KAISUN ENERGY GROUP LIMITED
凱順能源集團有限公司*

(Formerly known as CHALLENGER GROUP HOLDINGS LIMITED 挑戰者集團控股有限公司)
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8203

ANNUAL REPORT 2010

* For identification purpose only

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This report, for which the directors (the "Directors") of Kaisun Energy Group Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM ("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:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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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The English text of this annual report shall prevail over the Chinese text in case of inconsistencies.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Nap Kee, Joseph *(Chairman)*
Mr. Yeap Soon P, Jonathan *(Chief Executive Officer)*
Dr. Chow Pok Yu, Augustine
Mr. Yang Geyan
Mr. Yang Yongcheng
Mr. Wu Kam Hung (Resigned on 7 August 2009)

Independent Non-Executive Directors

Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

COMPANY SECRETARY

Mr. Leung Lit For

AUDIT COMMITTEE

Mr. Liew Swee Yean *(Committee Chairman)*
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

REMUNERATION COMMITTEE

Dr. Wong Yun Kuen *(Committee Chairman)*
Mr. Chan Nap Kee, Joseph
Dr. Chow Pok Yu, Augustine
(Appointed on 7 August 2009)
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Mr. Anderson Brian Ralph
Mr. Wu Kam Hung (Resigned on 7 August 2009)

AUTHORISED REPRESENTATIVES

Mr. Chan Nap Kee, Joseph
Mr. Leung Lit For (Appointed on 7 August 2009)
Mr. Wu Kam Hung (Resigned on 7 August 2009)

AUDITORS

RSM Nelson Wheeler

COMPLIANCE OFFICER

Dr. Chow Pok Yu, Augustine
(Appointed on 7 August 2009)
Mr. Wu Kam Hung (Resigned on 7 August 2009)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F., 31C-D Wyndham Street
Central, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank Limited
China Merchants Bank
China Construction Bank
Bank of China
Bank of Agriculture
Ordos City Commercial Bank

WEBSITE

www.8203.com.hk

STOCK CODE

8203

FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Group for each of the last five financial years is set out as below:

RESULTS

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**62,806**	51,087	304,630	299,298	252,033
Profit before tax	**449,624**	8,785	70,635	15,943	20,971
Income tax expense	**(941)**	(23)	(531)	(69)	(23)
Less: Loss/(profit) attributable to non-controlling interests	**4,010**	(53)	(993)	–	–
Profit attributable to owners of the Company	**452,693**	8,709	69,111	15,874	20,948

ASSETS AND LIABILITIES

	As at 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,764,298**	1,040,403	152,005	143,168	108,129
Total liabilities	**(1,390,922)**	(721,207)	(11,691)	(87,551)	(70,529)
Owners' funds	**1,642,401**	279,489	127,962	55,617	37,600

CHAIRMAN'S STATEMENT

RESULTS

On behalf of the Board of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results for the year ended 31 March 2010 (the "Year"). The Group's consolidated turnover for the Year was amounting HK$62.8 million and total comprehensive income for the Year attributable to the owner of the Company was amounting HK$456 million.

BUSINESS REVIEW

During the year, the Group generated its income from three sources: the trading of printing accessories and batteries, the auto beauty and repairs operation in Hong Kong and the sale of raw coal from Inner Mongolia. The Group continued to implement its business strategy to reposition itself as an integrated coke producer in the People's Republic of China ("PRC").

On 7 July 2009, Joy Harvest Holdings Limited ("Joy Harvest"), an indirect wholly-owned subsidiary of the Group, and Shanghai Yiou Auto Sales Limited ("Yiou Auto") entered into a Sales and Purchase Agreement whereby Joy Harvest has conditionally agreed to purchase, and Yiou Auto has conditionally agreed to sell its 21% equity interest in Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a Sino-foreign joint venture company set up to own and operate a coal mine with 99.6 million tonnes of reserve (based on estimation under the PRC coal reserves standard) for cash consideration in the sum of HK$20 million.

On 10 December 2009, the Company completed its acquisition (the "Mengxi Minerals Acquisition") of 21% interest in Mengxi Minerals, details of which were disclosed in the Company's circular dated 17 August 2009. Following the completion of the Mengxi Minerals Acquisition, 70% of Mengxi Minerals is owned by the Group and the remaining 30% by Inner Mongolia Gaoxing High Tech Limited ("Mengxi HT").

Upon completion of the Mengxi Minerals Acquisition, the Group recorded "Fair value gain on step acquisition of a subsidiary" of approximately HK$402 million and the "Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary" of approximately HK$348 million, details of which are discussed under the section headed "Financial Review" in "Management Discussion and Analysis".

In accordance with the Group's business strategy to reposition itself as an integrated coke producer in the PRC and diversification into the energy business, the Group considered it would be in the best interest of the Company and its shareholders to focus its resources and management time in the energy segments of its business operations. Consequently, the Group implemented two disposals during the year, the "Global On-Line disposal" and the "very substantial disposal – issue of new shares by Long Capital Development Limited", which were completed on 30 November 2009 and 31 March 2010 respectively. Financial effects of the two disposals were discussed under the section headed "Significant Investments, Acquisition and Disposals" in "Management Discussion and Analysis", and details of the two disposals are set out in the Company's announcement dated 30 November 2009, and the Company's circular dated 12 March 2010.

Time Creation Group Limited is a wholly owned subsidiary of the Company which held 51% of the entire issued share capital of Global On-Line. Global On-Line is a company established in Hong Kong with limited liability and is principally engaged in the trading of printing accessories and batteries. Upon completion of the sale and purchase of the Sale Shares according to the Agreement on 27 November, 2009, Global On-Line ceased to be a subsidiary of the Company.

CHAIRMAN'S STATEMENT

Long Capital Development Limited ("Long Capital") is an investment holding company incorporated in the British Virgin Islands with limited liability and is an indirect 51% owned subsidiary of the Company. Challenger Auto Services Limited is a wholly-owned subsidiary of Long Capital engaging in the business of providing repairs and maintenance services to motor vehicles, operating car accessories shops, car wash, cleaning and beauty services and brokerage of motor vehicle insurance in Hong Kong. Upon completion of the Subscription according to the Agreement on 31 March 2010, Long Capital ceased to be a subsidiary of the Group.

Upon completion of disposals during the year, both Global On-Line and Long Capital ceased to be subsidiaries of the Group, hence the results of Global On-Line and Long Capital will no longer be consolidated into the consolidated audited results of the Group as from the date of disposals, and the Group will be principally engaged in mining, sale and processing of coal in PRC.

On 15 October, 2009, the Group executed a Memorandum of Understanding ("MOU") to acquire the entire interest of Nobel Holdings Investments Limited ("Nobel Holdings"). As of the date of the MOU, Nobel Holdings, a company engaged in oil and gas exploration and production in Russia, owns all the assets of Nobel Oil in Russia which consists of three producing oil fields. The Group has been informed by Nobel Holdings that since the signing of the MOU, Nobel Holdings has acquired four additional oil fields. The details of the oil fields were set out in the Company's announcement dated 15 October, 2009 and 28 January, 2010 respectively. Further announcement(s) will be made of and when definitive documentation regulating the Proposed Acquisition of interest in Nobel Holdings has been entered into by the parties.

CHAIRMAN'S STATEMENT

BUSINESS OUTLOOK

Following Completion of the Very Substantial Disposal – Issue of new shares by Long Capital Development Limited on 31 March 2010, details of which were disclosed in the Company's announcement dated 19 February 2010 and the Company's circular dated 12 March 2010 respectively, the Group will be principally engaged in the mining, sales and processing of coking coal in the PRC. The Group has also signed the Memorandum of Understanding ("MOU") for the Proposed Acquisition to expand into the oil and gas exploration and production business.

(i) Coking coal business

Construction of the underground mine commenced in October 2009 and is expected to be completed in 2011 at an estimated capital expenditure of RMB480 million. The designed capacity for the underground mine is 1.2 mtpa, however, the Group is working with the design institute to enhance annual production to about 2.4 mtpa starting from 2013. The primary contemplated design solution is to modify and construct certain ventilation shafts. This design modification is expected to increase the production of the underground mine. The related construction is estimated to cost about RMB35 million and this proposal is under consideration by management of the Group. If this design proposal is adopted and implemented, raw coal production will be increased by 1.2 mtpa starting 2013 and thereafter. The Group's 1.5 mtpa beneficiation plant is targeted for completion in the second half of 2010. Capital expenditure for the plant is estimated to be RMB50 million. The Group plans to increase its beneficiation capacity to 3.0 mtpa in 2012 at an additional capital expenditure of RMB50 million. The Group's targeted beneficiation yield rate is 45% which is achievable using coal blending in the beneficiation process. Typical unblended beneficiation yield rate in the Ordos/Wuhai region is about 35%.

Construction of the 0.96 mtpa coking plant is targeted to commence in 2011. The Group has obtained a license to build and operate a 0.80 mtpa coking plant, however, taking into account the obsolescence of equipment and more stringent pollution control requirement, only 0.96 mtpa plants are being constructed presently. To the best of the Directors' knowledge, information and belief, reapplication for the license to build the enlarged coking plant at 0.96 mtpa instead of the original capacity at 0.8 mtpa is an administrative formality and the Group does not anticipate any difficulty in completing this process. Completion of the construction of the coking plant will require about 12 months at an anticipated capital expenditure of approximately RMB700 million.

The Group's coking coal mine, located in the district of Qian Li Gou (千里溝) in Ordos, Inner Mongolia, is one of the thirteen mines in the district. The majority of these mines are not in production because they cannot meet the current minimum 0.6 mtpa production quota in Ordos, being the minimum production standard introduced in Inner Mongolia to address safety and environmental concerns). The Group's coking coal mine, being the largest in the district and the only one to be owned by a listed company, is favorably received by the local government and the Group is regarded as having the financial resources and technical capability to acquire and consolidate the other small coking coal mines in the district for commencing production in future.

The Group anticipates the capital expenditure required by the its coking coal business will be satisfied by the Group's internal resources, together with a RMB300 million loan provided by China Construction Bank to the Group which was earmarked to fund the construction of the beneficiation plant and the underground coking coal mine.

CHAIRMAN'S STATEMENT

(ii) Oil and gas business

On 15 October 2009, the Group executed the MOU to acquire the entire interest of Nobel Holdings, details of which are set out in the announcements of the Company dated 15 October 2009 and 28 January 2010 respectively.

As of the date of the MOU, Nobel Holdings, a company engaged in oil and gas exploration and production in Russia, owns all the assets of Nobel Oil in Russia which consists of three producing oil fields (Severo-Kostyukskoye and Yuzhno-Oshskoye oilfields, as well as an oilfield in the Osokinskaya area of Timano-Pechorsky oil and gas region in Komi Republic, Russia). Nobel Oil is a Russian independent oil and gas production company established in 1991. According to the report prepared by an international technical adviser in June 2009, the existing three oil fields have a total 2 P (proven reserve + probable reserve) of 100 million barrels. According to Nobel Holdings, the total production in 2008 was 5.3 million barrels.

The Group has been informed by Nobel Holdings that since the signing of the MOU, Nobel Holdings has acquired four additional oil fields in Russia, three of which are located in Western Siberia and one is located in the Komi Republic. Nobel Holdings has engaged an international oil and gas technical company to work on the development and production plan for the four newly acquired oil fields.

Nobel Holdings has appointed two international investment banks as joint financial advisors and an internationally renowned law firm as legal advisor. Nobel Holdings has also arranged for an international accounting firm as its auditor to prepare the audited financial statements of Nobel Holdings under the Hong Kong Financial Reporting Standards.

The Directors consider the Proposed Acquisition a milestone in implementing the Group's plan to become a premier global exploration and production energy company listed in Hong Kong. Nobel Holdings chose to be aligned with the Group because the Company understands their needs and aspirations and the Company understands the Hong Kong capital market. Nobel Holdings needs a partner that can help them maximize their growth potential and the Company believes it has the experience and expertise to do so.

The Group is now unique amongst Hong Kong listed energy companies for the Group is the first to introduce Russian oil and gas asset acquisition opportunity into the Hong Kong capital market. The Proposed Acquisition will provide the necessary credentials and impetus to propel the Group to become an international energy exploration and production player.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our fellow directors, staff members, and business partners throughout the Year. The Company's directors and management will dedicate their best efforts to strive for the best interests for its shareholders and business associates.

Chan Nap Kee, Joseph
Chairman

Hong Kong, 7 June 2010

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with our financial statements together with the accompanying notes included in this annual report. The financial statements have been prepared in accordance with Hong Kong Financial Report Standards ("HKFRSs", each a "HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the accounting principles generally accepted in Hong Kong.

SIGNIFICANT INVESTMENTS, ACQUISITION AND DISPOSALS

Disposal of Global On-Line

The Directors announce that the Vendor, a wholly owned subsidiary of the Company, entered into the Agreement with the Purchaser on 27 November 2009, pursuant to which the Vendor agreed to sell, and the Purchaser agreed to acquire, the Sale Shares which comprised 51% of the entire issued capital of Global On-Line at a consideration of HK$250,000.

Construction of Production Control Center

Taking into account the Purchase Price, the effect of waiver of the Loan, the professional fees payable for the Disposal and the loss of Global On-Line attributable to the Group since the Company's acquisition of the Sale Shares, the Group recorded a loss of approximately HK$794,000 from the Disposal.

It is intended that the Purchase Price received by the Vendor will be used for general working capital of the Group.

Deemed disposal of Long Capital

Reference is made to the circular ("Circular") of the Company dated 12 March 2010 in relation to, among others, the agreement between Long Capital Development Limited ("Long Capital"), an indirect 51% owned subsidiary of the Company and Dayrich Group Limited ("Subscriber"), whereby Long Capital conditionally agreed to allot and issue 25,000 new shares of US$1.00 each in the capital of Long Capital ("Subscription Shares") to the Subscriber, and the Subscriber conditionally agreed to subscribe for the Subscription Shares at a consideration of HK$4,500,000. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 30 March 2010, Long Capital and the Subscriber entered into a supplemental agreement to the Agreement, pursuant to which the Completion Date shall be changed to the Business Day after the fulfillment of the last of the outstanding Conditions Precedent or such other date as the Subscriber and the Company shall agree in writing as the date on which Completion shall take place in accordance with the terms and conditions of the Agreement.

The Conditions Precedent was fulfilled on 30 March 2010. Accordingly, Completion took place on 31 March 2010.

Construction of Boiler Room

MANAGEMENT DISCUSSION AND ANALYSIS

Upon Completion, the Company's shareholding in Long Capital would be reduced from 51% to 14.57%. Each of the members of the Disposal Group would cease to be a subsidiary of the Company and the results of the Disposal Group would cease to be consolidated with those of the Company.

A loss of approximately HK$9.6 million was recorded from the Disposal. The loss on the Disposal represented the decrease of the Group's share of the net assets of the Disposal Group as at 31 March 2010 from 51% to 14.57% after deduction of the professional fees incurred by the Company for the Disposal.

Construction of Staffs Quarter

Acquisition of subsidiary in Mengxi Minerals

Pursuant to an ordinary resolution passed on 2 September 2009, the Company acquired further 21% equity interest in Inner Mongolia Mengxi Minerals Co., Ltd ("Mengxi Minerals") from Shanghai Yiou Auto Sales Limited. The consideration of acquisition is RMB16.8 million and the funds was contributed internal working capital. The acquisition was completed in December 2009. Upon the completion of the Acquisition, the Company held 70% equity interest in Mengxi Minerals.

Mengxi Minerals is principally engaged in the sale of coal, the building of early stage infrastructure for exploitation of sagger, washing and choosing of mine run coal and processing of coke. The acquired business contributed revenues of approximately HK$14.4 million and net loss of approximately HK$4.4 million to the Group for the period from the date of acquisition to 31 March 2010.

PROSPECTS

It is well known that the coking coal industry is closely linked to steel production; accordingly, crude steel production forecast is a good barometer of our industry's health. China's steel industry performed strongly in March as downstream steel demand picked up in most major steel-consuming sectors. The growth rates were in line or exceeded the mills' expectations, of which, stronger-than-expected demand came from both the automakers and home-appliance manufacturers. This trend is expected to continue from April onwards. The steel industry enjoyed a 24% YoY output growth in the first two months of 2010 and it is estimated that industry output should hit 630 mt to 670 mt in 2010. An industry expert suggested that crude steel production should have a YoY increase of around 14.9% in 2010 and a further YoY increase of around 10.0% in 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Recently published information on China's steel industry suggests a solid outlook for the following reasons:

1. Driven by urbanization in China, most mining companies are positive on the secular growth of commodity demand and expect China steel production growth to stay above 10% in 2010.

2. Regarding the urbanization plan, the chief economist with Ministry of Housing and Urban-Rural Development of the PRC, Mr. Li Bingren, told China media that he expects China's urban infrastructure fixed asset investment to reach RMB1.0 trillion in 2010 and as much as RMB7.0 trillion during the central government's 12th Five-Year Plan. The on-going urbanization is expected to drive construction steel demand in China.

3. Both China Iron & Steel Association (CISA) and the National Development & Reform Commission (NDRC) are predicting solid steel demand and expect continuing upward pressure on prices in 2010.

Other recently released leading indicators speak well of China's economic resilience:

1. Fixed Asset Investment ("FAI") in 1Q of 2010 was up around RMB3.5 trillion, a 25.6% YoY increase.

2. New housing construction gross floor area up around 64% YoY.

3. Total auto output climbed around 50% YoY in units in April of 2010.

Raw coal and cleaned coking coal are trading around RMB400/tonne and RMB950/tonne respectively in the Ordos/Wuhai region while coke is being sold at around RMB1,600/tonne.

Construction of Office Building

FINANCIAL REVIEW

Turnover of the Group's continuing and discontinued operations for the Year amounted to approximately HK$62.8 million (2009: HK$51.1 million), representing an increase of approximately 23% as compared to last year.

Correspondingly, gross profit of the Group's continuing operations for the Year amounted to approximately HK$8.5 million.

For the Year, the total administrative and other operating expenses of the Group's continuing operations amounted to approximately HK$51.2 million (2009: HK$18.4 million), representing an increase of 3 times as compared to that of last year. This amount included the share-based payment expenses arising from the issuance of share options to the directors and employees during the year. These share-based payment expenses which amounted to HK$16.4 million (2009: HK$7.4 million) were recognised and charged against the Group's profits for the year in accordance with Hong Kong Financial Reporting Standard 2 (HKFRS 2 – Share-based payment), and do not result in cash outflows for the Group.

During the year the total finance costs amounted to approximately HK$236.8 million (2009: HK$32.7 million). This balance includes (i) bond interest of convertible bonds for the year of HK$29.8 million and (ii) fair value loss on derivative component of convertible bonds of HK$207 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Upon completion of the Acquisition of 21% Equity Interest in Mengxi Minerals, the Group has to measure the fair value of the Mining Project acquired in a business combination in accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combination". The excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary was accounted for in the business combination. This amount included (i) fair value gain on step acquisition of a subsidiary (HK$402 million) and (ii) excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary (HK$348 million).

The total comprehensive income attributable to the owner of the Company for the Year amounted to approximately HK$456 million (2009: HK$8.4 million).

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2010, the Group has bank and cash balance of approximately HK$440 million (as at 31 March 2009: HK$37.6 million).

Mengxi Minerals, an indirect subsidiary company of the Group, have secured a RMB300 million bank loan with an effective term of 89 months provide partial funding to construct the underground mine and the beneficiation plant. The balance of capital expenditure requirement will be funded from cashflow generated from our open pit operation. The loan was secured by the Mining License and 100% Equity Shares of Mengxi Minerals.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the Year (2009: HK$Nil).

GEARING RATIO

The Group's gearing ratio, which represents the ratio of the Group's total liabilities over the Group's total assets, was 0.37 as at 31 March 2010 (2009: 0.69).

CAPITAL STRUCTURE

During the year, the Company has received conversion notices from the Boldholders regarding the conversion of principal amount of HK$770,000,000 of the Convertible Bonds into 770,000,000 new Shares. Upon complete the conversion exercise, there is no outstanding principal of the Convertible Bonds held by the Convertible Boldholders.

During the year, the Company has received exercise notices from the grantees regarding the exercise of share options into 29,755,000 new Shares.

During the year, the Company has also received conversion notices from the Boldholders regarding the conversion of a principal amount of HK$136,150,000 of the Replacement Bonds into 195,920,000 new Shares. Upon completion of the conversion exercise during the year, the outstanding principal of the Replacement Bonds was amounting HK$290,530,000 and a maximum of approximately 477,070,000 new Shares can be converted on the maturity date.

MANAGEMENT DISCUSSION AND ANALYSIS

On 14 August 2009, the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has agreed to place, through the Placing Agent on a fully underwritten basis, 240,000,000 Placing Shares at HK$0.70 each to not fewer than six Placees who and whose ultimate beneficial owners will not be connected person of the Company and its connected persons.

The 240,000,000 Placing Shares under the Placing represent 20% of the existing issued share capital of the Company of 1,200,000,000 Shares and approximately 16.67% of the then issued share capital of 1,440,000,000 Shares as enlarged by the Placing. The aggregate nominal value of the Placing Shares under the Placing will be HK$2,400,000.

The gross proceeds from the Placing will be HK$168 million. The net proceeds from the Placing amounted to approximately HK$156 million which is intended to be used for business development and general working capital. The net price raised per Share upon the completion of the Placing will be approximately HK$0.649 per Share.

The Company has issued 240 million Shares to the Placees on 27 August 2009.

FOREIGN EXCHANGE EXPOSURE

Most of the trading transactions, assets and liabilities of the Group were denominated in Hong Kong dollars and Renminbi ("RMB"). As at 31 March 2010, the Group had no significant exposure under foreign exchange contracts, interest, currency swaps or other financial derivatives.

INCOME TAX

Details of the treatment of the Group's income tax expense for the Year are set out in note 9 to the Financial Statements.

HUMAN RESOURCES

As at 31 March 2010, the Group had approximately 67 (2009: 161) staff in Hong Kong and China. The Group continues to employ, promote and reward its staff with reference to their performance and experience. In addition to their basic salaries, the Group's employees are also entitled to other fringe benefits such as provident fund. The management will continue to closely monitor the human resources requirements of the Group, and will also put emphasis on the staff quality. During the year, the Group had not experienced any significant labour disputes which led to the disruption of its normal business operations. The Directors consider the Group's relationship with its employees to be good.

The total staff costs, including Directors' emoluments, amounted to approximately HK$54.8 million (2009: HK$31.5 million) for the Year.

SEGMENT REPORT

The detailed segmental analysis are provided in note 43 to the Financial Statements of this report.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2010.

LITIGATION

As at 31 March 2010, the Group had no significant pending litigation.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chan Nap Kee, Joseph, aged 49, is the Chairman of the Group. He was appointed as an executive director in September 2008. He received his master's degree majoring in international marketing from the University of Strathclyde and a diploma in China Investment and Trade Study from Peking University. He holds licenses respectively of Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) under the Securities and Futures Ordinance (cap. 571 of the Laws of Hong Kong) ("SFO"). Mr. Chan was the deputy manager of Credit Agricole from 1986 to 1994, where he was also in charge of the bank's China business. From 1992 to 1994, he was also the co-manager of Credit Agricole Asset Management South East Asia Limited. Mr. Chan has more than twenty years of experience in commercial and investment banking, and asset management. Mr. Chan is a non-executive director of Hainan Meilan International Airport Company Limited (stock code: 357), a company listed on the Main Board of the Stock Exchange, since October 2007.

From 1994 to now, Mr. Chan has been a founding partner of Oriental Patron Financial Group and an executive director of Oriental Patron Asia Limited. Oriental Patron Asia Limited is the investment manager of OP Financial Investments Limited (Stock Code: 1140), a company listed on the Main Board of the Stock Exchange. OP Financial Investments Limited holds 100% shareholding in Profit Raider Investments Limited. Profit Raider Investments Limited was interested in 129,260,000 shares and 206,280,000 underlying shares of the Company.

No service contract has been entered into between the Company and Mr. Chan and there is no proposed length of service of Mr. Chan with the Company. Mr. Chan received a bonus amounting HK$3,360,000 for the year. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the articles of association of the Company ("the Articles"). He is not entitled to receive any director's fee from the Company.

Save as disclosed above, as at the date of this report, Mr. Chan did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Chan did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Chan was interested in 200,000 shares, representing approximately 0.01% of the issued share capital of the Company and share options of the Company with the right to subscribe for 4,925,000 Shares and 20,056,750 Shares at an exercise price of HK$0.394 each and HK$1.078 each respectively, representing approximately 0.24% and 0.99% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Chan did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yeap Soon P, Jonathan, aged 48, is the Chief Executive Officer of the Group. He was appointed as an executive director in February 2008. He has over 25 years' experience in energy and natural resources industries. He has led the expansion of a number of United States companies into the Asia Pacific especially China.

Mr. Yeap was the chief executive officer of the China region and the managing director of the Asia Pacific region of Enron Corporation, a global energy group, from 1997 to 2001. During this period, he was instrumental in the developments, constructions and acquisitions of over 20 companies in upstream oil and gas exploration and downstream power plants and natural gas distribution.

From 1993 to 1996, Mr. Yeap was the chief executive officer of a subsidiary of a large oil, gas, coal and power company in the United States. During this period, he had the management oversight for its China operations.

From 1992 to 1993, Mr. Yeap was a project director of a large United States power generating company assigned to the PRC. He was the lead developer for a foreign-invested integrated coal mine, power plant, DC transmission line project transporting electricity from Shanxi province, the PRC to Jiangsu province/Shanghai, the PRC.

From 1983 to 1992, Mr. Yeap held various engineering and financial positions with a Canadian company specializing in development, construction, and operation of independent power plants worldwide.

Mr. Yeap holds a bachelor's degree in electrical engineering from the University of Alberta.

Mr. Yeap is subject to retirement by rotation and re-election at annual general meetings in accordance with the Articles. Mr. Yeap has entered into a director's service agreement with the Company commencing on 10 June 2008 for a term of three years. The service contract may be terminated by the Company in accordance with the terms of the service agreement. Mr. Yeap is entitled to director's remuneration together with housing allowance of HK$4,200,000 per annum and a discretionary bonus of HK$3,000,000 for the year, together with other benefits as determined by the remuneration committee of the Company and subject to shareholders' approval with reference to his duties and responsibilities with the Company's performance and the prevailing market situation and the Company's remuneration policy.

Save as disclosed above, as at the date of this report, Mr. Yeap did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yeap did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yeap was interested in 300,000 shares, representing approximately 0.01% of the issued share capital of the Company and share options of the Company with the right to subscribe for 7,700,000 Shares at an exercise price of HK$0.780 each, representing approximately 0.38% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yeap did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chow Pok Yu, Augustine, aged 57, was appointed as an executive director in November 2008. He is a director of Harmony Asset Limited (stock code: 0428), a publicly listed investment company specializing in China and Hong Kong and the shares of which are listed on the Stock Exchange. He is also a director of Harmony Asset Management Limited which is the investment manager of Harmony Asset Limited. Dr. Chow is a non-executive director of Jian ePayment Systems Ltd. (stock code: 8165) the shares of which are listed on the GEM. He is also a director and independent director of two overseas listed companies namely Celsion Corporation (AMEX: CLN) and Augyva Mining Resources Inc. (CDNX: AUV.V) respectively.

Dr. Chow has vast experience in managing public listed companies that are involved in manufacturing, marketing and financial services, and specializes in mergers and acquisitions.

Dr. Chow holds professional membership in the Institute of Marketing (HK), Institute of Financial Accountants (UK), and Hong Kong Securities Institute. He also holds an Honorary Fellowship from Bolton University. In addition, he serves on the Global Advisory Council of London Business School.

Dr. Chow holds a MSc from London Business School and PhD from University of South Australia. He also holds MPhil and EngD from City University of Hong Kong.

Save as disclosed above, as at the date of this report, Dr. Chow did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

No service contract has been entered into between the Company and Dr. Chow and there is no proposed length of service of Dr. Chow with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company. He is entitled to a discretionary bonus of HK$3,000,000 for the year.

Save as disclosed above, Dr. Chow did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Dr. Chow was interested in 700,000 shares, representing approximately 0.03% of the issued share capital of the Company and share options of the Company with the right to subscribe for 4,925,000 Shares at an exercise price of HK$0.394 each, representing approximately 0.24% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Chow did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yang Geyan, aged 42. He was appointed as an executive director in August 2008. Mr. Yang studied in the Shanghai Lixin Accounting Institute in 2001. Mr. Yang is also a holder of EMBA degree from Phoenix International University. He engaged in financial work in Shanghai Marine Transportation Bureau before 1995. He has been a director of Shanghai Hastings Investment Management Co., Ltd. and Shanghai Hastings Real Estate Development Co., Ltd. since 2000 and he was responsible for real estate development, sale and lease.

No service contract has been entered into between the Company and Mr. Yang and there is no proposed length of service of Mr. Yang with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company. He is entitled to a discretionary bonus of HK$3,000,000 for the year.

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications, did not hold any positions in the Group and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, Mr. Yang did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yang and his associate (Zhong Well Enterprises Limited) were interested in 118,345,000 shares, representing approximately 5.82% of the issued share capital of the Company. Zhong Well Enterprises Limited is a wholly owned by Mr. Yang who is deemed to be interested in the 103,620,000 Shares held by Zhong Well Enterprises Limited under the SFO. Save as disclosed above, as at the date of this report, Mr. Yang did not have any interest in the shares of the Company within the meaning of Part XV of the SFO

Mr. Yang Yongcheng, aged 41. He was appointed as an executive director in February 2009. He graduated from the Yikezhao League School of Finance (伊盟財經學校) in Inner Mongolia of the PRC and the China Central Radio & TV University, majoring in financial accounting. He is currently studying at the Zhongnan University of Economics and Law, majoring in EMBA.

Mr. Yang was appointed as the chief of the finance division of Inner Mongolia Hangjinqi Materials Company (內蒙古杭錦旗物資公司) in September 1989; a manager of Eqianqi Coke-oven Plant of Inner Mongolia Yimei Group (內蒙古伊煤集團鄂前旗焦化廠) in January 2001; a deputy general manager of Inner Mongolia Mengxi Building Materials Company (內蒙古蒙西建材公司) in July 2003; the chairman of Inner Mongolia Mengxi Kaolin Co., Ltd. in August 2005; and the chairman and general manager of Inner Mongolia Mengxi Coal Limited (內蒙古蒙西煤炭有限公司) in January 2008. He has been serving as a director and general manager of the joint venture Inner Mongolia Mengxi Minerals Co., Limited since the joint venture was established in September 2008.

Mr. Yang has been involved in senior positions for corporate management for a long period of time, has profound knowledge of the human and economic development environment in the Mengxi region of Inner Mongolia of the PRC, and possesses extensive experience in corporate investment, product and market development as well as operation of minerals enterprises.

No service contract has been entered into between the Company and Mr. Yang and there is no proposed length of service of Mr. Yang with the Company. He is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. He is not entitled to receive any director's fee from the Company.

Save as disclosed above, as at the date of this report, Mr. Yang did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Yang did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Yang was interested in share options of the Company with the right to subscribe for 4,925,000 Shares at an exercise price of HK$0.762, representing approximately 0.24% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Yang did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liew Swee Yean, aged 47. He was appointed as an independent non-executive director on 8 November 2006 under a service contract commencing on the same date for a term of one year and thereafter may be extended for such period as the Company and Mr. Liew may agree in writing. Mr. Liew was appointed as an independent non-executive director of Siberian Mining Group Company Limited (Stock Code: 1142) from December 2008. He is a director of Autism Recovery Network Limited. He is also the director of business development of eBroker Systems Limited.

Mr. Liew is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Liew holds a Master of Business Administration (Executive) Degree from the City University of Hong Kong. Mr. Liew is also appointed the chairman of the audit committee and a member of the remuneration committee of the Board. Mr. Liew satisfies the criteria as set out in Rule 5.05(2) of the GEM Listing Rules.

Mr. Liew is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Liew's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive director of the Company and the prevailing market situation and subject to Shareholders' approval. Save as disclosed above, Mr. Liew did not hold any position within the Group as at the Latest Practicable Date. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, as at the date of this report, Mr. Liew did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Liew did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Liew was interested in 540,000 shares, representing approximately 0.03% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Liew did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Siu Siu Ling, Robert, aged 58, joined the Group in December 2002 as an independent non-executive director. He is a partner of the firm Messrs. Robert Siu & Co., Solicitors. Mr. Siu had been an executive director of Maxx Bioscience Holdings Limited (stock code: 512) until 28 June 2006 and is now an independent non-executive director of Incutech Investments Limited (stock code: 356), both of which are listed on the Main Board of the Stock Exchange. Mr. Siu holds a bachelor's degree in laws and a postgraduate certificate in laws from the University of Hong Kong. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Mr. Siu is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Siu's director's fee is fixed HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive director of the Company and the prevailing market situation and subject to shareholders' approval. Save as disclosed above, Mr. Siu did not hold any position within the Group as at the date of this report. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed above, as at the date of this report, Mr. Siu did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

Save as disclosed above, Mr. Siu did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Siu was interested in 540,000 shares, representing approximately 0.03% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Mr. Siu did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Dr. Wong Yun Kuen, aged 52, received a Ph.D. Degree from Harvard University, and was "Distinguished Visiting Scholar" at Wharton School of the University of Pennsylvania. Dr. Wong has worked in financial industries in the United States and Hong Kong for many years, and has considerable experience in corporate finance, investment and derivative products. He is a member of Hong Kong Securities Institute. Dr. Wong is an executive director of UBA Investments Limited, and the independent non-executive director of Bauhaus International (Holdings) Limited, China E-Learning Group Limited, China Grand Forestry Green Resources Group Limited, Climax International Company Limited, Golden Resorts Group Limited, Harmony Asset Limited, Hua Yi Copper Holdings Limited, Kong Sun Holdings Limited, Superb Summit International Timber Company Limited, China Yunnan Tin Minerals Group Company Limited and ZMAY Holdings Limited. Dr. Wong was also an independent non-executive director of Grand Field Group Holdings Limited from September 2004 to September 2009, and the chairman and executive director of Green Energy Group Limited from December 2009 to May 2010. All the companies mentioned above are listed companies in Hong Kong.

Dr. Wong is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Wong's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as an independent non-executive director of the Company and the prevailing market situation and subject to shareholders' approval. Save as disclosed above, Dr. Wong did not hold any position within the Group as at the date of this report. Save as disclosed above, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, as at the date of this report, Dr. Wong did not have other major appointments and professional qualifications and did not have any directorships held in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas.

As at the date of this report, Dr. Wong was interested in share options of the Company with the right to subscribe for 540,000 Shares at an exercise price of HK$0.69 each, representing approximately 0.03% of the issued share capital of the Company. Save as disclosed above, as at the date of this report, Dr. Wong did not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Anderson Brian Ralph, aged 67. He was appointed as an independent non-executive director on 23 January 2009 under a service contract commencing on the same date for a term of one year and thereafter may be extended for such period as the Company and Mr. Anderson may agree in writing.

Mr. Anderson holds a Bachelor of Science Degree in Metaliferous Mining Engineering from the Camborne School of Mines, the University of Exeter and a Master of Science Degree in Petroleum Reservoir Engineering from the University of London.

Mr. Anderson has more than 30 years of experience in mining and resources industries. During his tenure as a Chairman of Royal Dutch/Shell Group of Companies ("the Shell") in North East Asia, he was responsible for developing the Shell's future business, in particular through the formation of important strategic alliances with two of the major state-owned Chinese petroleum corporations, which have since led to multi-billion dollar investment commitments in the petroleum and petrochemicals sectors in China, including important new business opportunities in coal gasification.

Mr. Anderson's China experience also includes a 6-year involvement with the prestigious China Council for International Co-operation on the Environment and Development and which includes Ministerial and Vice-Ministerial level appointees from within the PRC government, and top-level international members from government and global multilateral organization and businesses. He represented the Shell's group of companies as a council member for 4 years, and has participated as a member of two taskforces involved with energy and sustainable development policy for China.

Mr. Anderson is a founding member and a director of Acura Limited, a Hong Kong registered energy marketing and consulting firm, a director of the Addax Petroleum Corporation, a oil and gas exploration and production company registered in Canada, and is currently the chairman and managing director of Anderson Energy (Hong Kong) Limited, an energy consulting firm advising corporate clients globally.

Mr. Anderson is subject to retirement by rotation and re-election at annual general meetings of the Company in accordance with the Articles. Mr. Anderson's director's fee is fixed at HK$25,000 per annum, which is commensurate with his duties and responsibilities as independent non-executive director, member of the audit committee and the remuneration committee of the Board and the prevailing market situation and subject to shareholders' approval. Save as disclosed, Mr. Anderson did not hold any position within the Group as at the date of this report. Save as disclosed, he did not have any relationships with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report.

Save as disclosed above, Mr. Anderson did not have any relationship with any directors, senior management, management shareholders or substantial or controlling shareholders of the Company as at the date of this report. As at the date of this report, Mr. Anderson was interested in share options of the Company with the right to subscribe for 1,200,000 Shares at an exercise price of HK$0.762 each, representing approximately 0.06% of the issued share capital of the company. Save as disclosed above, as at the date of the report, Mr. Anderson did not have any interest in the shares of the Company within the Meaning of Part XV of the SFO.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Tan Bob Leng Chooi, aged 57, joined the Group in June 2008. Mr. Tan is the Chief Operating Officer of the Group. He is also an executive director of Joy Harvest Holdings Limited, a wholly-owned subsidiary of the Company. He holds a bachelor of commerce degree from the University of Alberta, Canada. Mr. Tan has 30 years of finance and administration experience in various industries. Before joining the Group, Mr. Tan was a business consultant advising clients on the development of infra-structure projects in China and North America. From 1998 to 2000, he worked as a consultant in asset management for Enron Corporation and from 1994 to 1997, he was the vice president in charge of asset management for Coastal Power, a US-based energy company. Before 1994, Mr. Tan worked for Alberta Environment Protection, a government ministry regulating environmental protection in the province of Alberta, Canada.

Mr. Li Hong, aged 46, joined the Group in July 2009. Mr. Li is the Vice Operation Director of China District of the Group. He is also the General Manager of the Group's holding subsidiary, Inner Mongolia Mengxi Minerals Co., Ltd. He holds a graduate degree in economics of Guangdong Academy of Social Sciences of the PRC. He is qualified as an accountant and auditor in the PRC. Mr. Li has over 20 years of solid experiences in financial and administrative management of various industries.

Mr. Hung Shui Chak, aged 41. Mr. Hung primarily engaged in the investment and the operation of automobile and catering businesses in Hong Kong prior to 1990. He turned to mainland China for investment and venturing in 1990, specializing in the mining of resources, automobile services and catering sectors. He served as the Chairman of Inner Mongolia Mengxi Minerals Limited ("Mengxi Minerals"), a large-scale coal mining enterprise of which 49% of its equity interest is owned by the Group, and the Chairman of Ordos GEM Coal & Chemical Co., Limited, a direct 70%-owned subsidiary of the Company. He is also an executive director of Joy Harvest Holdings Limited, a wholly-owned subsidiary of the Company. He has extensive experience in corporate operation and management.

Mr. Leung Lit For, aged 41, joined the Group in June 2008. Mr. Leung is the Financial Controller and the Company Secretary of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, United Kingdom. Mr. Leung has over 20 years of experience in auditing, accounting and financial management.

Mr. Liu Yunhong, aged 43, joined Mengxi Minerals as a Deputy General Manager in October 2008. Mr. Liu graduated from the China University of Petroleum, majoring in Management Engineering, and attained a MBA from Huazhong University of Science and Technology. He is a Senior Economist and a Senior Accountant in the PRC, who had served as a workshop supervisor and a director of Sinopec Jianghan Petroleum Administration, a Secretary to director and a Chief of Finance Division of Zhongke Life Science & Technology Co., Ltd., a Deputy General Manager of Shanghai Tangcheng Industrial Company, a Financial Controller and Assistant to General Manager of Shanghai Zhongyou Tipo Steel Pipe Corporation, and a Financial Controller of Shanghai Yueyuechao (Group) Co., Ltd. He has 22 years of experience in corporate accounting, production, finance, legal and operational management.

Mr. Han Wenzhan, aged 52, joined Mengxi Minerals as a Deputy General Manager in October 2008. Mr. Han graduated from the Party School of the Central Committee of the Communist Party, majoring in Economics and Management. He is an Assistant to the Coal Quality Engineer as well as a Political Engineer in the PRC, holding the qualification certificate of mine manager. He had served as a mining leader, Chief of Coal Quality Division, and Deputy Manager of Laoshidan Mine of Mining Bureau of Haibo Bay, Inner Mongolia, the President of the Staff Union of Mengxi Cement Co., Ltd., and a Production Manager and a Deputy General Manager of Mengxi Coal Limited. He has 30 years of working experience in coal mining and coal quality management.

BIOGRAPHY OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Liang, aged 37, joined Mengxi Minerals as a Chief Engineer in October 2008. Mr. Zhao graduated from Xi'an Mining Institute, majoring in mining. He is a mining engineer, holding the qualification certificate of mine manager. He has served as the chief of safety and technical division and a director of dispatching office of Qipanjing mine in Inner Mongolia, the mine manager of Aerbasi Mine in Edos and a chief engineer of Mengxi Coal Limited. He had been involved in the construction of two mechanized mines. He has 15 years of working experience in coal mining and mine management.

Mr. Feng Qi, aged 37, joined Mengxi Minerals as a Chief Internal Auditor in October 2008. Mr. Feng graduated from Shanghai Lixin Accounting College, majoring in Accountancy. He is a Certified Public Accountant in the PRC and had served as an Auditing Manager of Ernst & Young Hua Ming of Shanghai, a Partner of Shanghai Changxin CPA Co., Ltd., and Partner of Shanghai Oukemeng CPA Co., Ltd. He has 14 years of working experience in auditing and consulting.

REPORT OF THE DIRECTORS

The board ("Board") of directors ("Directors") of the Company is pleased to submit its report together with the audited consolidated financial statements ("Financial Statements") of the Company and its subsidiaries (collectively as "the Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND SEGMENT ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 36 to the Financial Statements.

An analysis of the Group's performance for the year ended 31 March 2010 by segments is set out in note 43 to the Financial Statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 are set out in the consolidated income statement on page 45.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2010.

RESERVES

Movements in the reserves of the Group during the year ended 31 March 2010 are set out in the consolidated statement of comprehensive income and consolidated statement of changes in equity of the Group.

DONATIONS

Charitable and other donations made by the Group during the year ended 31 March 2010 amounted to HK$Nil (2009: HK$20,000).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the Financial Statements.

SHARE CAPITAL

Particulars of the share capital of the Company are set out in note 32 to the Financial Statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 March 2010 amounted to HK$744,845,697 (2009: HK$277,636,912). Under Section 34 of the Companies Law of the Cayman Islands, the reserves are available for distribution to shareholders subject to the provisions of the articles of association of the Company (the "Articles") and no distribution shall be paid to shareholders of the Company ("Shareholders") out of the reserves unless the Company shall be able to pay its debts as they fall due in the ordinary course of business of the Group.

REPORT OF THE DIRECTORS

FIVE YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for each of the last five financial years is set out on page 4.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of the shares of the Company ("Shares") during the year under review. Neither the Company nor any of its subsidiaries has purchased or sold any Shares during the year under review.

PENSION SCHEME

According to the legislation of Hong Kong relating to the Mandatory Provident Fund ("MPF"), with effect from 1 December 2000, the Group is required to participate in the MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contributions is limited to HK$1,000 for each eligible employee) as calculated under the MPF legislation.

Employees of the Group in the PRC participated in retirement benefit plans (社會保險基金) under which the Group is required to make monthly defined contributions to the plans at the rate of 20% of the employee's basic salary.

The detailed information of the Group's pension scheme are set out in note 15 to the Financial Statements.

SHARE OPTIONS

A share option scheme (the "Scheme") was adopted by the Shareholders by way of written resolutions passed on 9 December 2003. Details of the Scheme are as follows:

The principal purpose of the Scheme is to enable the Company to grant options to subscribe for Shares ("Options") to the following eligible persons as incentives or rewards for their contributions to the Group:

(1) any full time employee or director of any member of the Group;

(2) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which the Options are offered to such part time employee; or

(3) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The existing maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Scheme and any other share option schemes of the Company is 200,567,500 Shares, being 37.14% of the Company's issued share capital as at the date on which the dealings in the Shares first commenced on the Stock Exchange and about 10% of the Company's issued share capital as at the date of this annual report.

REPORT OF THE DIRECTORS

The total number of Shares issued and to be issued upon exercise of the Options granted to a participant ("Participant") (including both exercised or outstanding Options), being any eligible person who accepted the offer of any Option, under the Scheme in any 12-month period must not exceed 1% of the Shares in issue from time to time unless prior approval is obtained from the independent Shareholders of the Company in a general meeting. If a grant of Options to a substantial Shareholder of the Company (as defined in the Rules ("GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited) or an independent non-executive director of the Company or any of their respective associates (as defined in the GEM Listing Rules) will result in the total number of the Shares issued and to be issued upon exercise of the Options granted or to be granted (including both exercised and outstanding Options) to such person in any 12-month period up to and including the proposed dated of the grant exceeding 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the proposed date of such each grant, in excess of HK$5 million, then the proposed grant of Options must be subject to Shareholders' approval in general meeting with all connected persons (as defined in the GEM Listing Rules) abstained from voting.

The Options may be exercised in accordance with the terms of the Scheme at any time during the option period. The Scheme does not require a minimum period for which the Options must be held or a performance target which must be achieved before any Option can be exercised. The Board shall be entitled at its absolute discretion to decide the option period subject to the Scheme, provided that it shall not exceed 10 years from the date on which the Option is deemed to be granted and accepted in accordance with the rules of the Scheme.

The Options will be offered for acceptance for a period of 28 days from the date on which the Options are offered to an eligible person. Upon acceptance of the Options, the eligible person shall pay HK$1 to the Company as consideration for the grant.

The subscription price for each Share subject to and upon the exercise of the Options will be a price determined by the Board and notified to each Participant and shall be at least the highest of (i) the closing price of each Share on Growth Enterprise Market of the Stock Exchange ("GEM") as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant of the Options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the Option; and (iii) the nominal value of one Share.

The Scheme will remain valid for a paned of 10 years commenting from 9 December 2003.

On 11 August 2009, 18 November 2009 and 9 February 2010, as approved by the Board of Directors, a total of 13,668,750 Options, 3,000,000 Options and 20,056,750 Options have been granted to 2 executive directors, 1 independent non-executive director and 10 staffs to subscribe for a total of 36,725,500 Shares, 13,668,750 Option, 3,000,000 Option and 20,056,750 Option of the Company at an exercise price of HK$0.762, HK$1.184 and HK$1.078 per Share respective. As at 31 March 2010, a total of 110,897,000 Shares, representing 5.46% of the existing issued share capital of the Group are available for issue in respect of the remaining options which may be granted under the Scheme.

Since 1 April 2009 and up to the date of this report, the 29,755,000 Options have been exercise by the Participants. Due to the resignation of 2 employees of our subsidiary, 60,000 Options had lapsed during the year under review.

REPORT OF THE DIRECTORS

Details of the Options granted under the Scheme during the year ended 31 March 2010 are as follows:

	Date of Grant	Exercise Period	No. of Options: Outstanding as at 1/4/2009	Grant during the Year	Exercise during the Year	Lapsed during the Year	Reallocated during the Year	Outstanding as at 31/3/2010	Exercise Price (HK$)	Closing Price of Shares immediately before the date of grant (HK$)
Directors										
Wu Kam Hung (Resigned on 7/8/2009)	19/2/2008	19/2/2008–18/2/2011	5,400,000	–	–	–	(5,400,000)	–		
Liew Swee Yean	19/2/2008	19/2/2008–18/2/2011	540,000	–	(540,000)	–	–	–		
Siu Siu Ling, Robert	19/2/2008	19/2/2008–18/2/2011	540,000	–	(540,000)	–	–	–		
Wong Yun Kuen	19/2/2008	19/2/2008–18/2/2011	540,000	–	–	–	–	540,000		
Yeap Soon P, Jonathan	24/6/2008	24/6/2008–23/6/2011	7,700,000	–	–	–	–	7,700,000		
Chan Nap Kee, Joseph	8/1/2009	8/1/2009–7/1/2012	4,925,000	–	–	–	–	4,925,000		
	9/2/2010	9/2/2010–8/2/2013	–	20,056,750	–	–	–	20,056,750	1.078	1.04
Chow Pok Yu, Augustine	8/1/2009	8/1/2009–7/1/2012	4,925,000	–	–	–	–	4,925,000		
Yang Geyan	8/1/2009	8/1/2009–7/1/2012	4,925,000	–	(4,925,000)	–	–	–		
Yang Yongcheng	11/8/2009	11/8/2009–10/8/2012	–	4,925,000	–	–	–	4,925,000	0.762	0.710
Anderson Brian Ralph	11/8/2009	11/8/2009–10/8/2012	–	1,200,000	–	–	–	1,200,000	0.762	0.710
		Sub-total	29,495,000	26,181,750	(6,005,000)	–	(5,400,000)	44,271,750		
Employees in aggregate	19/2/2008	19/2/2008–18/2/2011	1,705,000	–	(1,645,000)	(60,000)	–	–		
	24/6/2008	24/6/2008–23/6/2011	5,000,000	–	–	–	–	5,000,000		
	8/1/2009	8/1/2009–7/1/2012	4,925,000	–	(4,925,000)	–	–	–		
	11/8/2009	11/8/2009–10/8/2012	–	7,543,750	(400,000)	–	–	7,143,750	0.762	0.710
	18/11/2009	18/11/2009-17/11/2012	–	3,000,000	–	–	–	3,000,000	1.184	1.200
Other participants in aggregate	19/2/2008	19/2/2008–18/2/2011	11,880,000	–	(16,780,000)	–	5,400,000	500,000		
			53,005,000	36,725,500	(29,755,000)	(60,000)	–	59,915,500		

Note: (1) Mr. Wu Kam Hung has been resigned as an executive director and redesignated as a consultant on 7 August 2009.

(2) These Options represent personal interest held by the relevant directors as beneficial owners.

(3) 60,000 Options lapsed during the year under review.

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:
Mr. Chan Nap Kee, Joseph *(Chairman)*
Mr. Yeap Soon P, Jonathan *(Chief Executive Officer)*
Dr. Chow Pok Yu, Augustine
Mr. Yang Geyan
Mr. Yang Yongcheng
Mr. Wu Kam Hung (Resigned on 7 August 2009)

Independent Non-Executive Directors
Mr. Liew Swee Yean
Mr. Siu Siu Ling, Robert
Dr. Wong Yun Kuen
Mr. Anderson Brian Ralph

According to Article 86 of the articles of association of the Company ("the Articles"), the directors shall have the power from time to time and at any time to appoint any person as a director to fill a casual vacancy on the Board or, as an addition to the existing Board provided that the number of directors so appointed by the Board shall not exceed any maximum number determined from time to time by the Shareholders in general meeting. Any director so appointed by the Board shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the following annual general meeting of the Company ("AGM") (in the case of an addition to the Board), and shall then be eligible for re-election at that meeting.

During the year, no director will retire from office, and shall then be eligible for re-election at that meeting in accordance with Article 86 of the Articles.

According to Article 87 of the Articles, one-third of the directors for the time being (or, if the number of directors is not three (3) or a multiple of three (3), the number nearest to but not less than one-third), shall retire at each AGM by rotation, provided that every director shall be subject to retirement by rotation at least once every three (3) years. The retiring directors shall then be eligible for re-election at the AGM.

In accordance with Article 87 of the Articles, Mr. Chan Nap Kee Joseph, Mr. Siu Siu Ling Robert and Dr. Wong Yun Kuen will retire from offices by rotation at the forthcoming AGM, and being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received from each of Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company still considers each of the independent non-executive directors to be independent.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

One of the executive directors namely, Mr. Yeap Soon P Jonathan, has entered into a service contract with the Company commencing on 10 June 2008.

The term of office for each of Mr. Liew Swee Yean, Mr. Siu Siu Ling, Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, being the independent non-executive directors, is for a term of one year and may be extended for such period as agreed in writing by the directors concerned and the Company. Currently, Mr. Liew Swee Yean has been appointed as an independent non-executive director up to 7 November 2010, Mr. Siu Siu Ling, Robert has been appointed as an independent non-executive director up to 31 December 2010, Dr. Wong Yun Kuen has been appointed as an independent non-executive director up to 29 September 2010, while Mr. Anderson Brian Ralph has been appointed as an independent non-executive director up to 22 January 2011.

Save as disclosed above, none of the directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Details of the directors' emoluments are set out in note 12 to the Financial Statements.

DIRECTORS' REMUNERATION

It is proposed that the Board be authorised to fix the directors' remuneration at the forthcoming AGM. The remuneration, including any bonus payments, housing allowance and share options, to be paid to the directors, are recommended by the remuneration committee of the Board ("Remuneration Committee") with reference to the directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance in relation to the Group's business to which the Company, its subsidiaries or its holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisting as at the end of the year or at any time during the year under review.

CONTINUING CONNECTED TRANSACTIONS

The independent non-executive directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole. The Board confirms that the Company's auditors have confirmed the matters stated in Rule 20.38 of the GEM Listing Rules.

During the year under review, the Group had conducted the following continuing connected transactions which were required to be disclosed pursuant to Rules 20.45 and 20.46 of the GEM Listing Rules:

REPORT OF THE DIRECTORS

The Supply Agreement Dated 1 February 2008

On 1 February 2008, Ordos GEM Coal & Chemical Co., Ltd. (鄂爾多斯市啟杰蒙西煤化有限公司) ("Mengxi Chemical"), a Sino-foreign equity joint venture established in the PRC and a 70%-owned indirect subsidiary of the Company, entered into a supply agreement ("Supply Agreement") with Inner Mongolia Mengxi Minerals Limited (內蒙古蒙西礦業有限公司) ("Mengxi Minerals"), a Sino-foreign equity joint venture established in the PRC, 49% equity interest of which is indirectly owned by Company, in relation to the purchase by Mengxi Chemical from Mengxi Minerals of raw coal ("Raw Coal") extracted from the coal mines owned by Mengxi Minerals in Inner Mongolia of the PRC and all related coal products and derivative products. Raw coal is the principal raw material used by Mengxi Chemical for its production of coking coal, thermal coal, coke and coking by-products. The Supply Agreement grants to Mengxi Chemical a right to purchase Raw Coal from Mengxi Minerals at a price that is capped at the prevailing market price and thus ensuring the competitiveness of its products in the market place.

Inner Mongolia Mengxi Gaoxing High Tech Limited ("Mengxi HT") holds 30% of the equity interests in each of Mengxi Minerals and Mengxi Chemical. Mengxi HT is therefore a connected person of the Company at subsidiary level. Thus, the continuing transaction pursuant to the Supply Agreement entered into between Mengxi Chemical and Mengxi Minerals constitute a continuing connected transaction for the Company under the GEM Listing Rules.

Pursuant to the Supply Agreement, Mengxi Minerals shall supply, on an exclusive basis, and Mengxi Chemical shall purchase the Raw Coal extracted by Mengxi Minerals. Within one month upon the Supply Agreement becoming effective and in the first month of each calendar year during the term of the Supply Agreement, parties to the Supply Agreement shall agree on the annual plan of Mengxi Minerals for that calendar year (including but not limited to its quantity of the Raw Coal to be extracted or produced, type of products, its specification and quality, expected production timetable and time of delivery, etc.). Without the prior consent of Mengxi Chemical in writing, the quantity of the Raw Coal as produced or extracted by Mengxi Minerals shall not exceed the quantity specified in the annual plan as agreed by the parties to the Supply Agreement.

The Supply Agreement provides that Mengxi Chemical may assign part or all of the said agreement to third party to purchase the Raw Coal at a price no less than the applicable price offered by Mengxi Minerals under the Supply Agreement. The Supply Agreement is for a term of three years effective upon the Acquisition Completion Date (i.e. 10 June 2008). At the end of each three-year term, Mengxi Chemical has the right (but not the obligation) to renew the Supply Agreement for a further term of three years. The applicable price of the Raw Coal is determined on a cost-plus basis, which is determined as the cost of production of the Raw Coal plus a value added rate of 10%, subject to the condition that the applicable price shall not be higher than the market price of the Raw Coal.

Mengxi Chemical shall pay Mengxi Minerals for the Raw Coal purchased within one month from the date of delivery of the Raw Coal to Mengxi Chemical by way of cash.

No Raw Coal and related products were purchased by Mengxi Chemical from Mengxi Minerals under the Supply Agreement for the year ended 31 March 2010, and accordingly the annual cap of RMB180 million (approximately HK$192.2 million) for the year ended 31 March 2010 as set out in the Company's circular dated 30 April 2008 has not been exceeded.

With the written consent of Mengxi Chemical, during the period from 1 September 2009 to 31 March 2010, about 140,000 tones of Raw Coal were sold by Mengxi Minerals to local coal operators in accordance with the terms of the supply agreement, generating revenue of approximately RMB18 million (equivalent to approximately HK$20.33 million).

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS INTHE SHARES, UNDERLYING SHARES AND DEBENTURES OFTHE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2010, the interests and short positions of the directors and the chief executives in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required pursuant to section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by the directors are as follows:

Long position in Shares and underlying Shares

Name of Directors	Capacity	Number of Shares	Number of underlying Shares (Note1)	Approximate percentage of the total issued Shares as at 31 March 2010
Chan Nap Kee, Joseph	Beneficial owner	200,000	24,981,750	1.26%
Yeap Soon P, Jonathan	Beneficial owner	300,000	7,700,000	0.40%
Chow Pok Yu, Augustine	Beneficial owner	700,000	4,925,000	0.28%
Yang Geyan *(Note 2)*	Beneficial owner	118,345,000	–	5.90%
Yang Yongcheng	Beneficial owner	–	4,925,000	0.25%
Liew Swee Yean	Beneficial owner	540,000	–	0.03%
Siu Siu Ling, Robert	Beneficial owner	540,000	–	0.03%
Wong Yun Kuen	Beneficial owner	–	540,000	0.03%
Anderson Brian Ralph	Beneficial owner	–	1,200,000	0.06%

Note 1: The long position in the underlying Shares mentioned above represent the Shares to be issued and allotted upon the exercise in full of the options granted by the Company to the above mentioned directors pursuant to the share option scheme.

Note 2: Zhong Well Enterprises Limited is wholly-owned by Yang Geyan who is deemed to be interest in the 103,620,000 Shares held by Zhong Well Enterprises Limited under the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executive of the Company had any interest or short position in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the Ordinance) which is required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or any interests required to be entered in the register maintained in accordance with Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

(a) As at the Latest Practicable Date, the register of substantial shareholders maintained by the company pursuant to Section 336 of the SFO shows that other than the interest disclosed above in respect of the directors, the following shareholders had notified the Company of relevant interests and short positions in the Shares and underlying Shares:

Long positions in Shares and underlying Shares

Name of Shareholders	Capacity and nature of interest	Number of Shares	Number of underlying Shares (Note5)	Total Interest	Approximate percentage of the total issued Shares as at the Latest Practicable Date
Substantial shareholders					
Zhang Zhi Ping	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 1)*	26.45%
Zhang Gaobo	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 1)*	26.45%
Oriental Patron Financial Group Limited ("OPFGL")	Interest of controlled corporations	215,640,000	314,820,000	530,460,000 *(Note 1)*	26.45%
OP Financial Investments Limited ("OPFIL")	Interest of a controlled corporation	129,260,000	206,280,000	335,540,000 *(Note 1)*	16.73%
Profit Raider Investments Limited ("PRIL")	Beneficial owner	129,260,000	206,280,000	335,540,000 *(Note 1)*	16.73%

REPORT OF THE DIRECTORS

Name of Shareholders	Capacity and nature of interest	Number of Shares	Number of underlying Shares (Note5)	Total Interest	Approximate percentage of the total issued Shares as at the Latest Practicable Date
Other persons who had interests in the Shares and underlying Shares					
Oriental Patron Financial Services Group Limited ("OPFSGL")	Interest of a controlled corporation	86,380,000	108,540,000	194,920,000 *(Note 1)*	9.72%
Pacific Top Holding Limited ("PTHL")	Beneficial owner	86,380,000	108,540,000	194,920,000 *(Note 1)*	9.72%
Yang Geyan	Beneficial owner/ Interest of a controlled corporation	118,345,000	–	118,345,000 *(Note 2)*	5.90%
Zhong Well Enterprises Limited	Beneficial owner	103,620,000	–	103,620,000 *(Note 2)*	5.17%
Hung Shui Chak	Beneficial owner/ Interest of a controlled corporation	113,615,000	–	113,615,000 *(Note 3)*	5.66%
Dragonfair International Limited	Beneficial owner	103,390,000	–	103,390,000 *(Note 3)*	5.15%
GEM Global Yield Fund Limited ("GEM Global")	Beneficial owner/ Interest of a controlled corporation	230,000,000	791,000,000	1,021,000,000 *(Note 4)*	50.91%

Notes:

1. OPFGL holds 215,640,000 Shares and 314,820,000 underlying Shares. OPFGL is 51% owned by Zhang Zhi Ping and is 49% owned by Zhang Gaobo.

   Of these 215,640,000 Shares and 314,820,000 underlying Shares of the Company, 86,380,000 Shares and 108,540,000 underlying Shares are held by PTHL. PTHL is wholly owned by OPFSGL, OPFSGL is 95% held by OPGFL. Zhang Zhi Ping, Zhang Gaobo, OPFGL and OPFSGL are deemed to be interested in the interests held by PTHL under the SFO.

   Of these 215,640,000 Shares and 314,490,000 underlying Shares, 129,260,000 Shares and 206,280,000 underlying Shares are held by PRIL. PRIL is wholly owned by OPFIL, OPFIL is 42.07% held by Ottness Investments Limited ("OIL"). Zhang Zhi Ping, Zhang Gaobo, OPFGL, OIL and OPFIL are deemed to be interested in the interests held by PRIL under the SFO.

REPORT OF THE DIRECTORS

2. Zhong Well Enterprises Limited is wholly-owned by Yang Geyan who is deemed to be interested in the 103,620,000 Shares held by Zhong Well Enterprises Limited under the SFO.

3. Dragonfair International Limited is wholly-owned by Hung Shui Chak who is deemed to be interested in the 103,390,000 Shares held by Dragonfair International Limited under the SFO.

4. These 1,021,000,000 Shares and underlying Shares represent the aggregate of: (i) the 230,000,000 Shares held by Grand Pacific Source Limited ("Grand Pacific"), which was a wholly-owned subsidiary of GEM Global; and (ii) 170,000,000 underlying Shares held by Grand Pacific and 621,000,000 underlying Shares held by GEM Global. Accordingly, GEM Global is deemed to be interested in those Shares and underlying Shares held by Grand Pacific under the SFO.

   The Directors are unable to ascertain the interests of GEM Global as at the Latest Practicable Date, and confirm whether the interests of GEM Global as at the Latest Practicable Date, have been accurately shown. The interest of GEM Global as shown was disclosed in the corporate substantial notice of GEM Global filed on 3 April 2008 and recorded in the register of substantial shareholders maintained by the Company under Section 336 of the SFO. As set out in the Company's announcement dated 3 June 2008, the Company received default notification from GEM Global in relation to HK$540 Million Placing Convertible Bonds (as defined in such announcement). Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of such default. In addition to the default of the Placing Convertible Bonds mentioned above, as set out in the Company's announcements dated 3 June 2008 and 11 June 2008, on 10 June 2008, 230 million Consideration Shares (as defined in such announcements) were allotted and issued to Grand Pacific, the entire equity interests of which were acquired by Glimmer Stone Investments Limited ("Glimmer") from GEM Global on the same day, and 60 million Consideration Shares were transferred from Grand Pacific to GEM Global as consideration for such acquisition. Theoretically, the interests of GEM Global should have decreased and updated corporate substantial notice should have been filed with the Company and the Stock Exchange by GEM Global as a result of the acquisition of Grand Pacific by Glimmer mentioned above. The Company has not received any updated corporate substantial notice of GEM Global after 3 April 2008. However, the Directors cannot exclude the possibility that GEM Global may have acquired or disposed of any interests in shares or underlying shares of the Company after the above announcements.

   The Directors are also unable to ascertain the shareholding of GEM Global from the register of members of the Company as the information contained therein may not reflect the actual beneficial shareholdings of the shareholders (i.e. the registered shareholders may be have trustee or holding some shares of the Company on behalf of the others and this kind of interest is not required to be disclosed under the SFO).

5. The long positions in underlying Shares mentioned above represent the interests held by such Bondholders as at the Latest Practicable Date in the convertible bonds in the principal amount of HK$273,330,000 convertible into 400,300,000 new Shares issued by the Company on and subject to the terms of the Variation Agreement.

Save as disclosed above, the Directors were not aware of any other person (other than the directors and the chief executives of the Company) who, as at the Latest Practicable Date, had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 & 3 of Part XV of the SFO.

(b) As at the Latest Practicable Date, Zhong Well Enterprises Limited had interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO. As at the Latest Practicable Date, Yang Geyan is a director of Zhong Well Enterprises Limited.

REPORT OF THE DIRECTORS

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 under review.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of cost of sales and sales for the year attributable to the Group's major suppliers and customers are as follows:

Cost of sales	
– the largest supplier	16.24%
– five largest suppliers combined	29.69%
Sales	
– the largest customer	7.98%
– five largest customers combined	21.13%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers mentioned above.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with most of the code provisions as set out in the Code of Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2010. Details of compliance and deviation are set out in the Corporate Governance Report on pages 36 to 42.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors or their respective associates (as defined in GEM Listing Rules) had any interests in any business which compete or may compete with the Group or any other conflicts of interest with the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles and there are no restrictions against such rights under the laws in the Cayman Islands.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 36 to the Financial Statements.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Group does not have any significant subsequent events.

REPORT OF THE DIRECTORS

AUDITORS

A resolution to re-appoint the retiring auditors, RSM Nelson Wheeler, will be proposed at the forthcoming AGM.

There is no change of auditors of the Company since its incorporation.

For and on behalf of the Board

Chan Nap Kee, Joseph
Chairman

Hong Kong, 7 June 2010

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance that properly protect and promote the interest of its Shareholders.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors ("Directors") of the Company on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Year. The Company has also made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by directors.

THE BOARD OF DIRECTORS

Composition of the Board of Directors (the "Board")

As at 31 March 2010, the Board comprised nine directors, including five executive directors, namely Mr. Chan Nap Kee Joseph, Mr. Yeap Soon P Jonathan, Dr. Chow Pok Yu Augustine, Mr. Yang Geyan and Mr. Yang Yongcheng and four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Mr. Chan Nap Kee Joseph is the chairman of the Board and Mr. Yeap Soon P Jonathan is the chief executive officer. One of the independent non-executive directors has appropriate professional qualifications, or accounting or related financial management expertise. Biographical details of the directors are set out on pages 14 to 20 of this annual report.

Each of the independent non-executive directors has entered into a service contract with the Company for a term of one year, which may be extended for such period as agreed in writing between the director concerned and the Company.

There is no financial, business, family or other material or relevant relationship among the directors.

Independent Non-Executive Directors

The Company has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company is of the view that all the independent non-executive directors meet the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules and still considers that they are independent.

Role and Function of the Board

The principal role of the Board is to formulate the operational strategies and establish an internal control system together with a high standard of corporate governance to ensure proper management of the Group. The daily operational matters of the Group are delegated by the Board to the management.

CORPORATE GOVERNANCE REPORT

Board Meetings

Seventeen regular Board meetings were held during the year ended 31 March 2010. The Board meetings involved the active participation of the directors either in person or through other electronic means of communication.

At least 14 days notice has been given to all directors of each of the Board meetings.

Attendance of each of the directors at Board meetings during the year ended 31 March 2010 is set out as follows:

Number of Board Meetings	**17**	
Executive Directors:		
Mr. Chan Nap Kee, Joseph *(Chairman)*	17/17	100%
Mr. Yeap Soon P, Jonathan *(Chief Executive Officer)*	17/17	100%
Dr. Chow Pok Yu, Augustine	17/17	100%
Mr. Yang Geyan	15/17	88.24%
Mr. Yang Yongcheng	15/17	88.24%
Mr. Wu Kam Hung (up to 7 August 2009)	6/6	100%
Independent Non-Executive Directors:		
Mr. Liew Swee Yean	16/17	94.12%
Mr. Siu Siu Ling, Robert	17/17	100%
Dr. Wong Yun Kuen	17/17	100%
Mr. Anderson Brian Ralph	14/17	82.35%
Average attendance rate	95.29%	

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the system of internal control of the Group. The internal control system is to safeguard the assets of the Group and the shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the GEM Listing Rules. During the year ended 31 March 2010, the Board had reviewed the effectiveness of the system of internal control of the Group. The review had covered all material aspects of internal control including financial, operational and compliance controls and risk management functions of the Group. The board also consider the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programme and budget.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Chairman and chief executive officer are two separate persons. Mr. Chan Nap Kee Joseph is the chairman and Mr. Yeap Soon P Jonathan is the chief executive officer.

The role of the chairman is separated from that of the chief executive officer. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

The chairman is the leader of the Board and he oversees the Board so that its acts in the best interests of the Group. The chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company.

CORPORATE GOVERNANCE REPORT

The chief executive officer, assisted by other executive directors, is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

REMUNERATION COMMITTEE

Composition of the Remuneration Committee

The Code Provision B.1.1 stipulates that listed issuers should establish a remuneration committee with specific written terms of reference.

The Company has established the Remuneration Committee in March 2006. The existing Remuneration Committee comprised two executive directors and four independent non-executive directors, namely Mr. Chan Nap Kee Joseph, Dr. Chow Pok Yu Augustine, Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph. Dr. Wong Yun Kuen is the Chairman of the Remuneration Committee.

The Board has adopted the terms of reference of the Remuneration Committee in alignment with the mandatory provisions as set out in the Code Provision B.1.3.

Role and Function of the Remuneration Committee

The role and function of the Remuneration Committee includes making recommendations to the Board on Company's policy and structure for all remuneration packages of directors and senior management, establishing formal and transparent procedures for formulating policy on such remuneration packages and determining the specific remuneration packages of all executive directors and senior management staff of the Company.

Remuneration Policy

The formulation of the Group's remuneration strategy and policy is based on the principles of equity and market competitiveness so as to drive staff to work towards the mission of the Group and to retain talents. As a long-term incentive plan and with the aim at motivating directors and employees in the continued pursuit of the Company's goal and objectives, the Company has adopted a share option scheme under which the Company may grant share options to the directors/employees to subscribe for the shares of the Company.

Remuneration Committee Meetings

The Remuneration Committee has held three meetings during the year ended 31 March 2010. During the meetings, the Remuneration Committee had reviewed and approved the increment in salary, housing allowance, bonus payment and share options for the executive directors and the senior management by way of resolutions passed by all committee members. However, the executive directors did not participate in determining their own remuneration.

During the year under review, the Remuneration Committee had undertaking the following duties:

(i) approved the salary, housing allowance and bonus payment for an executive director and the senior management of the Company; and

(ii) authorised the Board to grant share options to the executive directors and the senior management of the Company in accordance with the rules of the share option scheme of the Company.

CORPORATE GOVERNANCE REPORT

Attendance of each of the directors at the Remuneration Committee meetings during the year ended 31 March 2010 is set out as follows:

Number of Remuneration Committee Meetings		**3**	
Dr. Wong Yun Kuen *(Committee Chairman)*	3/3		100%
Mr. Chan Nap Kee, Joseph	3/3		100%
Dr. Chow Pok Yu, Augustine (from 7 August 2009 onwards)	3/3		100%
Mr. Liew Swee Yean	2/3		67%
Mr. Siu Siu Ling, Robert	3/3		100%
Mr. Anderson Brian Ralph	2/3		67%
Mr. Wu Kam Hung (up to 7 August 2009)	0/0		N/A
Average attendance rate		89%	

NOMINATION OF DIRECTORS

The Company does not have a Nomination Committee, and the power to nominate or appoint additional directors is vested on the Board according to the Articles, in addition to the power of the shareholders of the Company to nominate any person to become a director in accordance with the Articles and the laws of the Cayman Islands.

In assessing the nomination of new directors, the Board has taken into consideration the nominee's qualification, ability and potential contributions to the Company. The Company also follows a formal, fair and transparent procedure for the appointment of new directors to the Board. The Board constantly reviews its own structure, size and composition and when necessary instructs the management of the Company to identify suitably qualified candidates which then makes recommendations to the Board for decisions.

During the year ended 31 March 2010, the Board has reviewed its own structure, size and composition and considered no change is required in existing Board composition.

The following is a summary of work regarding nominations of directors performed by the Board for the year ended 31 March 2010:

(i) approved the list of retiring directors for re-election at the annual general meeting;

(ii) reviewed the independence of all independent non-executive directors; and

(iii) reviewed its own structure, size and composition; and

(iv) instructed the management of the Company to identify suitable candidates to fill casual vacancies on the Board and reviewed such nominations.

CORPORATE GOVERNANCE REPORT

AUDITORS' REMUNERATION

For the year ended 31 March 2010, the fee paid or payable to external auditors in respect of audit and non-audit services amounted to HK$739,277 and HK$843,500 respectively.

PREPARATION OF ACCOUNTS

The Directors are responsible for overseeing the preparation of the annual accounts which give a true and fair view of the Group's state of affairs of the results and cash flow for the year under review. In preparing the accounts for the year ended 31 March 2010, the directors have approved adoption of all the applicable accounting standards of Hong Kong Financial Reporting Standards ("HKFRSs").

The quarterly, interim and annual results of the Company are announced in a timely manner after the end of the relevant periods.

AUDIT COMMITTEE

Composition of the Audit Committee

The Company has established the audit committee ("Audit Committee") on 9 December 2003 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C3.3 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Audit Committee comprises four independent non-executive directors, namely Mr. Liew Swee Yean, Mr. Siu Siu Ling Robert, Dr. Wong Yun Kuen and Mr. Anderson Brian Ralph, and Mr. Liew Swee Yean is the chairman of the Audit Committee.

During the year under review, the audit committee held four meetings to review and supervise the financial reporting process. The annual results for the year have been reviewed by the Audit Committee who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and adequate disclosures have been made.

Role and Function of the Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3 of the Code.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation.

The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

CORPORATE GOVERNANCE REPORT

Audit Committee Meetings

During the year ended 31 March 2010, the Audit Committee has held four meetings to review and supervise the financial reporting process and Audit Committee has reviewed the quarterly, interim and annual results and system of internal controls. The Audit Committee was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee also carried out and discharged its other duties as set out in the Code.

Attendance of each of the independent non-executive directors at the Audit Committee meetings during the year ended 31 March 2010 is set out as follows:

Number of Audit Committee Meetings	**4**	
Mr. Liew Swee Yean *(Committee Chairman)*	4/4	100%
Mr. Siu Siu Ling, Robert	4/4	100%
Dr. Wong Yun Kuen	4/4	100%
Mr. Anderson Brian Ralph	3/4	75%
Average attendance rate	93.75%	

During the year under review, the Audit Committee had undertaken the following duties:

(i) made recommendations to the Board on the appointment, reappointment or removal of the external auditors (the "Auditors") and approved the audit fees and terms of engagement of the Auditors, or any questions of resignation or dismissal of the Auditors;

(ii) reviewed the quarterly, interim and annual financial statements prior to recommending them to the Board for approval;

(iii) reviewed the Auditors' management letter and the management's response thereto, and to ensure that recommendations made by the Auditors are carried out;

(iv) reviewed the operation and effectiveness of the Company's financial control, internal control and risk management systems;

(v) reviewed the appropriateness of reporting and accounting policies and disclosure practices; and

(vi) reviewed the work of the Internal Audit Department, ensuring coordination between the Internal Audit Department and the Auditors, and reviewing and monitoring the effectiveness of the internal audit function.

During the year under review, the Board, through the Audit Committee, reviewed the effectiveness of the Group's system of internal control over financial, operational and compliance issues, broad-based risk management processes, and physical and information systems security. To formalize the annual review of internal control system, the Audit Committee made reference to the globally recognised framework with modifications to include some controls which are specific to the Group's operation. The Audit Committee concluded that, in general, the Group has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group has fully complied with the Code Provisions on internal controls as set forth in the Code for the year ended 31 March 2010.

CORPORATE GOVERNANCE REPORT

The Group's financial statements for the year ended 31 March 2010 have been reviewed by the Audit Committee, who is of the opinion that such statements comply with applicable accounting standard and legal requirements, and that adequate disclosures have been made.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the Auditors of the Company about their reporting responsibilities is set out on page 43 of this report.

INDEPENDENT AUDITOR'S REPORT

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

TO THE SHAREHOLDERS OF
KAISUN ENERGY GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Kaisun Energy Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 45 to 110, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

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, 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 HKICPA. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2010 and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
7 June 2010

CONSOLIDATED INCOME STATEMENT

for the year ended 31 March 2010

	Note	2010 HK$	2009 HK$
Continuing operations			
Turnover	6	**14,352,252**	–
Cost of goods sold		**(5,827,509)**	–
Gross profit		**8,524,743**	–
Other income	7	**254,796**	80,643,909
Selling and distribution costs		**(272,460)**	–
Administrative and other operating expenses		**(51,230,009)**	(18,412,166)
(Loss)/profit from operations		**(42,722,930)**	62,231,743
Finance costs	8	**(236,803,644)**	(32,740,597)
Share of losses of an associate	19	**(13,576,930)**	(12,894,394)
Fair value gain on step acquisition of a subsidiary		**401,620,781**	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	37(a)	**348,159,729**	–
Profit before tax		**456,677,006**	16,596,752
Income tax expense	9	**(386,576)**	–
Profit for the year from continuing operations		**456,290,430**	16,596,752
Discontinued operations			
Loss for the year from discontinued operations	10	**(7,606,694)**	(7,834,392)
Profit for the year	11	**448,683,736**	8,762,360
Attributable to:			
Owners of the Company		**452,693,377**	8,708,612
Non-controlling interests		**(4,009,641)**	53,748
		448,683,736	8,762,360
Earnings/(loss) per share (cents)	14		
From continuing and discontinued operations			
– basic		**29.94**	1.20
– diluted		**26.03**	(2.29)
From continuing operations			
– basic		**30.27**	2.30
– diluted		**26.30**	(1.84)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2010

	2010 HK$	2009 HK$
Profit for the year	**448,683,736**	8,762,360
Other comprehensive income for the year, net of tax		
Exchange differences on translating foreign operations	**4,937,889**	(273,060)
Total comprehensive income for the year	**453,621,625**	8,489,300
Attributable to:		
Owners of the Company	**456,231,817**	8,435,552
Non-controlling interests	**(2,610,192)**	53,748
	453,621,625	8,489,300

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 March 2010

	Note	2010 HK$	2009 HK$
Non-current assets			
Fixed assets	16	**33,199,570**	1,068,209
Goodwill	17	**–**	124,671,293
Intangible assets	18	**3,106,727,960**	10,000,000
Deposits paid for construction in progress		**155,524,547**	–
Investment in an associate	19	**–**	761,416,167
Available-for-sale financial assets	20	**3,591,185**	–
Deferred tax assets	21	**–**	347,300
		3,299,043,262	897,502,969
Current assets			
Inventories	22	**88,540**	330,856
Trade receivables	23	**5,793,531**	1,146,881
Deposits, prepayments and other receivables	24	**19,634,170**	74,884,000
Amount due from a non-controlling shareholder	25	**–**	27,219,120
Current tax assets		**–**	171,144
Pledged bank deposits	26	**–**	1,500,485
Bank and cash balances	26	**439,738,657**	37,647,050
		465,254,898	142,899,536
Current liabilities			
Trade payables	27	**–**	465,689
Other payables and accruals	28	**31,948,887**	6,505,052
Deposits received and receipts in advance		**15,750,188**	3,331,354
Amount due to a former non-controlling shareholder		**–**	1,168,733
Derivative component of convertible bonds	29	**–**	73,920,000
Current tax liabilities		**387,346**	–
		48,086,421	85,390,828
Net current assets		**417,168,477**	57,508,708
Total assets less current liabilities		**3,716,211,739**	955,011,677
Non-current liabilities			
Deferred tax liabilities	21	**773,424,565**	–
Loan from a former non-controlling shareholder	30	**–**	1,273,875
Convertible bonds	29	**228,173,030**	634,542,149
Bank loan	31	**341,238,000**	–
		1,342,835,595	635,816,024
NET ASSETS		**2,373,376,144**	319,195,653
Capital and reserves			
Share capital	32	**20,056,750**	7,700,000
Reserves		**1,622,344,399**	271,789,074
Equity attributable to owners of the Company		**1,642,401,149**	279,489,074
Non-controlling interests		**730,974,995**	39,706,579
TOTAL EQUITY		**2,373,376,144**	319,195,653

Approved by the Board of Directors on 7 June 2010.

Mr. Chan Nap Kee, Joseph
Director

Mr. Yeap Soon P, Jonathan
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2010

	Attributable to owners of the Company								
	Share capital HK$	Share premium (note 34(c)(i)) HK$	Foreign currency translation reserve (note 34(c)(ii)) HK$	Share-based payment reserve (note 34(c)(iii)) HK$	Convertible bonds reserve (note 3(n)) HK$	Retained profits HK$	Total HK$	Non-controlling interests HK$	Total equity HK$
At 1 April 2008	5,400,000	9,536,387	–	5,859,236	–	107,166,436	127,962,059	12,351,993	140,314,052
Total comprehensive income for the year	–	–	(273,060)	–	–	8,708,612	8,435,552	53,748	8,489,300
Issue of shares for acquisition of a subsidiary *(note 32)*	2,300,000	133,400,000	–	–	–	–	135,700,000	–	135,700,000
Share-based payments	–	–	–	7,391,463	–	–	7,391,463	–	7,391,463
Share options forfeited	–	–	–	(269,905)	–	269,905	–	–	–
Capital contributions from a non-controlling shareholder	–	–	–	–	–	–	–	27,300,838	27,300,838
Changes in equity for the year	2,300,000	133,400,000	(273,060)	7,121,558	–	8,978,517	151,527,015	27,354,586	178,881,601
At 31 March 2009 and 1 April 2009	**7,700,000**	**142,936,387**	**(273,060)**	**12,980,794**	**–**	**116,144,953**	**279,489,074**	**39,706,579**	**319,195,653**
Total comprehensive income for the year	**–**	**–**	**3,538,440**	**–**	**–**	**452,693,377**	**456,231,817**	**(2,610,192)**	**453,621,625**
Share-based payments	**–**	**–**	**–**	**16,361,262**	**–**	**–**	**16,361,262**	**–**	**16,361,262**
Share options forfeited	**–**	**–**	**–**	**(16,276)**	**–**	**16,276**	**–**	**–**	**–**
Issue of shares for convertible bonds converted *(note 32)*	**7,700,000**	**403,305,272**	**–**	**–**	**–**	**–**	**411,005,272**	**–**	**411,005,272**
Recognition of equity component of replacement convertible bonds issued *(note 29)*	**–**	**–**	**–**	**–**	**203,821,441**	**–**	**203,821,441**	**–**	**203,821,441**
Issue of shares for replacement convertible bonds converted *(note 32)*	**1,959,200**	**165,467,588**	**–**	**–**	**(65,268,655)**	**–**	**102,158,133**	**–**	**102,158,133**
Placement of shares *(note 32)*	**2,400,000**	**165,600,000**	**–**	**–**	**–**	**–**	**168,000,000**	**–**	**168,000,000**
Issue expenses for placement of shares	**–**	**(12,310,000)**	**–**	**–**	**–**	**–**	**(12,310,000)**	**–**	**(12,310,000)**
Issue of shares on exercise of share options *(note 32)*	**297,550**	**24,428,259**	**–**	**(7,081,659)**	**–**	**–**	**17,644,150**	**–**	**17,644,150**
Acquisition of a subsidiary *(note 37(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**703,751,032**	**703,751,032**
Disposal of subsidiaries *(note 37(b))*	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,872,424)**	**(9,872,424)**
Changes in equity for the year	**12,356,750**	**746,491,119**	**3,538,440**	**9,263,327**	**138,552,786**	**452,709,653**	**1,362,912,075**	**691,268,416**	**2,054,180,491**
At 31 March 2010	**20,056,750**	**889,427,506**	**3,265,380**	**22,244,121**	**138,552,786**	**568,854,606**	**1,642,401,149**	**730,974,995**	**2,373,376,144**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	Note	2010 HK$	2009 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**449,624,399**	8,785,408
Adjustments for:			
Depreciation		**884,808**	1,582,552
Gain on disposals of fixed assets		**–**	(18,712)
Written off of fixed assets		**80,866**	–
Loss on disposal of subsidiaries		**10,366,094**	–
Equity-settled share-based payments		**16,361,262**	7,391,463
Fair value gain on step acquisition of a subsidiary		**(401,620,781)**	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary		**(348,159,729)**	–
Impairment loss on intangible assets		**–**	8,242,350
Finance costs		**29,789,071**	32,754,793
Interest income		**(178,947)**	(1,550,570)
Fair value loss/(gain) on derivative component of convertible bonds		**207,015,056**	(79,280,875)
Share of losses of an associate		**13,576,930**	12,894,394
Operating loss before working capital changes		**(22,260,971)**	(9,199,197)
Decrease in inventories		**379,695**	41,316
Increase in trade receivables		**(5,431,620)**	(173,481)
(Increase)/decrease in deposits, prepayments and other receivables		**(6,253,870)**	338,528
Increase/(decrease) in trade payables		**76,766**	(881,933)
Increase in other payables and accruals		**6,619,568**	1,735,529
Increase/(decrease) in deposits received and receipts in advance		**10,978,153**	(616,664)
Cash used in operations		**(15,892,279)**	(8,755,902)
Interest paid		**(4,787,478)**	(11,769)
Hong Kong profits tax paid		**(53,701)**	(424,818)
Net cash used in operating activities		**(20,733,458)**	(9,192,489)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in amount due from a non-controlling shareholder		**–**	(27,219,120)
Increase in deposits, prepayments and other receivables		**–**	(63,225,361)
Capital contributions to an associate		**–**	(16,800,000)
Capital contributions from a non-controlling shareholder		**–**	27,300,838
Interest received		**178,947**	1,550,570
Purchases of fixed assets		**(5,655,065)**	(1,221,347)
Additions of deposits paid for construction in progress		**(6,987,937)**	–
Additions of intangible assets		**(220,099)**	(8,350)
Proceeds from disposal of fixed assets		**–**	25,000
Increase in pledged bank deposits		**(2,152)**	(1,500,485)
Acquisition of subsidiaries	37(a)	**166,268,073**	(575,867,854)
Disposal of subsidiaries	37(b)	**(17,373,945)**	–
Net cash generated from/(used in) investing activities		**136,207,822**	(656,966,109)

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2010

	2010 HK$	2009 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank loans raised	**113,554,000**	–
Repayment to a former non-controlling shareholder	**(1,168,733)**	(133,226)
Payment on convertible bonds converted	**(50,400)**	–
Payment on replacement convertible bonds converted	**(27,697)**	–
Share placement fees paid	**(12,310,000)**	(15,000,000)
Proceeds from convertible bonds	**–**	600,000,000
Proceeds from placement of shares	**168,000,000**	–
Proceeds from shares issued in exercise of share options	**17,644,150**	–
Net cash generated from financing activities	**285,641,320**	584,866,774
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**401,115,684**	(81,291,824)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**975,923**	(273,060)
	402,091,607	(81,564,884)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**37,647,050**	119,211,934
CASH AND CASH EQUIVALENTS AT END OF YEAR	**439,738,657**	37,647,050
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**439,738,657**	37,647,050

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is 5/F., 31C-D Wyndham Street, Central, Hong Kong. The Company's shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 36 to the financial statements.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for its accounting year beginning on 1 April 2009. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(a) Presentation of financial statements

HKAS 1 (Revised) "Presentation of Financial Statements" affects certain disclosures and presentation of the financial statements. The balance sheet is renamed as the statement of financial position and the cash flow statement is renamed as the statement of cash flows. All income and expenses arising from transactions with non-owners are presented in the income statement and statement of comprehensive income, and the total carried to the statement of changes in equity. The owner changes in equity are presented in the statement of changes in equity. HKAS 1 (Revised) also requires disclosures of the reclassification adjustments and tax effects relating to each component of other comprehensive income for the year. HKAS 1 (Revised) has been applied retrospectively.

(b) Operating segments

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Previously, HKAS 14 "Segment Reporting" required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity's 'system of internal financial reporting to key management personnel' serving as the starting point for the identification of such segments. The primary segments reported under HKAS 14 are the same as the segments reported under HKFRS 8. HKFRS 8 has been applied retrospectively.

The segment accounting policies under HKFRS 8 are stated in note 43 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) Borrowing costs

HKAS 23 (Revised) "Borrowing Costs" eliminates the previously available option to expense all borrowing costs when incurred. Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are now capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

HKAS 23 (Revised) has been applied prospectively from 1 April 2009 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2010 **HK$**	2009 HK$
Decrease in finance costs	**(4,757,175)**	–
Increase in fixed assets	**4,757,175**	–
Increase in EPS (HK cents)	**0.31**	–

In the current year, the Group has early adopted HKFRS 3 (Revised) "Business Combinations" and HKAS 27 (Revised) "Consolidated and Separate Financial Statements" that have been issued but are not yet effective on 1 April 2009. The early adoption of these revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years except as stated below.

(i) Business combinations

HKFRS 3 (Revised) "Business Combinations" continues to require acquisition method to be applied to business combinations with some significant changes:

- Contingent consideration is recognised at its acquisition-date fair value and forms part of the cost of acquisition. The previous HKFRS 3 requires that a contingent consideration be recognised if it is probable and can be measured reliably.

- In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate goodwill. The previous HKFRS 3 does not have a requirement for such fair value measurement.

- There is a choice to measure initially the non-controlling interests in a subsidiary either at their acquisition-date fair value or the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date. The previous HKFRS 3 only allows the latter choice.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) Borrowing costs *(Continued)*

(i) Business combinations (Continued)

– If a business combination is accounted for using provisional amounts, the measurement period that the provisional amounts can be adjusted retrospectively is limited to one year from the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The previous HKFRS 3 does not have a time limit for adjustments in relation to contingent considerations and deferred tax assets. Subsequent adjustments to contingent considerations and deferred tax assets will adjust goodwill.

– Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. The previous HKFRS 3 requires that acquisition-related costs form part of the cost of a business combination.

HKFRS 3 (Revised) has been applied prospectively to business combinations for which the acquisition date is on or after 1 April 2009 and resulted in changes in the consolidated amounts reported in the financial statements as follows:

	2010	2009
	HK$	HK$
Decrease in goodwill	**124,671,293**	–
Decrease in EPS (HK cents)	**8.25**	–

(ii) Consolidation

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" contains the following requirements:

– Total comprehensive income is attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance. The previous HKAS 27 requires excess losses to be allocated to the owners of the Company, except to the extent that the non-controlling shareholders have a binding obligation and are able to make an additional investment to cover the losses.

– Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the Company. The previous HKAS 27 does not have specific requirements for such transactions.

– When the disposal of a subsidiary results in a loss of control, the consideration of the sale and any investment retained in that subsidiary are required to be measured at their fair values. The previous HKAS 27 does not have specific requirements for such fair value measurements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) Borrowing costs *(Continued)*

(ii) Consolidation (Continued)

The above requirements of HKAS 27 (Revised) has been applied prospectively from 1 April 2009 and resulted in no change in the consolidated amounts reported in the financial statements.

The Group has not applied other new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the 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.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and derivatives which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas where assumptions and estimates are significant to these financial statements, are disclosed in note 4 to the financial statements.

The significant accounting policies applied in the preparation of these financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated income statement and consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued and liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combination and goodwill *(Continued)*

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy (u) below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of fixed assets is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	2% – 4.5%
Leasehold improvements	20% – 30%
Plant and machinery	9% – 20%
Office equipment	15% – 25%
Furniture and fixtures	10% – 20%
Motor vehicles	10% – 30%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leases

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at the end of each reporting period. The estimated useful life of trademark is indefinite.

(h) Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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

(k) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

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

Financial assets at fair value through profit or loss are either investments classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in profit or loss.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at banks and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Financial liabilities and equity instruments *(Continued)*

Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loans and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of manufactured goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Service income is recognised when services are rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(q) Share-based payments

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Borrowing costs

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

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items 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 end of the reporting period.

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. 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, unused tax losses or unused tax credits 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 and associates 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(t) Related parties

A party is related to the Group if:

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

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

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

(u) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, deferred tax assets, investments, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Impairment of assets *(Continued)*

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit 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 (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Provisions and contingent liabilities

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

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

(w) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the financial statements when material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fixed assets and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives and residual values of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such indicator exists. Other intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, the directors must estimate the expected future cash flows from the assets or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recoverability of trade and other receivables

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

Share-based payment expenses

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share-based payment reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model, Binomial model or Trinomial model (the "Models") was used. The Models are generally accepted methodologies used to calculate the fair value of the share options. The Models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

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for the year ended 31 March 2010

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, United States dollars ("US$") and Renminbi ("RMB") and the functional currency of the principal operating group entities is HK$. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

At 31 March 2010, if the HK$ had weakened 0.5 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been HK$32,207 (2009: HK$108,337) higher, arising mainly as a result of the foreign exchange gain on bank and cash balances and other receivables denominated in US$. If the HK$ had strengthened 0.5 per cent against the US$ with all other variables held constant, consolidated profit after tax for the year would have been HK$32,207 (2009: HK$108,337) lower, arising mainly as a result of the foreign exchange loss on bank and cash balances and other receivables denominated in US$.

(b) Credit risk

The carrying amount of the bank and cash balances, trade and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on bank and cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year HK$	Between 1 and 2 years HK$	Between 2 and 5 years HK$	Over 5 years HK$
At 31 March 2010				
Other payables and accruals	31,948,887	–	–	–
Convertible bonds	–	–	333,818,463	–
Bank loans	20,406,032	25,997,359	215,310,374	184,433,604
At 31 March 2009				
Trade payables	465,689	–	–	–
Other payables and accruals	6,505,052	–	–	–
Amount due to a former non-controlling shareholder	1,168,733	–	–	–
Loan from a former non-controlling shareholder	–	1,273,875	–	–
Convertible bonds	–	–	808,500,000	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

At 31 March 2010, if interest rates at that date had been 10 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$139,174 (2009: HK$38,220) lower, arising mainly as a result of lower interest income on bank deposits. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$695,868 (2009: HK$191,098) higher, arising mainly as a result of higher interest income on bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments at 31 March 2010

	2010	2009
	HK$	HK$
Financial assets		
Loans and receivables		
(including cash and cash equivalents)	**455,160,239**	139,124,439
Available-for-sale financial assets	**3,591,185**	–
Financial liabilities		
Financial liabilities at fair value through profit and loss		
Held for trading	**–**	73,920,000
Financial liabilities at amortised cost	**601,359,917**	643,955,498

(f) Fair values

Except as stated in note 29 to the financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 March 2010:

	Fair value measurement using:			**Total**
Description	**Level 1**	**Level 2**	**Level 3**	**2010**
	HK$	HK$	HK$	HK$
Available-for-sale financial assets	–	–	3,591,185	3,591,185

5. FINANCIAL RISK MANAGEMENT *(Continued)*

(f) Fair values *(Continued)*

Reconciliation of assets measured at fair value based on level 3:

Available-for-sale financial assets

	2010
	HK$
At beginning of year	–
Recognised upon disposal of subsidiaries *(note 37(b))*	3,591,185
At end of year	3,591,185

6. TURNOVER

	2010	2009
	HK$	HK$
Turnover		
Sales of goods	**15,438,027**	3,558,304
Services rendered	**47,367,547**	47,529,012
	62,805,574	51,087,316
Representing:		
Continuing operations	**14,352,252**	–
Discontinued operations *(note 10)*	**48,453,322**	51,087,316
	62,805,574	51,087,316

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

7. OTHER INCOME

	2010 HK$	2009 HK$
Interest income	**178,947**	1,550,570
Fair value gain on derivative component of convertible bonds	**–**	79,280,875
Gain on disposals of fixed assets	**–**	18,712
Sundry income	**281,938**	561,049
	460,885	81,411,206
Representing:		
Continuing operations	**254,796**	80,643,909
Discontinued operations *(note 10)*	**206,089**	767,297
	460,885	81,411,206

8. FINANCE COSTS

	2010 HK$	2009 HK$
Interest on bank loans and overdrafts	**4,759,738**	11,769
Amount capitalised	**(4,757,175)**	–
	2,563	11,769
Interest on convertible bonds	**29,758,768**	29,758,591
Interest on loan from an owner	**27,740**	–
Placement fees for derivative component of convertible bonds	**–**	2,984,433
Fair value loss on derivative component of convertible bonds	**207,015,056**	–
	236,804,127	32,754,793
Representing:		
Continuing operations	**236,803,644**	32,740,597
Discontinued operations *(note 10)*	**483**	14,196
	236,804,127	32,754,793

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

9. INCOME TAX EXPENSE

	2010	2009
	HK$	HK$
Current tax – Hong Kong Profits Tax		
Provision for the year	**550,138**	224,845
Tax reduction in previous year	**–**	(25,000)
	550,138	199,845
Current tax – PRC enterprise income tax		
Provision for the year	**386,576**	–
Deferred tax *(note 21)*	**3,949**	(176,797)
	940,663	23,048
Representing:		
Continuing operations	**386,576**	–
Discontinued operations *(note 10)*	**554,087**	23,048
	940,663	23,048

Hong Kong Profits Tax is provided at 16.5% based on assessable profit for the year. Certain allowable losses of the subsidiaries of the Company incorporated in Hong Kong are yet to be agreed by the Inland Revenue Department.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

Pursuant to relevant laws and regulations in the People's Republic of China (the "PRC"), the tax rate applicable to the subsidiaries in the PRC was 25%. The subsidiaries in the PRC incurred tax loss in the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

9. INCOME TAX EXPENSE *(Continued)*

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2010 **HK$**	2009 HK$
Profit before tax	**449,624,399**	8,785,408
Tax at the domestic income tax rate of 16.5%	**74,188,026**	1,449,592
Tax effect of income that is not taxable	**(144,491,572)**	(13,295,923)
Tax effect of expenses that are not deductible	**70,187,713**	11,938,722
Tax effect of tax loss not recognised	**1,015,030**	–
Effect of different tax rates of subsidiaries operating in other jurisdiction	**(345,110)**	–
Tax effect of change in tax rate	**–**	11,794
Tax effect of temporary differences not recognised	**–**	(56,137)
Tax reduction in previous year	**–**	(25,000)
Over-provision in respect of current year	**386,576**	–
Income tax expense	**940,663**	23,048

10. DISCONTINUED OPERATIONS

Pursuant to an agreement dated 27 November 2009 entered into between the Group and an independent third party (the "Purchaser"), the Group disposed of 51% interest in Global On-Line Distribution Limited ("Global On-Line"). Global On-Line is engaged in the trading of printing accessories and batteries during the year. The disposal was completed on 30 November 2009 and the Group discontinued its trading of printing accessories and batteries business.

Pursuant to a conditional subscription agreement dated 8 February 2010 entered into between Long Capital Development Limited ("Long Capital"), a then subsidiary of the Group, and an independent third party (the "Subscriber"), Long Capital agreed to allot and issue and the Subscriber agreed to subscribe 25,000 new shares of US$1 each in the capital of Long Capital at a consideration of HK$4,500,000. Long Capital is an investment holding company and its subsidiary is engaged in provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services during the year. Upon completion of the subscription, the Group's shareholding in Long Capital reduced from 51% to 14.57%. The deemed disposal was completed on 31 March 2010 and the Group discontinued its provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services business.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

10. DISCONTINUED OPERATIONS *(Continued)*

The loss for the year from the discontinued operations is analysed as follows:

	2010 HK$	2009 HK$
Profit/(loss) of discontinued operations	2,759,400	(7,834,392)
Loss on disposal of discontinued operations *(note 37(b))*	(10,366,094)	–
	(7,606,694)	(7,834,392)

The results of the discontinued operations for the year ended 31 March 2010, which have been included in the consolidated profit or loss, are as follows:

	2010 HK$	2009 HK$
Turnover	48,453,322	51,087,316
Cost of goods sold and services rendered	(11,324,186)	(14,101,423)
Gross profit	37,129,136	36,985,893
Other income	206,089	767,297
Selling and distribution costs	(1,518,098)	(1,570,289)
Administrative and other operating expenses	(32,503,157)	(43,980,049)
Profit/(loss) from operations	3,313,970	(7,797,148)
Finance costs	(483)	(14,196)
Profit/(loss) before tax	3,313,487	(7,811,344)
Income tax expense	(554,087)	(23,048)
Profit/(loss) for the period	2,759,400	(7,834,392)

During the year ended 31 March 2010, the disposed subsidiaries received approximately HK$6,083,000 (2009: paid approximately HK$9,800,000) in respect of operating activities, paid approximately HK$589,000 (2009: HK$129,000) in respect of investing activities and received approximately HK$3,329,000 (2009: HK$7,795,000) in respect of financing activities.

No tax charge or credit arose on the loss on disposal of the discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

11. PROFIT FOR THE YEAR

The Group's profit for the year is stated after charging the following:

	2010	2009
	HK$	HK$
Auditor's remuneration	**739,277**	685,500
Bad debt written off	**–**	5,804
Cost of inventories sold	**886,276**	3,233,914
Depreciation	**884,808**	1,582,552
Impairment loss on intangible assets (included in administrative and other operating expenses)	**–**	8,242,350
Written off of fixed assets	**80,866**	–
Operating lease rentals in respect of land and buildings	**13,172,303**	13,773,711
Staff costs (including directors' emoluments *(note 12)*)		
Basic salaries, bonuses, allowances and benefits in kind	**37,500,948**	23,302,732
Equity-settled share-based payments	**16,361,262**	7,391,463
Retirement benefits scheme contributions	**922,014**	853,615
Net exchange losses	**120,597**	430,427

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

Name of director	**Fees**	**Salaries, allowances and benefits in kind**	**Discretionary bonus**	**Share-based payments**	**Retirement benefits scheme contributions**	**Total emoluments**
	HK$	HK$	HK$	HK$	HK$	HK$
Executive directors						
WU Kam Hung (resigned on 7 August 2009)	–	41,935	–	–	2,097	44,032
YEAP Soon P, Jonathan	–	4,200,000	3,000,000	–	21,000	7,221,000
YANG Geyan	–	–	3,000,000	–	–	3,000,000
CHAN Nap Kee, Joseph	–	–	3,360,000	10,276,878	–	13,636,878
Dr. CHOW Pok Yu, Augustine	–	–	3,000,000	–	–	3,000,000
YANG Yongcheng	–	306,693	–	1,743,882	4,000	2,054,575
Independent non-executive directors						
LIEW Swee Yean	25,000	–	–	–	–	25,000
SIU Siu Ling, Robert	25,000	–	–	–	–	25,000
Dr. WONG Yun Kuen	25,000	–	–	–	–	25,000
ANDERSON Brian Ralph	25,000	–	–	424,905	–	449,905
Total for 2010	100,000	4,548,628	12,360,000	12,445,665	27,097	29,481,390

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(Continued)

(a) Directors' emoluments *(Continued)*

Name of director	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Share-based payments	Retirement benefits scheme contributions	Total emoluments
	HK$	HK$	HK$	HK$	HK$	HK$
Executive directors						
WU Kam Hung	–	120,000	–	–	6,000	126,000
TSE Chun Sing (resigned on 7 November 2008)	–	72,000	–	–	3,600	75,600
YEAP Soon P, Jonathan	–	3,395,000	1,000,000	2,765,725	2,000	7,162,725
YANG Geyan (appointed on 19 August 2008)	–	–	–	831,032	–	831,032
CHAN Nap Kee, Joseph (appointed on 19 September 2008)	–	–	–	831,032	–	831,032
Dr. CHOW Pok Yu, Augustine (appointed on 7 November 2008)	–	–	–	831,032	–	831,032
YANG Yongcheng (appointed on 6 February 2009)	–	–	–	–	–	–
Independent non-executive directors						
LIEW Swee Yean	25,000	–	–	–	–	25,000
SIU Siu Ling, Robert	25,000	–	–	–	–	25,000
Dr. WONG Yun Kuen	25,000	–	–	–	–	25,000
ANDERSON Brian Ralph (appointed on 23 January 2009)	4,771	–	–	–	–	4,771
Total for 2009	79,771	3,587,000	1,000,000	5,258,821	11,600	9,937,192

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

The 26,181,750 (2009: 22,475,000) options were granted to directors under the share option scheme during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(Continued)

(b) Five highest paid individuals

The five highest paid individuals in the Group during the year included five (2009: four) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining nil (2009: one) individual are set out below:

	2010	2009
	HK$	HK$
Basic salaries, bonuses, allowances and benefits in kind	**–**	1,734,372
Share-based payments	**–**	1,301,610
Retirement benefits scheme contributions	**–**	10,000
	–	3,045,982

The emoluments of five highest paid individuals (including directors) fell within the following bands:

	2010	2009
Nil to HK$1,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**2**	–
HK$3,000,001 to HK$3,500,000	**–**	1
HK$7,000,001 to HK$7,500,000	**1**	1
HK$13,500,001 to HK$14,000,000	**1**	–
	5	5

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

No dividend has been paid or declared by the Company during the year (2009: HK$Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share is based on the following:

	2010 HK$	2009 HK$
Earnings		
Continuing and discontinued operations		
Earnings for the purpose of calculating basic earnings per share	**452,693,377**	8,708,612
Net financial costs saving on conversion of convertible bonds outstanding	**18,127,873**	(49,522,284)
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	**470,821,250**	(40,813,672)
Continuing operations		
Earnings for the purpose of calculating basic earnings per share	**457,651,902**	16,711,604
Net finance costs saving on conversion of convertible bonds outstanding	**18,127,873**	(49,522,284)
Earnings/(loss) for the purpose of calculating diluted earnings/(loss) per share	**475,779,775**	(32,810,680)

	2010	2009
Number of shares		
Issued ordinary shares at beginning of the year	**770,000,000**	540,000,000
Effect of shares placed	**142,684,932**	–
Effect of consideration shares issued	**–**	185,890,411
Effect of conversion of convertible bonds	**511,589,041**	–
Effect of conversion of replacement convertible bonds	**72,904,712**	–
Effect of exercise of options	**14,823,630**	–
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,512,002,315**	725,890,411
Weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the end of the reporting period	**11,838,998**	1,018,918
Effect of dilutive potential ordinary shares arising from convertible bonds outstanding	**285,050,332**	1,054,794,521
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	**1,808,891,645**	1,781,703,850

14. EARNINGS/(LOSS) PER SHARE *(Continued)*

From discontinued operations

Basic loss per share from the discontinued operation is HK0.33 cents (2009: HK1.10 cents) for the year ended 31 March 2010, based on the loss for the year from discontinued operations attributable to the owners of the Company of HK$4,958,525 (2009: HK$8,002,992) and the denominator used is the same as that detailed in the table above for basic earnings per share.

15. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

16. FIXED ASSETS

	Buildings	Leasehold improvements	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost								
At 1 April 2008	–	1,002,521	646,930	814,662	23,197	60,661	–	2,547,971
Additions	–	281,794	–	262,637	3,560	673,356	–	1,221,347
Disposals	–	–	–	–	–	(100,610)	–	(100,610)
Written off	–	(24,167)	–	–	–	–	–	(24,167)
At 31 March 2009 and 1 April 2009	–	1,260,148	646,930	1,077,299	26,757	633,407	–	3,644,541
Additions	–	190,400	476,490	100,321	19,989	1,050,173	8,574,867	10,412,240
Written off	–	(29,475)	–	(99,019)	–	–	–	(128,494)
Acquisition of subsidiaries	237,552	–	626,315	344,547	–	2,206,606	19,703,141	23,118,161
Disposal of subsidiaries	–	(1,393,173)	(1,006,954)	(906,232)	(27,086)	(45,000)	–	(3,378,445)
Exchange differences	473	–	1,444	894	–	6,067	53,724	62,602
At 31 March 2010	238,025	27,900	744,225	517,810	19,660	3,851,253	28,331,732	33,730,605
Accumulated depreciation								
At 1 April 2008	–	561,473	258,772	263,991	8,957	19,076	–	1,112,269
Charges for the year	–	538,016	388,158	438,417	14,325	203,636	–	1,582,552
Disposal	–	–	–	–	–	(94,322)	–	(94,322)
Written off	–	(24,167)	–	–	–	–	–	(24,167)
At 31 March 2009 and 1 April 2009	–	1,075,322	646,930	702,408	23,282	128,390	–	2,576,332
Charges for the year	3,076	246,639	109,836	238,399	5,791	281,067	–	884,808
Written off	–	(29,475)	–	(18,153)	–	–	–	(47,628)
Disposal of subsidiaries	–	(1,285,511)	(735,934)	(837,086)	(24,168)	–	–	(2,882,699)
Exchange differences	4	–	32	59	–	127	–	222
At 31 March 2010	3,080	6,975	20,864	85,627	4,905	409,584	–	531,035
Carrying amount								
At 31 March 2010	234,945	20,925	723,361	432,183	14,755	3,441,669	28,331,732	33,199,570
At 31 March 2009	–	184,826	–	374,891	3,475	505,017	–	1,068,209

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

17. GOODWILL

	HK$
Cost	
At 1 April 2008	24,035
Arising on acquisition of a subsidiary *(note 37(a))*	124,671,293
At 31 March 2009 and 1 April 2009	124,695,328
Disposal of a subsidiary	(24,035)
Step acquisition of a subsidiary *(note 37(a))*	(124,671,293)
At 31 March 2010	–
Accumulated impairment losses	
At 1 April 2008, 31 March 2009 and 1 April 2009	(24,035)
Disposal of a subsidiary	24,035
At 31 March 2010	–
Carrying amount	
At 31 March 2010	–
At 31 March 2009	124,671,293

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2010 **HK$**	2009 HK$
Trading of printing accessories and batteries		
Global On-Line Distribution Limited ("Global On-Line")	–	24,035
Exploitation of coal and coal processing		
Imare Company Limited ("Imare")	–	124,671,293
	–	124,695,328

18. INTANGIBLE ASSETS

	Mining rights HK$	Trademarks HK$	Total HK$
Cost			
At 1 April 2008	–	18,234,000	18,234,000
Additions	–	8,350	8,350
At 31 March 2009 and 1 April 2009	–	18,242,350	18,242,350
Acquisition of subsidiaries	3,100,335,594	–	3,100,335,594
Disposal of subsidiaries	–	(18,242,350)	(18,242,350)
Additions	220,099	–	220,099
Exchange differences	6,172,267	–	6,172,267
At 31 March 2010	3,106,727,960	–	3,106,727,960
Accumulated amortisation and impairment			
At 1 April 2008	–	–	–
Impairment loss recognised for the year	–	8,242,350	8,242,350
At 31 March 2009 and 1 April 2009	–	8,242,350	8,242,350
Disposal of subsidiaries	–	(8,242,350)	(8,242,350)
At 31 March 2010	–	–	–
Carrying amount			
At 31 March 2010	3,106,727,960	–	3,106,727,960
At 31 March 2009	–	10,000,000	10,000,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

18. INTANGIBLE ASSETS *(Continued)*

The Group's mining rights are the rights obtained by the Group for exploitation of a coal mine located in Inner Mongolia, the PRC. The major content of the coal mine is coking coal. The term of the mining rights of this coal mine is from August 2006 to August 2016. The mining rights are stated at cost less accumulated amortisation over the term of the mining rights. As the coal mine is still under construction and not yet available to use, no amortisation of the mining rights charged during the year.

At 31 March 2010, the carrying amount of intangible assets pledged as security for the Group's bank loan amounted to HK$3,106,727,960 (2009: HK$Nil).

The Group's trademarks are applied to the Group's various products manufactured and services traded under the segment of provision of car repairs and beauty services both in Hong Kong and the PRC.

The recoverable amount of the trademarks has been determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the trademarks. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the trademarks operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

19. INVESTMENT IN AN ASSOCIATE

	2010 **HK$**	2009 HK$
Unlisted investments		
Share of net assets	–	761,416,167

Details of the Group's associate at 31 March 2010 are as follows:

Name	**Place of incorporation/ registration**	**Paid up capital**	**Percentage of ownership interest/ voting power/ profit sharing 2010**	**2009**	**Principal activities**
內蒙古蒙西礦業有限公司 (Inner Mongolia Mengxi Minerals Limited) ("Mengxi Minerals")	PRC	Registered capital of RMB80,000,000	–	49%	Exploitation of coal and coal processing

19. INVESTMENT IN AN ASSOCIATE *(Continued)*

Summarised financial information in respect of the Group's associate is set out below:

	2010	2009
	HK$	HK$
At 31 March		
Total assets	–	2,053,237,182
Total liabilities	–	(499,326,637)
Net assets	–	1,553,910,545
Group's share of associate's net assets	–	761,416,167
Year ended 31 March		
Total revenue	**6,087,097**	–
Total loss for the year	**(27,708,021)**	(26,315,089)
Group's share of associate's loss for the year	**(13,576,930)**	(12,894,394)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010	2009
	HK$	HK$
Unlisted equity securities, at fair value	**3,591,185**	–

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21. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group.

	Fair value adjustment of mining rights HK$	Decelerated tax depreciation HK$	Total HK$
At 1 April 2008	–	170,503	170,503
Credit to income statement for the year *(note 9)*	–	176,797	176,797
At 31 March 2009 and 1 April 2009	–	347,300	347,300
Charge to income statement for the year *(note 9)*	–	(3,949)	(3,949)
Disposal of subsidiaries	–	(343,351)	(343,351)
Step acquisition of a subsidiary	(771,887,860)	–	(771,887,860)
Exchange differences	(1,536,705)	–	(1,536,705)
At 31 March 2010	(773,424,565)	–	(773,424,565)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	2010 HK$	2009 HK$
Deferred tax assets	**–**	347,300
Deferred tax liabilities	**(773,424,565)**	–
	(773,424,565)	347,300

22. INVENTORIES

	2010 HK$	2009 HK$
Raw materials	**88,540**	330,856

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for the year ended 31 March 2010

23. TRADE RECEIVABLES

The credit terms of trade receivables are in accordance with specific payment schedules agreed with various customers.

An ageing analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2010 **HK$**	2009 HK$
0 – 30 days	**4,366,637**	957,438
31 – 60 days	**944,761**	97,037
61 – 90 days	**266,164**	55,615
Over 90 days	**215,969**	36,791
	5,793,531	1,146,881

Included in trade receivables are the following amounts denominated in a currency other than the presentation currency of the Group:

	2010 **HK$**	2009 HK$
US$	**–**	190,331
RMB	**5,793,531**	–
	5,793,531	190,331

As of 31 March 2010, trade receivables of HK$Nil (2009: HK$1,094,827) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. An ageing analysis of these trade receivables is as follows:

	2010 **HK$**	2009 HK$
Up to 3 months	**–**	1,058,036
3 to 6 months	**–**	36,791
	–	1,094,827

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for the year ended 31 March 2010

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2010	2009
	HK$	HK$
Deposits	**9,919,305**	2,968,141
Prepayments	**86,814**	304,956
Other receivables	**9,628,051**	71,610,903
	19,634,170	74,884,000

25. AMOUNT DUE FROM A NON-CONTROLLING SHAREHOLDER

The amount due from a non-controlling shareholder was unsecured, interest-free and has no fixed terms of repayment.

26. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

As at 31 March 2009 the Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group as set out in note 38 to the financial statements. The deposits are in HK$ and at fixed interest rate of 0.4% per annum and therefore are subject to fair value interest rate risk.

Included in the bank and cash balances are the following amounts denominated in a currency other than the presentation currency of the Group.

	2010	2009
	HK$	HK$
US$	**–**	18,124,406
RMB	**286,278,500**	135,090
	286,278,500	18,259,496

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

27. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	2010	2009
	HK$	HK$
0 – 30 days	**–**	371,615
31 – 60 days	**–**	94,074
	–	465,689

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for the year ended 31 March 2010

28. OTHER PAYABLES AND ACCRUALS

	2010	2009
	HK$	HK$
Due to directors	**9,000,000**	–
Due to a related company	**9,877,749**	–
Accruals	**1,001,225**	5,440,023
Other payables	**12,069,913**	1,065,029
	31,948,887	6,505,052

Amounts due to directors are bonus payable to the directors as at the end of reporting period. Amounts due to directors/a related company are unsecured, interest-free and have no fixed repayment terms.

29. CONVERTIBLE BONDS

On 10 June 2008 the Group issued convertible bonds ("Bonds") with a nominal value of HK$770,000,000 (comprised of 770 Bonds of HK$1,000,000 each), of which the Bonds of HK$170,000,000 are issued as partial consideration to acquire the entire issued capital of Imare and the balance of the Bonds issued in cash by the placing agent. The proceeds of the Bonds issued in cash by the placing agent, which amounted to HK$600,000,000, were used partly for settlement of the cash consideration of HK$546,000,000 and various expenses related to acquisition of the entire issued capital of Imare of HK$23,670,000, placing fees related to the Bonds of HK$15,000,000. The remaining balance of HK$15,330,000 was received by the Company from the placing agent.

The Bonds mature on the fifth anniversary from the date of issue of the Bonds (the "Maturity Date"). Under the conditions of the Bonds, each Bond may be converted into a maximum of 1,000,000 new shares (each a "New Share") of the Company ("Conversion Cap"), subject to increase and adjustment in the manner stipulated in the conditions. If upon conversion of the Bond, the number of New Shares required to be issued by the Company would exceed the Conversion Cap, the Bond shall be converted only up to the Conversion Cap, and the unconverted amount of the Bond shall be redeemed by the Company in cash equal to 120% of the unconverted principal amount together with accrued interest ("Conversion Cap Payment"). Subject to the aforesaid, the bondholders have the right to convert the Bonds at any time prior to the Maturity Date into New Shares on and subject to the terms and conditions of the Bonds at the lower of either (a) HK$1.30 per New Share; or (b) 100% of the average of the three lowest closing prices for a share of the Company on the Stock Exchange, or if trading in the shares of the Company is suspended and there is no closing price at the Stock Exchange on a relevant day, the last traded price reported per share on such day, during the 20 trading days period prior to the date of issue of the conversion notice (the "Variable Conversion Price") save that the lowest Variable Conversion Price shall not be less than the nominal value of the shares of the Company (the "Conversion Price"); provided that no conversion right may be exercised, to the extent that following such exercise, a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Code of Takeovers and Mergers of Hong Kong as in force from time to time ("Takeovers Code") as being the level for triggering a mandatory

29. CONVERTIBLE BONDS *(Continued)*

general offer). Subject to the Conversion Cap, the aggregate principal amount of the Bonds together with the accrued interest shall be automatically converted to New Shares on the Maturity Date at the then prevailing Conversion Price unless such conversion will result in a holder of the Bonds and parties acting in concert with it, taken together, will directly or indirectly, control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer). Interest of 1 per cent per annum is payable at the time of conversion and redemption of the Bonds. The Company is entitled to cancel and to redeem all the Bonds in whole at any point in time after the third anniversary of the date of issue of the Bonds prior to the Maturity Date at 135% of their principal amount together with accrued interest. Further details of the Bonds are set out in the circular of the Company dated 30 April 2008.

The fair value of the derivative component estimated at the issuance using an option pricing model and the change in fair value of that component is recognised in the income statement. The residual amount is assigned as the liability component.

For the year ended 31 March 2009 interest is calculated by applying an effective interest rate of 5.98 per cent to the liability component for the 10 month period since the Bonds were issued.

The directors estimate the fair value of the liability component of the Bonds at 31 March 2009 to be approximately HK$625,993,036. This fair value has been calculated by discounting the future cash flows at the market rate.

The derivative component is measured at its fair value at the date of issue and at the end of each reporting period. The fair values are estimated using Binomial model. The key assumptions used are as follows:

	Date of issue	**31 March 2009**
Weighted average share price	HK$0.59	HK$0.32
Weighted average exercise price	HK$1.30	HK$1.30
Expected volatility	79.0%	92.0%
Expected life	5.0 years	4.2 years
Risk free rate	3.294%	1.619%
Expected dividend yield	Nil	Nil

On 20 July 2009 the Company entered an agreement for variation of the terms and conditions of the Bonds ("Variation Agreement") with the bondholders. Under the Variation Agreement, the Company and the bondholders agreed that the conditions of the Bonds be amended in the following manner:

(1) If upon the conversion of the Bonds, Conversion Cap will be exceeded, the Company will be required to issue a convertible bond ("Replacement Bonds") to the converting bondholder in principal amount equal to the Conversion Cap Payment in satisfaction of its obligation to make the Conversion Cap Payment in cash. The Replacement Bonds shall be convertible into ordinary shares of the Company ("Shares") at a fixed conversion price on and subject to the terms and conditions agreed by the Company and the bondholders under the Variation Agreement;

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

29. CONVERTIBLE BONDS *(Continued)*

(2) The Company shall have no right to require the early cancellation or redemption of any of the Bonds prior to the Maturity Date;

(3) The conversion price of the Bonds shall not be less than the floor price of HK$0.20 per Share (subject to adjustment if there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or reclassification); and

(4) Further amendments of editorial nature that are ancillary or consequential to the above, as stipulated in the Variation Agreement.

Further details of the Variation Agreement and Replacement Bonds are set out in the circular of the Company dated 17 August 2009.

During the year, all Bonds were converted to the New Shares by the bondholders and the Replacement Bonds amounting to HK$516,052,428 with the face value of HK$426,680,000 were issued to the bondholders to satisfy the Conversion Cap Payment.

	2010 **HK$**	2009 HK$
Beginning of the year	**634,542,149**	–
Nominal value of Bonds issued	**–**	770,000,000
Placing fees related to liability component	**–**	(12,015,567)
Derivative component	**–**	(153,200,875)
Liability component at date of issue	**–**	604,783,558
Interest charged	**11,630,895**	29,758,591
Bonds converted and repaid during the year		
– by issue of 770,000,000 New Shares	**(130,070,216)**	–
– by issue of Replacement Bonds	**(516,052,428)**	–
– by cash	**(50,400)**	–
Liability component	**–**	634,542,149
Beginning of the year	**73,920,000**	–
Derivative component at date of issue	**–**	153,200,875
Fair value loss/(gain) for the year	**207,015,056**	(79,280,875)
Bonds converted during the year	**(280,935,056)**	–
Derivative component	**–**	73,920,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

29. CONVERTIBLE BONDS *(Continued)*

The maturity date of the Replacement Bonds is same as the Bonds. The bondholders have the right to convert at any time from issue date up to Maturity Date into Shares at a fixed conversion price at HK$0.70 per Share. The outstanding principal amount of the Replacement Bonds together with the accrued interest (if not paid by cash on redemption at maturity or upon acceleration) shall be automatically converted to Shares upon Maturity Date unless such conversion will result a holder of the Replacement Bonds and parties acting in concert with it, taken together, will directly or indirectly control or be interested in 30% or more of the voting rights in respect of the issued shares of the Company (or in such lower percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or the public float of the shares of the Company will fall below the minimum public float requirements stipulated under the GEM Listing Rules. Interest of 3.75 per cent per annum (compounded annually) is payable (i) in conversion shares on conversion; or (ii) in cash at maturity. The Company has no right to require the early cancellation or redemption of any of the Replacement Bonds prior to the Maturity Date.

The Replacement Bonds have been split between the liability element and an equity component, as follows:

	2010 HK$
Nominal value of Replacement Bonds issued	**516,052,428**
Equity component	**(203,821,441)**
Liability component at date of issue	**312,230,987**
Interest charged	**18,127,873**
Replacement Bonds converted and repaid during the year	
– by issue of 195,920,000 Shares	**(102,158,133)**
– by cash	**(27,697)**
Liability component	**228,173,030**

The interest charged for the period is calculated by applying an average effective interest rate of 12.69 per cent to the liability component for the 7 months period since the Replacement Bonds issued.

The directors estimate the fair value of the liability component of the Replacement Bonds at 31 March 2010 to be approximately HK$212,849,000. This fair value has been calculated by discounting the future cash flows at the market rate.

30. LOAN FROM A FORMER NON-CONTROLLING SHAREHOLDER

The loan from a former non-controlling shareholder was unsecured, interest-free and not repayable within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

31. BANK LOAN

	2010 HK$	2009 HK$
Bank loan – secured *(note 38)*	**341,238,000**	–
The bank loan is repayable as follows:		
In the second year	**5,687,300**	–
In the third to fifth years inclusive	**164,931,700**	–
After five years	**170,619,000**	–
	341,238,000	–

The bank loan is denominated in RMB.

At 31 March 2010 bank loan is arranged at floating rate and thus exposing the Group to cash flow interest rate risks. The interest rate was 5.98% at 31 March 2010.

32. SHARE CAPITAL

	Number of shares	Amount HK$
Authorised:		
Ordinary shares of HK$0.01 each		
At 1 April 2008, 31 March 2009, 1 April 2009 and 31 March 2010	**10,000,000,000**	100,000,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each		
At 1 April 2008	**540,000,000**	5,400,000
Issue of shares for acquisition of a subsidiary *(note i)*	**230,000,000**	2,300,000
At 31 March 2009 and 1 April 2009	**770,000,000**	7,700,000
Issue of shares for Bonds converted *(note 29)*	**770,000,000**	7,700,000
Issue of shares for Replacement Bonds converted *(note 29)*	**195,920,000**	1,959,200
Placement of shares *(note ii)*	**240,000,000**	2,400,000
Issue of shares in exercise of share options *(note iii)*	**29,755,000**	297,550
At 31 March 2010	**2,005,675,000**	20,056,750

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

32. SHARE CAPITAL *(Continued)*

Note:

(i) On 1 February 2008 (as supplemented by the supplemental agreement dated 25 April 2008) a wholly owned subsidiary of the Company entered a sale and purchase agreement with an independent third party to acquire the entire issued share capital in Imare and the aggregate amount of all advances, loans and indebtedness which shall remain due or owing from Joy Harvest Holdings Limited to Grand Pacific Sources Limited as at the date of completion of the acquisition ("Acquisition") details of which are set out in the circular of the Company dated 30 April 2008. Part of the consideration of the Acquisition was satisfied by the allotment and issue of 230,000,000 Shares to the vendor. On 10 June 2008, the Company issued 230,000,000 Shares at the then market price of HK$0.59 each resulting in a premium of HK$0.58 per share as part of the settlement of the consideration of the Acquisition.

(ii) On 14 August 2009, the Company and Kingston Securities Limited entered into a placing agreement in respect of the placement of 240,000,000 Shares of HK$0.01 each to independent investors at a price of HK$0.70 per share. The placement was completed on 27 August 2009 and the premium on the issue of Shares, amounting to approximately HK$153,290,000, net of share issue expenses, was credited to the Company's share premium account.

(iii) During the year, 29,755,000 ordinary shares of HK$0.01 each were issued in relation to share options exercised by the employees, executives, officers, directors, business consultants of the Company and the Company's subsidiaries under the share option scheme of the Company at HK$0.69, HK$0.394 and HK$0.762 for a total cash consideration of HK$17,644,150. The excess of the subscription consideration received over the nominal values issued, amounted to HK$17,346,600, was credited to the share premium account.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained earnings and other reserves).

	2010 **HK$**	2009 HK$
Total debt	**569,411,030**	636,984,757
Less: cash and cash equivalents	**(439,738,657)**	(37,647,050)
Net debt	**129,672,373**	599,337,707
Adjusted capital	**2,373,376,144**	319,195,653
Debt-to-adjusted capital ratio	**5%**	188%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

32. SHARE CAPITAL *(Continued)*

The decrease in the debt-to-adjusted capital ratio during 2010 resulted primarily from the issue of new shares, conversion of Bonds and profit for the year.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2010, 69.70% (2009: 41%) of the shares were in public hands.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2010	2009
	HK$	HK$
Fixed assets	**460,673**	570,476
Investments in subsidiaries	**23**	23
Prepayments and other receivables	**14,857,351**	8,146,289
Amounts due from subsidiaries	**1,006,881,572**	974,172,973
Bank and cash balances	**141,476,176**	27,383,228
Accruals	**(9,803,403)**	(3,493,126)
Amount due to a subsidiary	**(8)**	(8)
Convertible bonds	**(228,173,030)**	(708,462,149)
NET ASSETS	**925,699,354**	298,317,706
Share capital	**20,056,750**	7,700,000
Reserves *(note 34(b))*	**905,642,604**	290,617,706
TOTAL EQUITY	**925,699,354**	298,317,706

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for the year ended 31 March 2010

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of comprehensive income and consolidated statement of changes in equity.

(b) Company

	Share premium (note (c)(i)) HK$	Retained profits/ (accumulated losses) HK$	Share-based payment reserve (note (c)(iii)) HK$	Convertible bonds reserve (note 3(n)) HK$	Total HK$
At 1 April 2008	9,536,387	104,451,486	5,859,236	–	119,847,109
Profit for the year	–	29,979,134	–	–	29,979,134
Issue of shares for acquisition of a subsidiary	133,400,000	–	–	–	133,400,000
Share-based payments	–	–	7,391,463	–	7,391,463
Share options forfeited	–	269,905	(269,905)	–	–
At 31 March 2009 and 1 April 2009	142,936,387	134,700,525	12,980,794	–	290,617,706
Loss for the year	–	(279,298,610)	–	–	(279,298,610)
Placement of shares	165,600,000	–	–	–	165,600,000
Issue expenses for placement of shares	(12,310,000)	–	–	–	(12,310,000)
Issue of shares on exercise of share options	24,428,259	–	(7,081,659)	–	17,346,600
Share-based payments	–	–	16,361,262	–	16,361,262
Share options forfeited	–	16,276	(16,276)	–	–
Issue of shares for Bonds converted	403,305,272	–	–	–	403,305,272
Recognition of equity component of Replacement Bonds issued	–	–	–	203,821,441	203,821,441
Issue of shares for Replacement Bonds converted	165,467,588	–	–	(65,268,655)	100,198,933
At 31 March 2010	889,427,506	(144,581,809)	22,244,121	138,552,786	905,642,604

34. RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3(d) to the financial statements.

(iii) Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3(q) to the financial statements.

35. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Scheme became effective on 9 December 2003 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

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

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

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35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

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

Details of the specific categories of options are as follows:

	Date of grant	Exercise period	Exercise price HK$
2008	19 February 2008	19 February 2008 – 18 February 2011	0.690
2009A	24 June 2008	24 June 2008 – 23 June 2011	0.780
2009B	8 January 2009	8 January 2009 – 7 January 2012	0.394
2010A	11 August 2009	11 August 2009 – 10 August 2012	0.762
2010B	18 November 2009	18 November 2009 – 17 November 2012	1.184
2010C	9 February 2010	9 February 2010 – 8 February 2013	1.078

If the options remain unexercised after a period of 3 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

35. SHARE-BASED PAYMENTS *(Continued)*

Equity-settled share option scheme *(Continued)*

Details of the share options outstanding during the year are as follows:

	2010		2009	
	Number of share options '000	**Weighted average exercise price HK$**	Number of share options '000	Weighted average exercise price HK$
Outstanding at the beginning of the year	**53,005**	**0.60**	21,600	0.69
Granted during the year	**36,726**	**0.97**	32,400	0.55
Exercise during the year	**(29,755)**	**0.59**	–	–
Forfeited during the year	**(60)**	**0.78**	(995)	0.69
Outstanding at the end of the year	**59,916**	**0.83**	53,005	0.60
Exercisable at the end of the year	**59,916**	**0.83**	53,005	0.60

The options outstanding at the end of the year have a weighted average remaining contractual life of 2.2 years (2009: 2.3 years) and the exercise price ranged from HK$0.394 to HK$1.184 (2009: HK$0.394 to HK$0.780). In 2010, options were granted on 11 August 2009, 18 November 2009 and 9 February 2010. The estimated fair values of the options on those dates are HK$4,595,064, HK$1,489,320 and HK$10,276,878 respectively. In 2009, options were granted on 24 June 2008 and 8 January 2009. The estimated fair values of the options on these dates are HK$4,067,335 and HK$3,324,128 respectively.

These fair values were calculated using the Binomial model and Trinomial model. The input into the Models were as follows:

	2010A	**2010B**	**2010C**	2009A	2009B
Valuation model	**Binomial model**	**Trinomial model**	**Trinomial model**	Binomial model	Binomial model
Weighted average share price	**HK$0.710**	**HK$1.120**	**HK$1.040**	HK$0.780	HK$0.385
Weighted average exercise price	**HK$0.762**	**HK$1.184**	**HK$1.078**	HK$0.780	HK$0.394
Expected volatility	**85.43%**	**85.857%**	**87.194%**	79%	92%
Expected life	**3 years**	**3 years**	**3 years**	3 years	3 years
Risk free rate	**1.214%**	**0.732%**	**0.930%**	3.279%	0.977%
Expected dividend yield	**Nil**	**Nil**	**Nil**	Nil	Nil

Expected volatility was determined by calculating the historical volatility of five comparable companies with shares listed on the Stock Exchange over 3 years for 2009A and 2009B and by the historical volatility of the Company over 3 years for 2010A, 2010B and 2010C. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

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36. SUBSIDIARIES

Particulars of subsidiaries as at 31 March 2010 are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up capital/ registered capital	Attributable equity interest	Principal activities
Directly held				
Time Creation Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
High Focus Group Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Coastal Kingfold Finance Limited	British Virgin Islands	US$1 Ordinary	100%	Investment holding
Indirectly held				
Imare	British Virgin Islands	US$50,000 Ordinary	100%	Investment holding
Joy Harvest Holdings Limited	Hong Kong	HK$1,000 Ordinary	100%	Investment holding
鄂爾多斯市啓杰蒙西煤化有限公司 (Ordos GEM Coal & Chemical Co., Ltd.) ("Mengxi Chemical")	PRC	RMB80,000,000	70%	Not yet commenced business
Mengxi Minerals	PRC	RMB80,000,000	70%	Exploitation of coal and coal processing

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

(i) On 7 July 2009, the Group entered into an agreement to acquire a further 21% equity interest in Mengxi Minerals for a cash consideration of RMB16,800,000. The acquisition was completed on 10 December 2009.

The fair value of the identifiable assets and liabilities of Mengxi Minerals acquired as at its date of acquisition is as follows:

	Carrying amount HK$	Fair value adjustment HK$	Fair value HK$
Net assets acquired:			
Fixed assets	23,118,161	–	23,118,161
Intangible assets	12,784,156	3,087,551,438	3,100,335,594
Inventories	498,470	–	498,470
Deposits paid for construction in progress	148,536,610	–	148,536,610
Deposits, prepayments and other receivables	4,897,714	–	4,897,714
Bank and cash balances	186,062,773	–	186,062,773
Other payables and accruals	(22,123,010)	–	(22,123,010)
Due to Mengxi Chemical	(90,514,470)	–	(90,514,470)
Deposits received and receipts in advance	(6,047,210)	–	(6,047,210)
Deferred tax liabilities	–	(771,887,860)	(771,887,860)
Bank loans	(227,040,000)	–	(227,040,000)
			2,345,836,772
Less:			
Fair value of investment in an associate			(1,149,460,018)
Non-controlling interests			(703,751,032)
Goodwill *(note 17)*			(124,671,293)
			367,954,429
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary			(348,159,729)
Satisfied by:			
Cash			19,794,700
Net cash inflow arising on acquisition:			
Cash consideration paid			(19,794,700)
Cash and cash equivalents acquired			186,062,773
			166,268,073

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37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(i) *(Continued)*

Mengxi Minerals contributed HK$14,352,252 to the Group's turnover and approximately HK$4,060,119 losses to the Group's profit before tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2009, total Group turnover for the year would have been HK$68,780,776, and profit for the year would have been HK$448,683,736. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is intended to be a projection of future results.

As the vendor would like to obtain early cash flow for implementing their investment strategy for other business, hence they are willing to lower the consideration for the disposal of their equity interest holding in Mengxi Minerals to an amount determined based on the PRC audited net assets value of Mengxi Minerals as at 31 December 2008 and 21% equity interest of the registered capital of Mengxi Minerals, which is lower than the fair value of net assets of Mengxi Minerals as at the acquisition date.

(ii) On 10 June 2008, the Group acquired the entire issued share capital in Imare with the sale loan at a consideration of HK$881,571,604. Imare is an investment holding company and its subsidiaries are engaged in investment holding and its associate is dormant.

The fair value of the identifiable assets and liabilities of Imare acquired as at its date of acquisition is as follows:

	HK$
Net assets acquired:	
Investment in an associate	757,510,561
Other receivables	390,000
Bank and cash balances	3,750
Accrual and other payable	(1,004,000)
Amount due to owners	(258,912,693)
	497,987,618
Goodwill *(note 17)*	124,671,293
	622,658,911
Add: Sale loan and Mengxi Minerals debt	258,912,693
	881,571,604
Satisfied by:	
Share capital issued as partial consideration *(note 32)*	135,700,000
Bonds issued as partial consideration *(note 29)*	170,000,000
Cash paid for investment cost	287,087,307
Cash paid for professional expenses	29,871,604
Cash paid for sale loan and Mengxi Minerals debt	258,912,693
	881,571,604
Net cash outflow arising on acquisition:	
Cash paid for investment cost	287,087,307
Cash paid for sale loan and Mengxi Minerals debt	258,912,693
	546,000,000
Cash paid for professional expenses	29,871,604
Cash and cash equivalents acquired	(3,750)
	575,867,854

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(a) Acquisition of subsidiaries *(Continued)*

(ii) *(Continued)*

The goodwill arising on the acquisition of Imare is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination.

Imare contributed HK$Nil to the Group's turnover and approximately HK$17,586,938 loss to the Group's profit before tax, for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2008, total Group turnover for the year would have been HK$51,087,316, and profit for the year would have been HK$4,461,602. The proforma information is for illustrative purposes only and is not necessarily an indication of the 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 intended to be a projection of future results.

(b) Disposal of subsidiaries

As referred to in note 10 to the financial statements, on 30 November 2009 and 31 March 2010 the Group discontinued its trading of printing accessories and batteries business and its provision of repairs and maintenance services to motor vehicles, operating car accessories shop, car washing, cleaning and beauty services business at the time of the disposal of its subsidiaries, Global On-Line and Long Capital respectively.

Net assets at the date of disposal were as follows:

	Global On-Line HK$
Fixed assets	3,352
Trade receivables	33,023
Bank and cash balances	1,990,544
Shareholders' loan	(2,273,875)
Net liabilities disposed of:	(246,956)
Direct cost to the disposal	290,580
Waiver of loan	1,000,000
Loss on disposal of subsidiaries	(793,624)
Cash consideration received	250,000
Net cash outflow arising on disposal:	
Cash consideration received	250,000
Cash paid for direct cost	(290,580)
Cash and cash equivalents disposed of	(1,990,544)
	(2,031,124)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

37. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Disposal of subsidiaries *(Continued)*

	Long Capital
	HK$
Fixed assets	492,394
Intangibles assets	10,000,000
Deferred tax assets	343,351
Inventories	361,091
Trade receivables	751,946
Deposits, prepayments and other receivables	3,034,488
Pledged bank deposits	1,502,637
Bank and cash balances	12,454,547
Trade payables	(542,455)
Other payables and accruals	(3,318,372)
Deposits received	(4,606,529)
Current tax liabilities	(325,293)
Net assets disposed of:	20,147,805
Non-controlling interests	(9,872,424)
Direct cost to the disposal	2,888,274
Loss on disposal of subsidiaries	(9,572,470)
Represented by the fair value of available-for-sale financial asset recognised at the date of disposal	3,591,185
Net cash outflow arising on disposal:	
Cash paid for direct cost	(2,888,274)
Cash and cash equivalents disposed of	(12,454,547)
	(15,342,821)

38. BANKING FACILITIES

At 31 March 2010, the Group has been granted banking facilities totaling HK$341,238,000 (2009: HK$1.5 million) of which HK$341,238,000 (2009: HK$Nil) were utilised. The facilities were secured by pledge of the mining rights held by the Group and the entire equity interest of a subsidiary held by the Group and the non-controlling shareholder (2009: pledge of fixed deposits of approximately HK$1.5 million plus subsequent accrued interest).

39. CONTINGENT LIABILITIES

At 31 March 2010, the Group did not have any significant contingent liabilities.

40. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2010 **HK$**	2009 HK$
Fixed assets		
Contracted but not provided for	**118,960,704**	–
Authorised but not contracted for to acquire additional equity interest in an associate	**–**	19,053,384

41. LEASE COMMITMENTS

At 31 March 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2010 **HK$**	2009 HK$
Within one year	**264,500**	6,135,260
In the second to fifth years inclusive	**–**	6,806,750
	264,500	12,942,010

Operating lease payments represent rentals payable by the Group for its offices, shops and auto servicing centres. Leases are negotiated for an average term of 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

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42. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had no material transactions with its related parties during the year.

	2010	2009
	HK$	HK$
Bonds issued to Grand Pacific Source Limited, Pacific Top Holding Limited and Glimmer Stone Investments Limited	**–**	770,000,000
Placement fees, arrangement fees and advisory fees paid to Orient Patron Asia Limited in relation to the acquisition of Imare	**–**	38,670,000
Interest on Bonds charged by Grand Pacific Source Limited, Pacific Top Holding Limited and Glimmer Stone Investments Limited	**17,107,622**	29,758,591

Grand Pacific Source Limited and Pacific Top Holding Limited are owners of the Company and are beneficially owned by ZHANG Gaobo and ZHANG Zhi Ping. Orient Patron Asia Limited and Glimmer Stone Investments Limited are beneficially owned by ZHANG Gaobo and ZHANG Zhi Ping.

43. SEGMENT INFORMATION

The Group has three reportable segments which is trading of printing accessories and batteries, provision of car repairs and beauty services and exploitation of coal for the year ended 31 March 2009. The segment of trading of printing accessories and batteries and provision of car repairs and beauty services was discontinued in the year ended 31 March 2010.

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 3 to the financial statements. Segment profits or losses do not include dividend income, and gains or losses from investments and derivative instruments. Segment assets do not include amounts due from related parties, investments and derivative instruments. Segment liabilities do not include convertible loans and derivative instruments. Segment non-current assets do not include financial instruments and deferred tax assets.

43. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities:

	(Discontinued operation) Provision of car repairs and beauty services	(Discontinued operation) Trading of printing accessories and batteries	Exploitation of coal	Total
	HK$	HK$	HK$	HK$
Year ended 31 March 2010				
Revenue from external customers	**47,367,547**	**1,085,775**	**14,352,252**	**62,805,574**
Segment profit/(loss)	**3,387,331**	**(73,844)**	**(4,060,119)**	**(746,632)**
Interest revenue	**23,974**	**350**	**19,755**	**44,079**
Depreciation and amortisation	**513,558**	**1,380**	**148,039**	**662,977**
Share of losses of an associate	**–**	**–**	**(13,576,930)**	**(13,576,930)**
Income tax expense	**554,087**	**–**	**386,576**	**940,663**
Additions to segment non-current assets	**622,730**	**–**	**16,441,830**	**17,064,560**
As at 31 March 2010				
Segment assets	**–**	**–**	**3,591,384,631**	**3,591,384,631**
Segment liabilities	**–**	**–**	**1,152,875,873**	**1,152,875,873**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

43. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss, assets and liabilities: *(Continued)*

	(Discontinued operation) Provision of car repairs and beauty services HK$	(Discontinued operation) Trading of printing accessories and batteries HK$	Exploitation of coal HK$	Total HK$
Year ended 31 March 2009				
Revenue from external customers	47,529,012	3,558,304	–	51,087,316
Segment loss	(7,879,901)	(37,005)	–	(7,916,906)
Interest revenue	175,706	15,990	–	191,696
Interest expense	14,193	2	–	14,195
Depreciation and amortisation	1,376,142	2,366	–	1,378,508
Impairment losses on intangible assets	8,242,350	–	–	8,242,350
Share of losses of an associate	–	–	(12,894,394)	(12,894,394)
Income tax expense	23,048	–	–	23,048
Additions to segment non-current assets	337,048	–	–	337,048
As at 31 March 2009				
Segment assets	14,964,122	390,063	761,416,167	776,770,352
Segment liabilities	6,724,966	1,288,375	–	8,013,341

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

43. SEGMENT INFORMATION *(Continued)*

Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	2010	2009
	HK$	HK$
Revenue		
Total revenue of reportable segments	**62,805,574**	51,087,316
Elimination of discontinued operations	**(48,453,322)**	(51,087,316)
Consolidated revenue	**14,352,252**	–
Profit or loss		
Total profit or loss of reportable segments	**(746,632)**	(7,916,906)
Fair value gain on step acquisition of a subsidiary	**401,620,781**	–
Excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition of a subsidiary	**348,159,729**	–
Interest on convertible bonds	**(29,758,768)**	(29,758,591)
Placement fees for derivative component of convertible bonds	**–**	(2,984,433)
Fair value (loss)/gain on derivative component of convertible bonds	**(207,015,056)**	79,280,875
Share of losses of an associate	**(13,576,930)**	(12,894,394)
Unallocated corporate income	**136,635**	1,369,596
Unallocated corporate expense	**(49,195,360)**	(18,310,739)
Elimination of discontinued operations	**7,052,607**	7,811,344
Consolidated profit before tax from continuing operations	**456,677,006**	16,596,752
Assets		
Total assets of reportable segments	**3,591,384,631**	776,770,352
Available-for-sale financial assets	**3,591,186**	–
Deferred tax assets	**–**	347,300
Unallocated corporate assets	**169,322,343**	263,284,853
Consolidated total assets	**3,764,298,160**	1,040,402,505
Liabilities		
Total liabilities of reportable segments	**1,152,875,873**	8,013,341
Convertible bonds	**237,173,031**	634,542,149
Derivative component of convertible bonds	**–**	73,920,000
Unallocated corporate liabilities	**873,112**	4,731,362
Consolidated total liabilities	**1,390,922,016**	721,206,852

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2010

43. SEGMENT INFORMATION *(Continued)*

Geographical information:

	2010 HK$	2009 HK$
Revenue		
Hong Kong	**47,367,547**	47,529,012
United States	**1,085,775**	3,558,304
The PRC	**14,352,252**	–
Discontinued operations	**(48,453,322)**	(51,087,316)
Consolidated total	**14,352,252**	–
Non-current assets other than available-for-sale financial assets		
Hong Kong	**460,673**	11,300,997
United States	**–**	4,732
The PRC	**3,294,991,404**	886,197,240
Consolidated total	**3,295,452,077**	897,502,969

In presenting the geographical information, revenue is based on the locations of the customers.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 7 June 2010.