurchase of shares	**–**	(928)
Dividends paid	**–**	(2,265)
NET CASH USED IN FINANCING ACTIVITIES	**(1,617)**	(3,017)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,286)**	24,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**30,133**	5,514
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(82)**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**28,765**	30,133

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with its shares being listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is Bonus Raider Investments Limited, a company incorporated in the British Virgin Islands ("BVI") and its ultimate holding company is China Water Industry Group Limited, a company incorporated in the Cayman Islands with its shares being listed on the Stock Exchange. The address of the registered office and principal place of business of the Company is disclosed in Corporate Information Section to the Annual Report.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"). At the beginning of the year, the Company has changed its functional currency from United States Dollars ("US$") to HK$ as the Group had substantially reduced its activity in investments in overseas investment products, but increased its activity in investments in the Stock Exchange and coupled with other intended HK$ transactions. The changes of functional currency has no significant financial impact to both the Group and the Company. The functional currency of the Group's subsidiary in the People's Republic of China (the "PRC") is Renminbi ("RMB").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 20.

2. CHANGE IN PRESENTATION OF CONSOLIDATED INCOME STATEMENT

In order to provide a more relevant and reliable analysis of expenses, the management has decided to present the consolidated income statement by an analysis of function in this reporting year. Comparative amounts for prior periods have been restated in order to achieve a consistent presentation.

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

In the current year, the Group has applied the following amendments and interpretations ("INTs") (herein collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-INT 12	Service Concession Arrangements
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellation[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instrument Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-INT 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[8]

1 Effective for annual periods on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.
7 Effective for annual periods ending on or after 30 June 2009.
8 Effective for transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entity) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other matters of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

The acquisition of a business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment (other than construction in progress) over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction-in-progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress is carried at cost less any recognised impairment loss. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

Payment for obtaining land use right is considered as operating lease payment. Prepaid lease payments are stated at cost less accumulated amortisation and accumulated impairment losses, amortisation is charged to consolidated income statement over the period of the rights or the term of the respective enterprise to which the land use rights are granted, whichever is the shorter, using the straight-line method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale investments. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for the debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Equity linked notes have been designated at fair value through profit or loss upon initial recognition as they contained embedded derivatives which are not closely related to the host contracts.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related company, amounts due from subsidiaries, cash held at non-bank financial institutions, bank balances and cash and convertible notes receivable) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables or held-to-maturity investments.

At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investment is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. (See accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all of the Group's financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, amount due from a related company and amounts due from subsidiaries, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, amount due from a related company and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables, amount due from a related company and amounts due from subsidiaries are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credit to profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment on financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sales equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are generally classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and other payables, other loans, amount due to a fellow subsidiary, amounts due to subsidiaries and amount due to a minority shareholder are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share options reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Share options granted to employees (on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005)

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment losses on tangible assets other than goodwill (see the accounting policy respect of goodwill above)

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when the goods are delivered and the title has passed.

Service income is recognised when services are rendered.

Sale of available-for-sale investments and equity investments at fair value through profit or loss are recognised on a trade date basis.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. HK$ at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognised in the translation reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

As lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered services entitling them to the contributions.

The subsidiary in the PRC participates in the central pension scheme (the "CPS") operated by the PRC government for all of their staff. The subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group will respect to the CPS is to pay the ongoing required contributions under the CPS. Payments to the CPS are charged as expenses as they fall due in accordance with the rules of the CPS.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation expenses recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount of the write-down is charged against the consolidated income statement.

Estimated impairment of trade and other receivables

The Group makes impairment loss based on an assessment of the recoverability of trade and other debtors. Allowances are applied to trade and other debtors where events or change in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. In determining whether impairment loss on debtors is required, the Group takes into consideration the current creditworthiness, the past collection history, age status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and its carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2009, the carrying amounts of goodwill was approximately HK$49,569,000.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through optimisation of the debt and equity balance.

The capital structure of the Group consists of other loans disclosed in note 30, cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and accumulated profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31 March 2009.

7. FINANCIAL INSTRUMENTS

7a. Categories of financial instruments

	The Group	
	2009	2008
	HK$'000	HK$'000
Financial assets at fair value through profit or loss		
– designated as at FVTPL	**–**	12,481
– held-for-trading investments	**–**	49,193
Available-for-sale investments	**53,852**	18,694
Loans and receivables (including cash and cash equivalents)	**71,313**	150,403
Financial liabilities at amortised cost	**6,095**	829

	The Company	
	2009	2008
	HK$'000	HK$'000
Loans and receivables (including cash and cash equivalents)	**123,110**	189,437
Financial liabilities at amortised cost	**3,258**	2,838

7. FINANCIAL INSTRUMENT *(continued)*

7b. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, equity linked notes, trade and other receivables, amount due from a related company, amounts due from subsidiaries, balances with non-bank financial institutions, bank balances and cash, trade and other payables, amount due to a fellow subsidiary, amounts due to subsidiaries, amount due to a minority shareholder of a subsidiary and other loans. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, other price risk and interest rate risk), credit risk and liquidity 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.

Market risk

Currency risk

The Group has transactional currency exposure. Certain bank balances of the Group are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The following table shows the Group's exposure at the balance sheet date to currency risk arising from transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	As at 31 March 2009		As at 31 March 2008
	US$'000	**Australian Dollars ("AUD")'000**	AUD'000
Assets	**226**	**1**	2,975
Liabilities	**–**	**–**	–

Sensitivity analysis

The Group is mainly exposed to the currency of US$ and AUD.

The following table details the Group's sensitivity to a 5% (2008: 5%) increase and decrease in HK$ against the respective currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2008: 5%) change in foreign currency rates. A negative number below indicates a decrease in profit and other equity where HK$ strengthen 5% (2008: 5%) against the respective currencies. For a 5% (2008: 5%) weakening of HK$ against the respective currencies, there would be an equal and opposite impact on the profit and other equity, and the balances below would be positive.

	Profit or loss		**Other equity**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
US$	**(88)**	–	**–**	–
AUD	**–**	(641)	**–**	(416)

7. FINANCIAL INSTRUMENT *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has a team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% higher/lower, the results for the year ended 31 March 2008 would increase/decrease by HK$2,460,000 (2009: Nil) as a result of the changes in fair value of held-for-trading investments.

If the prices of the respective equity instruments had been 5% higher/lower, the investment revaluation reserve would increase/decrease by HK$2,693,000 (2008: HK$410,000) for the Group as a result of the changes in fair value of available-for-sale investments.

In management's opinion, the sensitivity analysis is not representative of the other price risk for the investments in listed equity securities as the year and exposure does not reflects the exposure during the year.

Interest rate risk

The Group's exposed to fair value interest rate risk relates to other loans. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary options when significant interest rate exposure is anticipated.

The Group was also exposed to cash flow interest rate risk relates to bank balances and cash held at non-bank financial institutions carried at prevailing market rate. However, such exposure is minimal to the Group as the bank balances and cash held at non-bank financial institutions are all short-term in nature.

7. FINANCIAL INSTRUMENT *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as end of the financial year in relation to each class of recognised financial assets in the carrying amount of those assets as stated in the balance sheet.

The Group has no significant credit risks as it has policies in place to ensure that sales of products are made to customers with appropriate credit history. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining substantial collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities with good repayment history.

The credit risk on non-bank financial institutions as well as bank balances is limited as the counterparties are banks or financial institutions with high credit rating assigned by international credit-rating agencies.

Other than concentration of credit risk on liquid funds which are deposited with several banks or financial institutions with high credit rating, the Group does not have any other significant concentration of credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

7. FINANCIAL INSTRUMENT *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity risk tables

The Group	**Total undiscounted cash flows** HK$'000	**Carrying amount at 31 March** HK$'000
2009		
Non-derivative financial liabilities		
Trade and other payables	**1,912**	**1,912**
Other loans	**1,287**	**1,287**
Amount due to a minority shareholder of a subsidiary	**2,896**	**2,896**
	6,095	**6,095**
2008		
Non-derivative financial liabilities		
Other payables	653	653
Amount due to a fellow subsidiary	176	176
	829	829

The Company	**Total undiscounted cash flows** HK$'000	**Carrying amount at 31 March** HK$'000
2009		
Non-derivative financial liabilities		
Other payables	**420**	**420**
Amounts due to subsidiaries	**2,838**	**2,838**
	3,258	**3,258**
2008		
Non-derivative financial liabilities		
Amounts due to subsidiaries	2,838	2,838

7. FINANCIAL INSTRUMENT *(continued)*

7b. Financial risk management objectives and policies *(continued)*

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions and dealer quotes for similar instruments; and as input.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their short-term maturities.

8. TURNOVER

Turnover represents revenue generated from revenue from investments as well as manufacture and trading of ceramic sewage materials, and is analysed as follows:

	2009 **HK$'000**	2008 HK$'000
Interest income from debt securities	**47**	1,031
Dividends from listed securities	**376**	1,736
Proceeds from debt securities	**19,184**	25,307
Proceeds from held-for-trading investments	**54,780**	102,535
Proceeds from financial assets at fair value through profit or loss	**15,266**	8,376
Revenue from investments	**89,653**	138,985
Revenue from manufacture and trading of ceramic sewage materials	**1,637**	–
	91,290	138,985

9. SEGMENT INFORMATION

(a) Business segments

For management purposes, the Group is organised into two operating divisions during the year ended 31 March 2009. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

(i) investments in financial and investment products;

(ii) manufacture and trading of ceramic sewage materials

The following tables present turnover, results and certain asset, liability and expenditure information for the Group's business segments for the both years ended 31 March 2009 and 2008.

	Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
SEGMENT TURNOVER:						
Sales to external customers	**89,653**	138,985	**1,637**	–	**91,290**	138,985
SEGMENT RESULTS	**9,697**	14,921	**(614)**	–	**9,083**	14,921
Interest income					**286**	1,958
Net unallocated income and expenses					**(7,020)**	(8,053)
Finance costs					**(106)**	–
Profit before taxation					**2,243**	8,826
Income tax expense					**–**	–
Profit for the year					**2,243**	8,826

9. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment assets	**53,852**	83,040	**60,223**	–	**114,075**	83,040
Unallocated assets					**70,694**	147,851
Total assets					**184,769**	230,891
LIABILITIES						
Segment liabilities	**541**	8	**3,833**	–	**4,374**	8
Unallocated liabilities					**1,744**	821
Total liabilities					**6,118**	829
OTHER SEGMENT INFORMATION:						
Capital expenditure	**–**	850	**9,314**	–	**9,314**	850
Unallocated capital expenditure					**21**	120
					9,335	970
Depreciation and amortisation	**–**	285	**162**	–	**162**	285
Unallocated depreciation and amortisation					**36**	4
					198	289
Amortisation of prepaid lease payments	**–**	–	**35**	–	**35**	–
Gain on disposal of property, plant and equipment	**–**	(69)	**–**	–	**–**	(69)
Reversal for a convertible bond	**–**	(2,672)	**–**	–	**–**	(2,672)

Capital expenditure for the year ended 31 March 2009 includes additions resulting from acquisition of a subsidiary, amounting to approximately HK$6,645,000.

9. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table provides analysis of the Group's turnover by geographical market irrespective of the origin of the goods/services:

	2009 **HK$'000**	2008 HK$'000
The PRC and Hong Kong	**1,637**	–
North America	**43,524**	44,524
Europe	**14,014**	5,884
Australia	**10,580**	12,175
Japan	**10,905**	3,638
Asia Pacific (other than Japan)	**8,055**	70,317
Other	**2,575**	2,447
	91,290	138,985

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital expenditure**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
The PRC and Hong Kong	**114,075**	–	**9,335**	970
North America	**–**	31,969	**–**	–
Europe	**–**	23,323	**–**	–
Australia	**–**	1,614	**–**	–
Japan	**–**	21,982	**–**	–
Asia Pacific (other than Japan)	**–**	1,234	**–**	–
Other	**–**	2,918	**–**	–
	114,075	83,040	**9,335**	970

10. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest income	**286**	1,958
Net exchange gain	**543**	2,757
Rental income	**–**	535
Consultancy fee	**–**	240
Gain on disposal of property, plant and equipment	**–**	69
Sundries	**466**	–
	1,295	5,559

11. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest expenses on		
– Other borrowings wholly repayable within five years	**106**	–

12. PROFIT BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
Profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries and allowances	**2,664**	3,696
Retirement benefits scheme contributions	**73**	67
	2,737	3,763
Auditor's remuneration	**420**	350
Amortisation of prepaid lease payments	**35**	–
Cost of inventories recognised as expenses	**1,472**	–
Depreciation of property, plant and equipment	**198**	289
Operating lease charges in respect of rented premises	**581**	1,447

13. EMOLUMENTS FOR DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to each of the seven (2008: twelve) directors, were as follows:

For the year ended 31 March 2009

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Yau Yan Ming Raymond	–	558	12	570
Mr. Yang Bin	–	321	9	330
Mr. Li Wen Jun	–	257	9	266
Mr. Wong Ka Chun Carson[1]	–	215	8	223
Independent non-executive directors:				
Mr. Wu Tak Lung	151	–	–	151
Mr. Chang Kin Man	126	–	–	126
Mr. Pan Chik	151	–	–	151
	428	1,351	38	1,817

1. *Appointed on 1 August 2008.*

13. EMOLUMENTS FOR DIRECTORS AND EMPLOYEES *(continued)*

(a) Directors' emoluments *(continued)*

For the year ended 31 March 2008

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Yau Yan Ming Raymond[1]	–	35	–	35
Mr. Yang Bin[1]	–	25	–	25
Mr. Li Wen Jun[1]	–	20	–	20
Mr. Leroy Kung Lin Yuen[2]	–	1,176	12	1,188
Ms. Lena Foo[2]	–	918	12	930
Independent non-executive directors:				
Mr. Wu Tak Lung[1]	–	–	–	–
Mr. Chang Kin Man[1]	–	–	–	–
Mr. Pan Chik[1]	–	–	–	–
Mr. Tong Lo Tung Sing[4]	15	–	–	15
Mr. Ronny Chow Fan Chim[2]	29	–	–	29
Mr. Kenneth Tseung Yuk Hei[3]	14	–	–	14
Mr. Matthew P. Johnston[2]	29	–	–	29
	87	2,174	24	2,285

1. *Appointed on 13 March 2008.*
2. *Resigned on 13 March 2008.*
3. *Resigned on 17 September 2007.*
4. *Appointed on 17 September 2007 and resigned on 13 March 2008.*

None of the directors has waived or agreed to waived emoluments during the two years ended 31 March 2009 and 2008.

13. EMOLUMENTS FOR DIRECTORS AND EMPLOYEES *(continued)*

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2008: two) were directors of the Company whose emoluments are included in the disclosures in Note 13(a) above. The emoluments of the remaining one (2008: three) individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and allowances	**359**	1,342
Retirement benefits scheme contributions	**12**	33
	371	1,375

The emoluments were within the following band:

	Number of employees	
	2009	2008
Nil to HK$1,000,000	**1**	3

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2009 and 2008.

14. INCOME TAX EXPENSE

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

No Hong Kong Profits Tax is payable on the profit for the year ended 31 March 2009 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has not been provided for in the consolidated financial statements as there was no estimated assessable profit derived from the year ended 31 March 2008.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiary in the PRC reduced from 33% to 25% from 1 January 2008 onwards. The relevant tax rate for the Group's subsidiary in the PRC is 25%.

14. INCOME TAX EXPENSE *(continued)*

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

	2009 **HK$'000**	2008 HK$'000
Profit before taxation	**2,243**	8,826
Taxation at domestic income tax rate of 16.5% (2008: 17.5%)	**370**	1,545
Tax effect of expenses not deductible for tax purpose	**1,358**	1,470
Tax effect of income not taxable for tax purpose	**(1,487)**	(3,149)
Tax effect of tax loss not recognised	**–**	232
Utilisation of deductible temporary differences previously not recognised	**–**	(98)
Utilisation of tax losses previously not recognised	**(180)**	–
Effect of different tax rates of a subsidiary operating in other jurisdictions	**(61)**	–
Tax expense for the year	**–**	–

At 31 March 2009, the Group had unused estimated tax losses of approximately HK$122,342,000 (2008: HK$123,431,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company for the year is based on the following data:

	2009 **HK$'000**	2008 HK$'000
Earnings for the purposes of basic earnings per share	**2,386**	8,826
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**566,255,000**	566,531,395

No diluted earnings per share has been presented for the year ended 31 March 2009 as there were no diluting events existed during the year.

No diluted earnings per share has been presented because the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for the year ended 31 March 2008.

The weighted average number of ordinary shares for the year ended 31 March 2008 for the purpose of basic earnings per share has been adjusted for the share subdivision which took place on 27 June 2008.

16. DIVIDENDS

	2009 **HK$'000**	2008 HK$'000
Dividends recognised as distributions during the year:		
Final dividend paid in respect of the year ended 31 March 2007 – HK2 cents per share	–	2,265

No final dividend was proposed during the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date (2008: Nil).

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	**Plant and machinery** HK$'000	**Leasehold improvements** HK$'000	**Furniture, fixtures and office equipment** HK$'000	**Motor Vehicles** HK$'000	**Construction in progress** HK$'000	**Total** HK$'000
COST							
At 1 April 2007	–	–	496	7,238	–	–	7,734
Additions	–	–	725	245	–	–	970
Disposals	–	–	(1,221)	(7,363)	–	–	(8,584)
At 31 March 2008	–	–	–	120	–	–	120
Additions	–	5	–	47	–	2,638	2,690
Acquired on acquisition of subsidiaries	3,065	708	–	2	115	–	3,890
Exchange realignment	(62)	(14)	–	–	(2)	(12)	(90)
At 31 March 2009	3,003	699	–	169	113	2,626	6,610
ACCUMULATED DEPRECIATION							
At 1 April 2007	–	–	383	7,131	–	–	7,514
Provided for the year	–	–	220	69	–	–	289
Eliminated on disposals	–	–	(603)	(7,200)	–	–	(7,803)
At 31 March 2008	–	–	–	–	–	–	–
Provided for the year	68	79	–	38	13	–	198
At 31 March 2009	68	79	–	38	13	–	198
CARRYING VALUES							
At 31 March 2009	2,935	620	–	131	100	2,626	6,412
At 31 March 2008	–	–	–	120	–	–	120

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

The Group *(continued)*

The above items of property, plant and equipment other than construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease and 30 years
Plant and machinery	5 to 10 years
Leasehold improvements	Over the term of the lease
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The buildings are situated in the PRC and are situated on land under medium-term land use right.

18. PREPAID LEASE PAYMENTS

	The Group	
	2009	2008
	HK$'000	HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC under medium-term leases	**2,664**	–

	The Group	
	2009	2008
	HK$'000	HK$'000
Current assets	**60**	–
Non-current assets	**2,604**	–
	2,664	–

19. GOODWILL

	The Group 2009 HK$'000
COST	
At 1 April 2007 and 31 March 2008	–
Arising on acquisition of subsidiaries	49,569
At 31 March 2009	49,569

The goodwill was recognised on acquisitions of a subsidiary, Plenty One Limited, which was an investment holding company and its principal assets was an investment in a 80% held subsidiary which was established in the PRC and principally engaged in manufacture and trading of ceramic sewage materials.

The recoverable amount of cash generating unit ("CGU") is determined based on value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (the "Forecast"), and discount rate of 16.29%. Cash flows beyond the 3-year period have been extrapolated using a steady 3% growth rate. This growth rate is based on the relevant industry growth rate forecasts and does not exceed the average long-term growth rate for the relevant industry.

The directors of the Company are of the opinion that, based on the forecast and with reference to the valuation performed by Asset Appraisal Limited, a qualified valuer not connected with the Group, that the recoverable amount of this CGU exceeds its carrying amount in the balance sheet and no impairment loss of goodwill is necessary.

20. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009 **HK$'000**	2008 HK$'000
Unlisted shares, at cost	**32,002**	32,002

Amounts due from and to subsidiaries are unsecured, interest-free and are repayable on demand.

20. INVESTMENTS IN SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 March 2009 are as follows:

Name of subsidiary	Form of business structure	Place/country of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by the Company		Principal activities
				Directly	Indirectly	
iMerchants Asia Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$6,001,000	100%	–	Investment holdings, investments in financial and investment products and technology investment
iMerchants Consulting Limited	Incorporated	Hong Kong	Ordinary shares HK$100	100%	–	Inactive
iMerchants Services Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$1,000	100%	–	Inactive
Top Deluxe Limited	Incorporated	Hong Kong	Ordinary shares HK$10	100%	–	Inactive
Shine Gain Holdings Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$100	100%	–	Investment holding
Plenty One Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$100	–	100%	Investment holding
Ping Xiang City San He Lian Chuang Water Technology Company Limited ("Ping Xiang San He") (萍鄉市三和聯創水務科技有限公司)	Incorporated	PRC	RMB6,500,000	–	80%	Manufacture and trading of ceramic sewage materials
Growwise Holdings Limited ("Growwise")	Incorporated	BVI/Hong Kong	Ordinary shares US$1	100%	–	Not yet commenced business

None of the subsidiaries had any debt securities outstanding at the end of the year or at any time during the year.

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	The Group	
	2009	2008
	HK$'000	HK$'000
Unlisted securities:		
– Equity securities, at cost	**–**	10,500
– Debt securities with fixed interest of 5.4% and maturity date on 20 June 2008, at fair value	**–**	8,194
Listed securities:		
– Equity securities listed in Hong Kong, at fair value	**53,852**	–
Total	**53,852**	18,694
Analysed for reporting purposes as:		
Non-current assets	**53,852**	–
Current assets	**–**	18,694
	53,852	18,694

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

As at 31 March 2008, the fair values of unlisted debt securities were determined by reference to the quoted prices provided by the financial institutions.

The above unlisted equity securities as at 31 March 2008 were issued by a private entity incorporated in Japan. They were measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that their fair values cannot be measured reliably.

During the year ended 31 March 2009, the Group disposed of unlisted equity securities and redeemed the debt securities with an aggregate carrying amounts of HK$18,694,000. A total gain of approximately HK$1,160,000 arised from the disposal and redemption.

22. INVENTORIES

	The Group	
	2009	2008
	HK$'000	HK$'000
Raw materials	**36**	–
Finished goods	**105**	–
	141	–

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**780**	–	**–**	–
Less: allowance for doubtful debts of trade receivables	**(10)**	–	**–**	–
	770	–	**–**	–
Prepayments, deposits and other receivables	**33,693**	31,142	**–**	132
	34,463	31,142	**–**	132

The Group allows an average credit period of 180 days given to its customers.

As at 31 March 2009, included in prepayments, deposits and other receivables are refundable deposits amounting HK$27,470,000 paid for potential investment projects. Subsequent to the balance sheet date, the amount has been fully settled.

At the balance sheet date, the aging analysis of the trade receivables, net of allowance for doubtful debts was as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within 180 days	**136**	–
181 to 365 days	**634**	–
	770	–

23. TRADE AND OTHER RECEIVABLES *(continued)*

(a) At 31 March 2009 and 2008, the aging analysis of trade receivables that were past due but not impaired are as follows:

The Group

	Total HK$'000	**Neither past due nor impaired** HK$'000	**Past due but not impaired <180 days** HK$'000
2009	770	311	459
2008	–	–	–

Trade receivables that were neither past due nor impaired relate to wide range of customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, 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 does not hold any collateral over these balances.

(b) Movements in the allowance for doubtful debts of trade receivables in aggregate during the year are as follows:

	The Group	
	2009 **HK$'000**	2008 HK$'000
Balance at beginning of the year	**–**	–
Acquisition of subsidiaries	**10**	–
Balance at end of the year	**10**	–

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$10,000 (2008: Nil) which were due to long outstanding. The Group does not hold any collateral over these balances.

24. CONVERTIBLE NOTES RECEIVABLE

For the year ended 31 March 2007, the Group entered into the Convertible Bond Sale and Purchase Agreement ("CB Agreement") with e.Energy Lighting Limited ("e.Energy") to purchase the Convertible Bond ("CB") issued by e.Energy. The CB with face value of HK$4,000,000, is due on 3 April 2009 and non-interest bearing. The Group with the right to convert the CB into fully paid shares of e.Energy in accordance with the mutually agreed formula set out in the CB Agreement.

The Group had measured the CB in accordance with HKAS 39. At the date of the initial recognition of the CB, the embedded derivative for the conversion option of the CB amounted to HK$1,328,000, which was determined using Binomial model. During the year ended 31 March 2007, a decrease in fair value of the HK$1,328,000 for the embedded derivative for the conversion option were recognised in the consolidated income statement. As at 31 March 2008, the fair value of the embedded derivate for the conversion option was remained zero, which was determined by reference to the valuation report carried by RHL Appraisal Limited, an independent qualified professional valuer not connected to the Group.

The effective interest rate for the loan to e.Energy was 9.38% and the fair value at the inception date was HK$2,672,000. Subsequent to the initial recognition of the CB, e.Energy's performance had not been hitting its financial targets and was at a net liability position at 31 March 2007. In response to the financial difficulty faced by e.Energy and having discussed with an independent professional valuer, the directors of the Company had considered the recoverability of the loan to e.Energy and made an allowance of HK$2,672,000 for the year ended 31 March 2007.

The Group and iMerchants Hong Kong Limited ("IHK") entered into a disposal agreement (the "Disposal Agreement") and a supplementary agreement (the "Supplementary Agreement") on 3 December 2007 and 28 January 2008, respectively. Pursuant to which, the Group had conditionally agreed to sell, and IHK had conditionally agreed to purchase, certain assets of the Group including the CB (the "Disposal Assets") at a total cash consideration of approximately HK$39,400,000 and the consideration of the CB was amounted to approximately HK$4,000,000. Details of this transaction had been set out in the Company's circular dated 1 February 2008.

The Disposal Assets comprised the following assets of the Group:

(i) an unlisted equity securities issued by a private entity incorporated in Japan
(ii) the CB
(iii) certain investments in mutual funds
(iv) the investment in an associate, Net Alliance Company Limited
(v) the fixtures and fittings at the head office of the Group
(vi) certain investments in equity securities listed in overseas

Among the Disposal Assets listed above, items (i) to (iii) were transferred to IHK during the year ended 31 March 2009 at a consideration of approximately HK$23,356,000 resulting a gain on disposal of approximately HK$1,829,000. Items (iv) to (vi) were disposed to IHK during the year ended 31 March 2008 at a consideration of approximately HK$22,487,000 resulting a gain on disposal of approximately HK$2,500,000.

In view of the consideration of the CB, the directors of the Company had re-considered the recoverability of the loan to e.Energy and made a reversal of the allowance of HK$2,672,000 during the year ended 31 March 2008.

25. AMOUNT DUE FROM A RELATED COMPANY

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

	The Group HK$'000	The Company HK$'000
Balance as at 31 March 2009	–	–
Balance as at 31 March 2008	21,946	4,000
Maximum outstanding amount during the year	21,946	4,000

The amount due from IHK as at 31 March 2008 related to the acquisition of Disposal Assets as stated in Note 24 above was unsecured, interest-free and repayable on demand.

During the year ended 31 March 2009, IHK ceased to be a related company of the Group and accordingly the outstanding balance of approximately HK$4,652,000 as at 31 March 2009 was included in other receivables.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	The Group	
	2009 HK$'000	2008 HK$'000
Equity linked notes	–	2,975
Currency linked notes	–	9,506
	–	12,481

Major terms of the equity linked notes outstanding at 31 March 2008:

Notional amount	Maturity	Range of coupon rates
US$1,000,000 (HK$7,800,000)	12 May 2008	0% to 31%

Major terms of the currency linked notes outstanding at 31 March 2008:

Notional amount	Maturity	Range of coupon rates
US$1,000,000 (HK$7,800,000)	21 July 2008	0%

The equity linked notes were redeemed by delivering the equivalent amount of cash as set out in the relevant notes during the year ended 31 March 2009.

27. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	The Group	
	2009	2008
	HK$'000	HK$'000
Listed securities:		
– Equity securities listed elsewhere	**–**	29,725
Hedged funds	**–**	7,622
Mutual funds	**–**	11,846
	–	49,193

The fair values of the above listed securities and funds were determined based on the quoted market bid prices available on the relevant exchanges and quoted prices provided by the financial institutions, respectively.

28. CASH HELD AT NON-BANK FINANCIAL INSTITUTIONS/BANK BALANCES AND CASH

Cash held at non-bank financial institutions and bank balances and cash comprise short-term deposits with an original maturity of three months or less, carrying interest at approximately ranging from 0% to 0.72% (2008: 0.05% to 4%) per annum.

Included in bank balances and cash are the following amounts denominated in foreign currencies other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
AUD	**5**	12,628	**–**	–
USD	**1,752**	–	**1,219**	–

29. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 180 days	**75**	–	**–**	–
181 to 365 days	**552**	–	**–**	–
	627	–	**–**	–
Other payables	**1,308**	653	**420**	–
	1,935	653	**420**	–

30. OTHER LOANS

	The Group	
	2009	2008
	HK$'000	HK$'000
Other loans – due within one year	**1,287**	–
Analysed as:		
Secured	**1,006**	–
Unsecured	**281**	–
	1,287	–

At 31 March 2009, other loans of approximately HK$1,287,000 (equivalent to RMB1,143,000) (2008: Nil) are fixed-rate borrowings carry interest at 9.72% per annum. Other loans with carrying amounts of approximately HK$1,287,000 (equivalent to RMB1,143,000) are overdue and are classified as current liabilities. The directors of the Company are confident that their negotiation with the lender will ultimately reach a successful conclusion. In any event, should the lender call for immediate repayment of the loans, the directors of the Company believe that adequate alternative sources of finance are available to ensure that there is no threat to the continuing operations of the Group.

31. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary was unsecured, interest-free and has been fully settled during the year ended 31 March 2009.

32. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

33. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Balance of ordinary shares at 1 April 2007 and 31 March 2008 of HK$1 each	800,000,000	800,000
Share subdivision *(Note a)*	3,200,000,000	–
Balance of ordinary shares at 31 March 2009 of HK$0.2 each	4,000,000,000	800,000
Issued and fully paid:		
Balance of ordinary shares at 1 April 2007 of HK$1 each	114,237,000	114,237
Shares repurchased and cancelled *(Note b)*	(986,000)	(986)
Balance of ordinary shares at 31 March 2008 of HK$1 each	113,251,000	113,251
Share Subdivision *(Note a)*	453,004,000	–
Balance of ordinary shares at 31 March 2009 of HK$0.2 each	566,255,000	113,251

Notes:

(a) Share subdivision

Pursuant to an ordinary resolution passed in the extraordinary general meeting held on 26 June 2008, the existing issued and unissued shares of HK$1 each in the share capital of the Company be subdivided into 5 shares of HK$0.2 each ("Share Subdivision"). The authorised share capital of the Company would be remained at HK$800,000,000 but divided into 4,000,000,000 shares of HK$0.2 each. The Share Subdivision took place on 27 June 2008.

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

(b) Share repurchases

During the year ended 31 March 2008, the Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
April 2007	986,000	0.95	0.92	925,380

The Directors considered that the above repurchases were made with a view to enhancing the net asset value per share of the Company. These shares were cancelled upon repurchase and the issued share capital of the Company was reduced correspondingly.

Save as disclosed above, at no time during the two years ended 31 March 2009 and 2008 did the Company or its subsidiaries purchase, sell or redeem any of the Company's listed securities.

34. RESERVES

The Company

	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special capital reserve HK$'000	Accumulated profits (loss) HK$'000	Total HK$'000
At 1 April 2007	2,311	31,104	60,592	16,561	110,568
Dividends paid	–	–	–	(2,265)	(2,265)
Repurchase of shares	986	–	–	(928)	58
Loss for the year	–	–	–	(3,011)	(3,011)
At 31 March 2008	3,297	31,104	60,592	10,357	105,350
Loss for the year	–	–	–	(66,747)	(66,747)
At 31 March 2009	3,297	31,104	60,592	(56,390)	38,603

The contributed surplus of the Company represents the difference between the net assets of the subsidiaries acquired by the Company and the nominal value of the Company's shares issued for the acquisition in March 2000 less the premium arising on repurchase of shares and amount transferred to the capital redemption reserve.

Under the Hong Kong Companies Ordinance, the contributed surplus of the Company is available for distribution if:

(1) at the time the distribution is made, the amount of its net assets is not less than the aggregate of its called up share capital and undistributable reserves; and

(2) the distribution does not reduce the amount of its net assets to less than the aggregate of its called up share capital and undistributable reserves.

In the opinion of the directors of the Company, at 31 March 2009, the reserves available for distribution to shareholders pursuant to the Hong Kong Companies Ordinance amounted to approximately HK$35,306,000 (2008: HK$102,053,000).

35. ACQUISITION OF SUBSIDIARIES

On 12 August 2008, the Group acquired the entire issued share capital of Plenty One Limited at a consideration of HK$55,000,000 from an independent third party. Plenty One Limited was an investment holding company and its principal assets was an investment in a 80% held subsidiary, Ping Xiang San He which was established in the PRC and principally engaged in manufacture and trading of ceramic sewage materials. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of acquisition was approximately HK$49,569,000.

35. ACQUISITION OF SUBSIDIARIES *(continued)*

The net assets acquired in the transaction, and the goodwill arising are as follows:

The directors of the Company considered that the fair values of net assets acquired approximate to their carrying amounts.

	HK$'000
Net assets acquired:	
Property, plant and equipment	3,890
Prepaid lease payments	2,755
Inventories	573
Trade and other receivables	1,219
Bank balances and cash	5,587
Trade and other payables	(1,637)
Amount due to a minority shareholder	(3,977)
Other loans	(2,003)
Minority interests	(976)
	5,431
Goodwill	49,569
Total consideration	(55,000)
Satisfied by:	
Cash	55,000
Net cash outflow arising on acquisition:	
Cash consideration paid	(55,000)
Bank balances and cash acquired	5,587
	(49,413)

Plenty One Limited and its subsidiary contributed approximately HK$740,000 loss to the Group's profit for the period between the date of acquisition and the balance sheet date.

If the acquisition had been completed on 1 April 2008, total Group's turnover for the year would have been increased by approximately HK$6,138,000 and profit for the year ended 31 March 2009 would have been decreased by approximately HK$157,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2008, nor is it intended to be a projection of future results.

Note: Pursuant to the sale and purchase agreement dated 26 May 2008 between the Group and the vendor, if the aggregate profit up to 30 May 2011 generated by Ping Xiang San He is less than approximately HK$32,660,000 (equivalent to RMB29,000,000), the vendor has guaranteed to pay the shortfall to the Group ("Profit Guarantee"). Details of the Profit Guarantee had been set out in the Company's circular dated 19 June 2008.

36. SHARE OPTION SCHEMES

(i) Share option scheme adopted on 15 March 2000 ("2000 Share Option Scheme")

Pursuant to the 2000 Share Option Scheme, the Company may grant share options to executive directors and employees of the Company or its subsidiaries to subscribe for shares in the Company for a consideration of HK$1 for each lot of share options granted. The purpose of the 2000 Share Option Scheme was to provide incentives to the participants. Share options granted are exercisable at any time during a period to be notified by the Company. The exercisable period must not be less than three years and not more than ten years from the date of grant of the share options. The subscription price will not be less than the highest of the following:

(a) the nominal value of the Company's share;

(b) the closing price of the Company's shares as quoted on the date of the offer of the share options; and

(c) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share option.

The maximum number of shares in respect of which share options may be granted under the 2000 Share Option Scheme and the share option plan adopted pursuant to a written resolution of the shareholders of the Company dated 15 March 2000 ("Pre-IPO Share Option Plan"), as described below, shall not, in aggregate, exceed 10% of the entire issued ordinary share capital of the Company at 31 March 2000, or 30% of the entire issued ordinary share capital of the Company on the date of shareholders' approval for refreshment as stated below (as the case may be). In determining the said 30% limit, the following shares shall be excluded:

(a) shares to be issued pursuant to the 2000 Share Option Scheme and any other share option schemes; and

(b) any pro rata entitlements to subscribe for further shares pursuant to the issue of shares mentioned in (a) above.

The Company may seek approval from shareholders in general meeting for refreshing the 10% limit or for granting further share options beyond the 10% limit, provided that the share options in excess of the 10% limit are granted to participants specifically identified by the Company before such approval is sought.

The maximum number of shares in respect of which share options might be granted to a participant, when aggregated with shares issued and issuable under any share option granted to the same participant under the 2000 Share Option Scheme, must not exceed 25% of the maximum shares issuable under the 2000 Share Option Scheme from time to time.

36. SHARE OPTION SCHEMES *(continued)*

(i) Share option scheme adopted on 15 March 2000 ("2000 Share Option Scheme") *(continued)*

The duration of the 2000 Share Option Scheme was originally effective for 10 years until 14 March 2010. On 2 August 2002, the shareholders of the Company had resolved to have the 2000 Share Option Scheme terminated thereon. However, the share options which have been granted under the 2000 Share Option Scheme shall continue to be exercisable in accordance with their respective terms of issue and in all other respects the provisions of the 2000 Share Option Scheme shall remain in full force and effect.

Share options granted under 2000 Share Option Scheme are exercisable in various stages during the exercisable period from 1 April 2001 to 23 August 2010 and in accordance with the terms as to:

(a) one quarter of the share options will be exercisable from 1 April 2001 ("First Exercise Date");

(b) an additional one eighth of the options will be exercisable after the expiry of each successive six month period from the First Exercise Date; and

(c) the balance of the share options will be exercisable after the expiry of a period of 48 months from 1 April 2001.

(ii) Pre-IPO Share Option Plan

The Pre-IPO Share Option Plan has terms same as those under the 2000 Share Option Scheme except that:

(a) the subscription price is set at HK$14.80;

(b) employees include full-time employees of the Group, employees who are not in full time employment of the Group, consultants and advisers to the Group;

(c) no further share option will be offered or granted under the Pre-IPO Share Option Plan other than those already granted as mentioned in the prospectus issued by the Company dated 27 March 2000; and

(d) share options granted are exercisable in various stages during the exercisable period from 1 April 2001 to 14 March 2010.

The purpose of the Pre-IPO Share Option Plan was to provide incentives to the participants.

(iii) Share option scheme adopted in a special general meeting of the Company dated 2 August 2002 ("2002 Share Option Scheme")

Under the 2002 Share Option Scheme, the Board of Directors of the Company may grant share options at a consideration of HK$1 for each lot of share option granted to:

(a) any director, employee, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Group or a company in which the Group holds an interest (all of which to be referred as "Participants"); or

36. SHARE OPTION SCHEMES *(continued)*

(iii) Share option scheme adopted in a special general meeting of the Company dated 2 August 2002 ("2002 Share Option Scheme") *(continued)*

(b) the trustee of any trust the beneficiary of which or any discretionary trust the discretionary objects of which include any Participants; or

(c) a company beneficially owned by any Participants.

The purpose of the 2002 Share Option Scheme is to recognise and acknowledge the contributions that Participants had made or may make to the Group. Share options granted are exercisable at any time during a period to be determined by the Board of Directors and such period must not be more than 10 years from the date of grant of the options.

The subscription price will not be less than the highest of the following:

(a) the nominal value of the Company's share;

(b) the closing price of the Company's shares as quoted on the date of the offer of the share options; and

(c) the average closing price of the Company's shares for the five trading days immediately preceding the date of the offer of the share option.

The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme and any other option schemes (excluding those share options that have already been granted by the Company prior to the date of approval of the 2002 Share Option Scheme) shall not, in aggregate, exceed 10% of the Company's shares in issue as at the date of approval of the 2002 Share Option Scheme or 30% of the entire issued ordinary share capital of the Company on the date of shareholders' approval for refreshment as stated below (as the case may be). The maximum number of shares which may be issued upon the exercise of all outstanding share options granted and yet to be exercised under the 2002 Share Option Scheme and any other share option schemes must not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

The Company may seek approval from shareholders in general meeting for refreshing the 10% limit or for granting further share options beyond the 10% limit, provided that the share options in excess of the 10% limit are granted to those participants specified by the Company before such approval is sought.

The maximum number of shares in respect of which options might be granted to a grantee, when aggregated with shares issued and issuable under any share option granted to the same grantee under the 2002 Share Option Scheme in the 12-month period up to and including the date of such new grant must not exceed 1% of the Company's shares in issue as at the date of such new grant. The Company may seek approval of the shareholders of the Company at general meeting with such grantee and its associates abstaining from voting for granting further options above this limit. The number and terms of the share options to be granted to such grantee shall be fixed before the shareholders' approval and the exercise price for the shares in respect of the further share options proposed to be so granted, the date of board meeting for proposing such grant of further share options shall be taken as the date of offer of the share options.

36. SHARE OPTION SCHEMES *(continued)*

(iii) Share option scheme adopted in a special general meeting of the Company dated 2 August 2002 ("2002 Share Option Scheme") *(continued)*

The 2002 Share Option Scheme will expire on 1 August 2012.

There has been no option outstanding under 2002 Share Option Scheme as at 31 March 2009 and 31 March 2008.

The following table discloses movements in the number of the Company's share options granted under the Company's share option schemes to the employees:

Name of scheme	Date of grant	Exercise price *(Note 1)*	Exercisable period	Outstanding at 31 March 2007	Cancellation during the year *(Note 2)*	Outstanding at 31 March 2008 and 2009	Vesting Period
Pre-IPO Share Option Plan	15 March 2000	14.80	In various stages from 1 April 2001 to 14 March 2010	297,000	(297,000)	–	In various stages from 15 March 2000 to 30 March 2004
2000 Share Option Scheme	23 August 2000	5.30	In various stages from 1 April 2001 to 23 August 2010	297,000	(297,000)	–	In various stages from 23 August 2000 to 1 April 2004
				594,000	(594,000)	–	

Notes:

(1) The number and exercise price of the outstanding options on 27 July 2006 had been adjusted due to the share consolidation with effect from 28 July 2006. The exercise price per share before the share consolidation was HK$1.48 and HK$0.53, for the Pre-IPO Share Option Plan and 2000 Share Option Scheme, respectively.

(2) The share options were cancelled upon the close of unconditional mandatory general cash offer by Bonus Raider Investments Limited as detailed in the Company's announcement dated 13 March 2008.

37. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the other loans of the Group:

	The Group	
	2009	2008
	HK$'000	HK$'000
Property, plant and equipment	**2,514**	–
Prepaid lease payments	**2,664**	–
	5,178	–

38. OPERATING LEASE COMMITMENTS

As lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	The Group	
	2009	2008
	HK$'000	HK$'000
Within one year	**432**	556
In the second to fifth years inclusive	**436**	46
	868	602

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for terms ranging from one to three years. Rental was fixed at the inception of the lease.

39. CAPITAL COMMITMENTS

	The Group	
	2009	2008
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**229**	–

40. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualified employees. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. At the balance sheet date, no forfeited contribution was available to reduce the contribution payable of future years.

The employees of the Company's subsidiary in the PRC are members of the pension schemes operated by the government of the PRC. The Company's subsidiary in the PRC is required to contribute a certain percentage of the relevant portion of these employees' basic salaries to the pension to fund the benefits. The only obligation of the Company's subsidiary in the PRC with respect to the pension scheme is the required contributions under the pension scheme.

The retirement benefits costs charged to consolidated income statement amounted to approximately HK$73,000 (2008: HK$67,000). The retirement benefits costs charged to consolidated income statements represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

41. RELATED PARTY DISCLOSURES

(a) Except as disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with related parties:

	2009	2008
	HK$'000	HK$'000
Rental income from an associate	**–**	535
Consultancy income from an associate	**–**	240

(b) Compensation of key management personnel

The emoluments of directors of the Company are disclosed in Note 13 above. The emoluments of the key management other than directors were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and allowance	**359**	661
Retirement benefits scheme contributions	**12**	9
	371	670

The emoluments of key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

42. POST BALANCE SHEET EVENTS

On 8 April 2009, Growwise, a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party, Rightshine Holdings Limited, pursuant to which Growwise has conditionally agreed to acquire the entire equity interests in Supreme Luck International Limited ("Supreme Luck") at a consideration of HK$900,000,000 (the "Consideration"). The Consideration will be satisfied by cash, and the issuance of promissory note, ordinary shares, preference shares and convertible bond, upon the final conclusion determined by the Group and Rightshine Holdings Limited. Supreme Luck is an investment holding company incorporated in the BVI with limited liability. Details of this transaction were stated in the Company's announcement dated 5 May 2009.

43. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Financial Summary

RESULTS

	Year ended 31 March				
	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Turnover	2,695	119,671	93,776	138,985	**91,290**
Revenue	2,695	648	88	–	**1,637**
Cost of sale	–	–	–	–	**(1,472)**
Gross profit	2,695	648	88	–	**165**
Investment income	–	5,179	3,436	2,767	**423**
Net gain (loss) on disposal of debt securities	–	1,515	(131)	1,132	**1,143**
Net fair value change on listed trading securities	5,098	17,927	10,399	7,423	**3,400**
Increase in fair values of financial assets at fair value through profit or loss	–	1,020	1,601	927	**2,785**
Gain on disposal of convertible notes receivable	–	–	–	–	**1,328**
Other income	7,058	807	1,216	5,559	**1,295**
(Allowance) reversal for a convertible bond	–	–	(2,672)	2,672	**–**
Selling expenses	–	–	–	–	**(202)**
Administrative expenses	(22,225)	(10,382)	(11,534)	(11,654)	**(7,988)**
Finance costs	–	–	–	–	**(106)**
(Loss) profit before taxation	(7,374)	16,714	2,403	8,826	**2,243**
Income tax expense	–	–	–	–	**–**
(Loss) profit for the year	(7,374)	16,714	2,403	8,826	**2,243**
Attributed to:					
– Equity holders of the Company	(7,374)	16,714	2,403	8,826	**2,386**
– Minority interests	–	–	–	–	**(143)**
	(7,374)	16,714	2,403	8,826	**2,243**

ASSETS AND LIABILITIES

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	**2009 HK$'000**
Total assets	211,345	224,143	225,840	230,891	**184,769**
Total liabilities	(1,422)	(740)	(1,035)	(829)	**(6,118)**
Net assets	209,923	223,403	224,805	230,062	**178,651**
Equity attributable to equity holders of the Company	209,923	223,403	224,805	230,062	**177,500**
Minority interests	–	–	–	–	**1,151**
	209,923	223,403	224,805	230,062	**178,651**

Note: In order to provide a more relevant and reliable analysis of expenses, the management has decided to present the consolidated income statement by an analysis of function in this reporting year. Comparative amounts for prior periods have been restated in order to achieve a consistent presentation.