iMerchants Limited
Annual Report 2010
Stock Code : 8009

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risk arising out of the emerging nature of companies listed on the GEM, and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risk of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

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

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

CONTENTS

	Pages
CORPORATE INFORMATION	2
CHAIRMAN'S STATEMENT	3
MANAGEMENT DISCUSSION AND ANALYSIS	5
DIRECTORS AND SENIOR MANAGEMENT	9
REPORT OF THE DIRECTORS	11
CORPORATE GOVERNANCE REPORT	18
INDEPENDENT AUDITORS' REPORT	23
AUDITED FINANCIAL STATEMENTS	
Consolidated statement of comprehensive income	25
Consolidated statement of financial position	26
Statement of financial position	27
Consolidated statement of changes in equity	28
Consolidated statement of cash flows	29
Notes to the financial statements	31
FINANCIAL SUMMARY	80

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yau Yan Ming Raymond *(Chairman)*
Mr. Yang Bin
Mr. Li Wen Jun
Mr. Wong Ka Chun Carson

Independent non-executive Directors

Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Lam Tze Chung

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond

COMPLIANCE OFFICER

Mr. Yau Yan Ming Raymond

AUTHORISED REPRESENTATIVES

Mr. Yau Yan Ming Raymond
Mr. Yang Bin

AUDIT COMMITTEE

Mr. Chang Kin Man *(Chairman)*
Mr. Wu Tak Lung
Mr. Lam Tze Chung

REMUNERATION COMMITTEE

Mr. Yau Yan Ming Raymond *(Chairman)*
Mr. Chang Kin Man
Mr. Wu Tak Lung
Mr. Lam Tze Chung

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

Room 3412, 34th Floor
China Merchants Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITORS

SHINEWING (HK) CPA Limited

INTERNAL CONTROL REVIEW ADVISOR

SHINEWING Risk Services Limited

PRINCIPAL BANKERS

Chiyu Banking Corporation Ltd.
Wing Hang Bank, Limited

STOCK CODE

08009

WEBSITE

http://www.imerchantsltd.com

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the audited financial results for the year ended 31 March 2010.

BUSINESS OVERVIEW

The year of 2009/2010 had been challenging for the group. The loss figure for the year is primary composed of three major reasons. First, the loss on disposal of available-for-sale investments raised from the exiting of an investment. Such investment in oil and natural gas transportation company had a prolonged poor performance despite the sector is relative promising. The market responded with a drop in share price by approximately 50%. Our Management team had decided to exit since they are not optimist with the recoverability of such investment in foreseeable future. Secondly, the manufacturing and trading of ceramic sewage material sector of the Group had failed to come up with the guarantee profit. Delay and over budget in the renovation and expedition of the factory facility have created such a disaster. The management had already taken legal action against the default party according to the contract terms and condition to seek for compensation. The management is also executing a major restructure of the operation to prevent similar situation from happening meanwhile increase efficiency in the production yet enhance profitability. The demand for such product in the People's Republic of China (the "**PRC**") is showing trend of increase and is not affected by the global economy. The future of the manufacturing and trading of ceramic sewage material sector is still bright. Finally, the increase in administrative cost had included the amortisation of intangible asset from the accounting treatment towards the acquisition of our new subsidiary.

In October 2009, the management of the Group had decided to acquire the entire issued share capital of Supreme Luck International Limited ("**Supreme Luck**") which had entered into the Management Agreement with Shenzhen Careall Capital Investment Co., Ltd ("**Careall Capital**"). Careall Capital is a company established in the PRC in April 2007 with current registered capital of RMB200,000,000. Careall Capital is principally engaged in venture investment, venture investment advisory and management services and the agency services for venture capital firm or individual venture investment. The objective of Careall Capital is to invest in the equities of the new technology-based enterprises in the PRC and to support the enterprises which engage in high-technology business and the small enterprises with high growth. Careall Capital possesses the professionals in investment and integrated expertise of finance and technology and has participated in many investment projects in high-technology and high growth fields including new materials, electronic information, energy conservation and environmental protection, chained stores and new media is 17 out of its 20 current venture investee companies are expected to be listed through initial public offerings between 2009 and 2011 on stock exchanges in Shenzhen, Germany, the United States of America and Hong Kong. Based on the price earnings ratios of the comparable companies of the respective investee companies at the time of initial public offerings and the investment costs of Careall Capital, the average return on investment on the venture investee companies is expected to be approximately 4.5 times. In view of the restrictions under the PRC laws in acquiring an equity interest in, or forming a joint venture company with, Careall Capital, the Group can only cooperate with Careall Capital by entering into of the Management Agreement. After taking into account (i) Careall Capital's large investment scale with clear investment and development strategy and the professional and experience in investments; (ii) the long term growth in economy in the PRC; and (iii) the annual management fee equivalent to 70% of the net profits of Careall Capital paid to the Supreme Luck, the Board is of the opinion that the Acquisition provides a good opportunity for the Group to participate in the securities investment business in the PRC, which in turn will not only enlarge the markets of the Group, but will also broaden the Group's revenue base which would have a positive impact on profitability of the Group. The total assets of the Group would increase by approximately 433.8% from HK$184,769,000 to HK$986,247,000; and its total liabilities would increase by approximately 2066.5% from HK$6,118,000 to HK$132,545,000, as a result of the acquisition.

The Group, in addition to its existing business, will also participate in securities investment business in the PRC through the cooperation with Careall Capital by the Management Agreement. Although the macro economic outlook is still very dire for year 2010 and economic visibility remains limited by the credit market turmoil, the Group is optimistic about its investments in the PRC. As the economy is expected to recover soon, it is expected that the continual growth of the PRC economy shall bring improving yields and values for Careall Capital and therefore will have a positive impact on the Group's profitability. Going forward, it is expected that the acquisition will further diversify the Group's business scope and broaden the Group's revenue base.

PROSPECTS

As the world economy has entered into the second stage after the financial turmoil which reached its dramatic peak in September 2009 with the fall of Lehman Brothers, followed by the credit crisis. As assets prices plummet while liabilities remain unchanged. Many in the private sector and financial intermediaries became insolvent and the asset sold could not satisfy their debt. Governments came to rescue by taking up toxic assets and even nationalized some banks. As a result, the governments' public debts increase as to prolong and burden on growth and boost to inflation in order for some government to finance the liabilities which they took up from the private sector. This action called money printing may work in the short run. Recently in early 2010, some Europeans countries appeared to become insolvent and at risk of defaulting because its debt is calculated in Euros and making it impossible by relying on the printing presses to monetize their debt. The way to recovery is still uncertain for many developed countries. Over the time of difficulty, the PRC remained the few countries which still able to come up with positive growth. Our management had strong confidence in investing and expending our business in the PRC will continue to provide positive result. Yet, caution must be taken seriously since the market have little sympathy for the view that the Chinese economy is growing at a too rapid pace which may led to tighter monetary policy. Certain industries and segments, high-end real estate are showing signs towards an overheating economy which had called for less fiscal stimulus and policy will be expected to appear in order to slowdown the momentum by authorities in near future. Despite the near-term risk, looking at the fundamental economy condition. The management had firm believes in the investment condition for the PRC and will bring benefits to the Group.

APPRECIATION

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

Yau Yan Ming Raymond
Chairman

Hong Kong, 22 June 2010

BUSINESS REVIEW

During the year ended 31 March 2010, the Group's principal activity was engaged in investment in financial and investment products as well as manufacture and trading of ceramic sewage material. The turnover for the Group was approximately HK$108,633,000 as compared to approximately HK$91,290,000 last year. The net loss attributable to owners of the Company for the Group was approximately HK$92,503,000 as compared to a net profit attributable to owners of the Company of approximately HK$2,386,000 last year.

INVESTMENT

As at 31 March 2010, the Group had financial investment with fair value of approximately HK$6,312,000 (2009: HK$53,852,000). The management will take a cautious and prudent approach in implementing our strategies in the future.

REVENUE, GROSS PROFIT AND ADMINISTRATIVE EXPENSES

For the year ended 31 March 2010, the Group's turnover was approximately HK$108,633,000 which was comprised of revenue from investments and manufacture and trading of ceramic sewage material amounted to approximately HK$8,595,000 as compared to approximately HK$1,637,000 for the year ended 31 March 2009. Loss in the financial year includes net loss disposal of available-for-sale investments of approximately HK$17,830,000 (2009: nil) which are subject to market volatility. The management of the company had decided to dispose a substantial amount within the portfolio of the available-for-sale investments due to the volatility of the market and the poor future profitability of the companies which the Company had invested in.

The Group generated a net loss attributable to owners of the Company of approximately HK$92,503,000 for the year ended 31 March 2010, compared to a net profit attributable to owners of the Company of approximately HK$2,386,000 for the year ended 31 March 2009. The loss was majorly raised from loss on disposal of available-for-sale investments of approximately HK$17,830,000, impairment loss on goodwill from our PRC Co. approximately HK$14,377,000, impairment loss on other receivables with an amount of approximately HK$18,240,000 and administrative expenses of HK$37,887,000.

Administrative expenses incurred by the Group for the year ended 31 March 2010 amounted to approximately HK$37,887,000 (2009: HK$7,988,000). Such increase is due to the cost incurred from the acquisition of the new subsidiary and the related amortization of an intangible asset. The amortization of intangible asset alone was amounted to approximately HK$25,710,000.

Selling expenses incurred by the Group for the year ended 31 March 2010 amounted to approximately HK$5,292,000 (2009: HK$202,000), representing the manufacturing and trading of ceramic sewage material subsidiary in the PRC. The increase in selling expenses is due to a full year of sales operation during the year ended 31 March 2010 as compared to approximately 2 months of operations after acquisition last year. There was also the increase of variable selling cost such as transportation cost which is related to the increase in trading volume and turnover also impacting the amount.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Pending Litigation

On 26 May 2008, Shine Gain Holdings Limited, a direct wholly-owned subsidiary of the Company (the "**Purchaser**"), entered into an agreement (the "**Agreement**") to purchase the entire issued share capital of Plenty One Limited (the "**Acquisition**"), which in turn holds a 80% interest in the registered and paid-up capital of Ping Xiang City San He Lian Chuang Water Technology Company Limited (萍鄉市三和聯創水務科技有限公司) (the "**PRC Co.**"). Details of the Agreement and the Acquisition are disclosed in the circular of the Company dated 19 June 2008.

Pursuant to the Agreement, Da Luz, Sergio Augusto Josue Junior (the "**Vendor**") irrevocably and unconditionally warrants, guarantees and undertakes to and with the Purchaser that the consolidated net profit after tax of the PRC Co. (the "**Net Profit**") during the period from 1 June 2008 to 30 May 2009 ("**First Relevant Period**") as to be shown in the audited accounts of the PRC Co. for such period to be prepared by a certified public accountants acceptable to the Purchaser shall not be less than RMB6,000,000 (the "**Guaranteed Profit**"). In the event that the Net Profit during the First Relevant Period, as the case may be, is less than the Guaranteed Profit, the Purchaser shall be entitled to a cash sum which is equal to the amount of the difference between the Guaranteed Profit and the Net Profit (the "**Shortfall Payment**").

Currently, the accounts of the PRC Co. has showed that the net profit for the First Relevant Period is to be less than the Guaranteed Profit. The Company has already appointed legal representative in search for possible action against the Vendor for compensation.

Acquisition of subsidiaries

On 8 April 2009, Growwise Holdings Limited, a wholly-owned subsidiary of the Company, as the Purchaser, entered into the Agreement with Rightshine Holdings Limited, as the Vendor, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell the entire issued share capital of Supreme Luck International Limited at a consideration of HK$900,000,000. The acquisition, the agreement and the transactions contemplated thereunder including, among others, the allotment and issue of the consideration shares, the convertible preference shares, and the issue of the convertible bonds and the capital increase were approved by the shareholders of the Company ("**Shareholders**") by passing the ordinary resolutions at the EGM held on 17 September 2009. The acquisition was completed on 23 October 2009. Upon completion, 61,522,160 consideration shares, the convertible bonds and 2,938,477,840 convertible preference shares were allotted and issued to the Vendor by the Company on 23 October 2009. Details of the acquisition and the completion are disclosed in the circular of the Company dated 31 August 2009 and the announcement of the Company dated 23 October 2009 respectively.

Share Subdivision

On 2 October 2009, the Board announced that it proposed to subdivide each of the existing issued and unissued shares and convertible preference shares of HK$0.20 each in the share capital of the Company into 5 subdivided shares and 5 subdivided convertible preference shares of HK$0.04 each respectively. The share subdivision was approved by the Shareholders by passing an ordinary resolution at the EGM held on 30 October 2009. The share subdivision became effective on 2 November 2009 and the board lots of the Company has been changed from 5,000 shares to 25,000 subdivided shares. Details of the share subdivision are disclosed in the circular of the Company dated 7 October 2009.

Adjustment to the convertible bonds

Pursuant to the terms and conditions of the instrument constituting the convertible bonds in the aggregate principal amount of HK$200,000,000 with zero coupon rate due 2014 issued by the Company on 23 October 2009, the conversion price of the convertible bonds and the total number of shares to be allotted and issued upon full exercise of the conversion rights attaching to the convertible bonds shall be adjusted in the following manner:

Before Share Subdivision		After Share Subdivision	
Number of Shares to be allotted and issued	**Conversion price per Share**	**Adjusted number of Shares to be allotted and issued**	**Adjusted conversion price per Share**
1,000,000,000	HK$0.20	5,000,000,000	HK$0.04

Adjustment to the convertible preference shares

Pursuant to the terms and conditions of the convertible preference shares in the aggregate principal amount of HK$587,695,568 issued by the Company on 23 October 2009, the conversion price of the convertible preference shares and the total number of Shares to be allotted and issued upon full exercise of the conversion rights attaching to the convertible preference shares shall be adjusted in the following manner:

Before Share Subdivision		After Share Subdivision	
Number of Shares to be allotted and issued	**Conversion price per Share**	**Adjusted number of Shares to be allotted and issued**	**Adjusted conversion price per Share**
2,938,477,840	HK$0.20	14,692,389,200	HK$0.04

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$47,636,000 as at 31 March 2010 (2009: HK$37,668,000) and maintain a sturdy financial situation with current assets plus financial investments and deposits totaling approximately HK$59,970,000 for the year ended 31 March 2010 (2009: HK$126,184,000). The Group had approximately HK$3,990,000 of other borrowing at subsidiary level (2009: HK$1,287,000).

FOREIGN EXCHANGE RISK

The Group's exposure to foreign exchange risk is minimal as most of the Group's subsidiaries operate in the PRC and most of the transactions, assets and liabilities are denominated in Renminbi and Hong Kong Dollars. Accordingly, the Group does not have derivative financial instruments to hedge its foreign currency risks.

PLEDGE OF ASSETS

At the end of the reporting period, the prepaid lease payment in relation to the land use right under the PRC manufacturing subsidiary with carrying value amounting to approximately HK$2,636,000 (2009: HK$5,178,000) were pledged to the local credit union to secure a borrowing provided to the manufacturing subsidiary.

The Group has no contingent liabilities as at 31 March 2010 (2009: nil)

CAPITAL COMMITMENTS

As at 31 March 2010, the Group has no capital commitment (2009: nil).

EMPLOYEE INFORMATION

As of 31 March 2010, the Group employed approximately 80 staffs (2009: 85) which mostly located in our factory in the PRC.

The Group has not granted any share option to the employees under its existing share option schemes during the year ended 31 March 2010 (2009: Nil).

EXECUTIVE DIRECTORS

Mr. Yau Yan Ming Raymond, aged 42, has over 14 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is an associate member of the Hong Kong Institute of Certified Public Accountants and a practicing member of American Institute of Certified Public Accountants. Mr. Yau also is a fellow member of The Taxation Institute of Hong Kong. He is currently an independent non-executive director of Willie International Holdings Limited (stock code: 00273) and Birmingham International Holdings Limited (stock code: 02309), both of which are listed on the main board of the Stock Exchange. Mr. Yau holds a master degree in Science majoring in Japanese business studies and bachelor degree in Business Administration majoring in accounting at Hawaii in the United States of America.

Mr. Yang Bin, aged 36, was recently appointed as the Executive Director and Chief Executive Officer of China Water Industry Group Limited (Stock code: 01129), the parent company of the Company and the shares of which are listed on the Main Board of The Stock Exchange. Mr. Yang was graduated from the college of Jiu-jiang, Jiangxi Province, the PRC. He has also completed his studies in Economy Administration in Distance Learning College of The Party School of the Central Committee of the Communist Party of China. Before joining the Company, Mr. Yang was a General Manager Assistant of Jiangxi Shangrao City Water Supply Company* (江西省上饒市自來水公司) where he was mainly responsible for marketing and promoting water supply business to the urban residents of Shangrao City, the PRC as well as designing and constructing water supply piping network.

Mr. Li Wen Jun, aged 51, is currently an Executive Director of China Water Industry Group Limited (stock code: 01129), the parent company of the Company and the shares of which are listed on the Main Board of The Stock Exchange. He was graduated from Department of Chemical Machinery of South China University of Technology. He has passed the national training and examination organised by the State Council of the PRC in respect of the overseas delegated engineer and he has also passed the national training and examination for managers and factory director. Mr. Li has more than 28 years of extensive experience in chemical engineering and management of the chemical industry in the PRC. Mr. Li has also conducted various research and development projects in relation to organic chemistry majoring in research on treatment of sewerage by BAF (Biological Aerated Filter).

Mr. Wong Ka Chun Carson, aged 31, is a member of the American Institute of Certified Public Accountants. He is currently an independent non-executive director of SMI Publishing Group Limited (stock code: 08010). He graduated from Simon Fraser University with a Bachelor's degree in Economics and a Diploma in Financial Management from British Columbia Institution of Technology. He had substantial experience in auditing and financial analytical experience in a multi-national corporation.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chang Kin Man, aged 46, is a certified public accountant in Hong Kong and a fellow member of The Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Chang holds a bachelor degree in economics and a master degree in Applied Finance. Mr. Chang has extensive experience in corporate finance and in accounting field. He worked for an international accounting firm and a number of public listed companies for more than 15 years. He is currently an independent non-executive director of two companies listed on the main board of the Stock Exchange, namely China Water Industry Group Limited (formerly known as Sky Hawk Computer Group Holdings Limited) (stock code: 01129) and Birmingham International Holdings Limited (stock code: 02309).

* The English name is for identification purpose only.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Tak Lung, aged 45, is a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and The Taxation Institute of Hong Kong. Mr. Wu is also a full member of the Hong Kong Securities Institute and an associate member of The Hong Kong Institute of Certified Public Accountants. Mr. Wu received a bachelor degree in Business Administration from the Hong Kong Baptist University and a master degree in Business Administration from University of Manchester and University of Wale. Mr. Wu is a Vice-president of The Association of Chartered Certified Accountants and Vice-President of The Taxation Institute of Hong Kong. He is also a Council Member of Hong Kong – Guangdong Youth Exchange Promotion Association, Kiangsu and Chekiang Resident (HK) Association and an Honorary Associate of the School of Business of the Hong Kong Baptist University.

Mr. Wu is currently an Independent Non-executive Director of Apollo Solar Energy Technology Holdings Limited (stock code: 00566), AUPU Group Holding Company Limited (stock code: 00477) and Neo-Neon Holdings Limited (stock code: 01868) and China Water Industry Group Limited (stock code: 01129) which are listed on the Main Board of the Stock Exchange, and AKM Industrial Company Limited (stock code: 08298), Finet Group Limited (stock code: 08317) which is listed on the Growth Enterprise Market operated by the Stock Exchange.

Mr. Lam Tze Chung, aged 37, has over 10 years of working experience in accounting field. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. Mr. Lam is an associate member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010

PRINCIPAL ACTIVITIES

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

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2010 are set out in note 20 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 and consolidated statement of comprehensive income on page 25 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year (2009: Nil).

SEGMENTAL INFORMATION

The analysis of the Group's principal activities and geographical locations of customers of the group during the financial year are set out in note 8 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2010, the aggregate amount of turnover attribute to the Group's five largest customers was less than 30% of the total value of the Group's turnover. The Group's purchase to the five largest suppliers accounted for less than 30% of the total value of the Group's purchase.

At no time during the year have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in major customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 28 to the financial statements.

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year ended 31 March 2010.

RESERVES AND DISTRIBUTABLE RESERVES

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

As at 31 March 2010, the reserves of the Company available for distribution to shareholders were approximately HK$5,304,000, comprising special capital reserve of approximately HK$40,022,000, contributed surplus of approximately HK$31,104,000 and accumulated losses of approximately HK$65,822,000.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 March 2010.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 80 of the annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

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

Executive Directors:

Mr. Yau Yan Ming Raymond ("Mr. Yau")
Mr. Yang Bin ("Mr. Yang")
Mr. Li Wen Jun ("Mr. Li")
Mr. Wong Ka Chun Carson ("Mr. Wong")

Independent non-executive Directors:

Mr. Chang Kin Man ("Mr. Chang")
Mr. Wu Tak Lung ("Mr. Wu")
Mr. Lam Tze Chung ("Mr. Lam") (Appointed on 19 November 2009)
Mr. Pan Chik ("Mr. Pan") (Resigned on 19 November 2009)

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

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

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

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

At 31 March 2010, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK$0.04 each of the Company ("Shares")

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

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

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

Long positions in debentures

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

Long positions in the shares of associated corporation

Name of Director	**Name of associated corporation**	**Number of shares held in the associated corporation**	**Approximate percentage of shareholding**
Yang Bin	China Water Industry Group Limited ("**China Water**")	450,479,000 *(Note)*	16.64%

Note: These shares are held by Boost Skill Investments Limited (as to 265,479,000 shares of China Water) and its wholly owned subsidiaries, Favor Jumbo Investments Limited (as to 130,000,000 shares of China Water) and Sure Ability Limited (as to 55,000,000 shares of China Water), Mr. Yang Bin is interested in 60% of the equity interest in Boost Skill Investment Limited.

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

Short positions in the Shares

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

Short positions in underlying shares

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

Short positions in debentures

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

Save as disclosed above, at 31 March 2010, none of the Directors or chief executive of the Company had any interests in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

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

At 31 March 2010, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long positions in the Shares

Name of substantial Shareholder	**Capacity/Nature of interest**	**Number of ordinary shares in the Company held**	**Percentage of issued share capital of the Company**
Bonus Raider Investments Limited *(Note 1)*	Beneficial owner	2,406,117,500 *(Note 2)*	76.66% *(Note 3)*
China Water Industry Group Limited *(Note 1)*	Interest of a controlled corporation	2,406,117,500 *(Note 2)*	76.66% *(Note 3)*

Note:

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

2. The Shares are adjusted by the share subdivision effect from 2 November 2009.

3. The percentage is based on 3,138,885,800 issued Shares as at 31 March 2010.

Long positions in underlying shares

(a) Convertible preference shares of HK$0.04 each of the Company ("Convertible Preference Shares")

Name of holder	Capacity	Number of Shares entitled pursuant to the full exercise of the Convertible Preference Shares held as at 31 March 2010 *(Note 3)*
Will Success Holdings Limited *(Note 1)*	Beneficial Owner	7,346,194,600
Even Glory Holdings Limited *(Note 2)*	Beneficial Owner	7,346,194,600
Chen Lixue *(Note 1&2)*	Interest of a controlled corporation	14,692,389,200
Wang Hongjun *(Note 2)*	Interest of a controlled corporation	7,346,194,600

Note:

1. Will Success Holdings Limited is a company wholly-owned by Mr. Chen Lixue.
2. Even Glory Holdings Limited ("Even Glory") is a company owned by Mr. Chen Lixue and Mr. Wang HongJun respectively. Each of them holds 50% of the interests of Even Glory.
3. The number of Shares is adjusted by the share subdivision effect from 2 November 2009.

(b) Convertible bonds

Name of holder	Capacity	Number of Shares entitled pursuant to the full exercise of the Convertible bonds held as at 31 March 2010 *(Note 3)*
Will Success Holdings Limited *(Note 1)*	Beneficial Owner	2,500,000,000
Even Glory Holdings Limited *(Note 2)*	Beneficial Owner	2,500,000,000
Chen Lixue *(Note 1&2)*	Interest of a controlled corporation	5,000,000,000
Wang Hongjun *(Note 2)*	Interest of a controlled corporation	2,500,000,000

Note:

1. Will Success Holdings Limited is a company wholly-owned by Mr. Chen Lixue.
2. Even Glory is a company owned by Mr. Chen Lixue and Mr. Wang HongJun respectively. Each of them holds 50% of the interests of Even Glory.
3. The number of Shares is adjusted by the share subdivision effect from 2 November 2009.

Short positions in the Shares

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

Short positions in underlying shares

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

Save as disclosed above, at 31 March 2010, the Directors were not aware of any persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations" above and in the share option scheme disclosures in note 34 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Detailed disclosures relating to the Company's share option schemes are set out in note 34 to the financial statements.

CONNECTED TRANSACTIONS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this annual report, the audit committee comprises three members, Mr. Chang Kin Man, Mr. Wu Tak Lung and Mr. Lam Tze Chung, all are independent non-executive Directors. The audit committee held four meetings during the year. The Group's audited results for the year ended 31 March 2010 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

DIVIDEND

The Directors do not recommend the payment of a final dividend for year ended 31 March 2010 (2009: Nil).

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 22 of the annual report.

PRE-EMPTIVE RIGHTS

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 34 to the financial statements.

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 41 to the financial statements.

AUDITOR

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

By Order of the Board
Yau Yan Ming Raymond
Chairman

Hong Kong
22 June 2010

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has applied the principles and, save as the deviation disclosed herein, has complied with all the applicable code provisions of the Code of Corporate Governance Practice (the "**Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 March 2010.

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

During the year, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 March 2010, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

THE BOARD

Composition

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

Executive Directors

Mr. Yau Yan Ming Raymond *(Chairman and CEO) ("*Mr. Yau")
Mr. Yang Bin ("Mr. Yang")
Mr. Li Wen Jun ("Mr. Li")
Mr. Wong Ka Chun Carson ("Mr. Wong")

Independent non-executive Directors

Mr. Chang Kin Man ("Mr. Chang")
Mr. Wu Tak Lung ("Mr. Wu")
Mr. Lam Tze Chung ("Mr. Lam") (Appointed on 19 November 2009)
Mr. Pan Chik ("Mr. Pan") (Resigned on 19 November 2009)

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

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

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

In accordance with the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment or those who were appointed by the Board during the year to fill any casual vacancy.

Number of Meetings and Directors' Attendance

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

During the year ended 31 March 2010, four regular board meetings, four audit committee meetings and one remuneration committee meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of meetings		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Executive Director			
Yau Yan Ming Raymond	4/4	4/4	1/1
Yang Bin	4/4	N/A	N/A
Li Wen Jun	4/4	N/A	N/A
Wong Ka Chun Carson	4/4	4/4	N/A
Independent non-executive Director			
Chang Kin Man	4/4	4/4	1/1
Wu Tak Lung	4/4	4/4	1/1
Pan Chik (Resigned on 19 November 2009)	3/4	2/4	1/1
Lam Tze Chung (Appointed on 19 November 2009)	1/4	1/4	N/A

Practices and Conduct of Meetings

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

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

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

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

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

Audit Committee

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

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

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

The Company's annual audited results for the year ended 31 March 2010 have been reviewed by the Audit Committee.

Remuneration Committee

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

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

During the year under review, the Remuneration Committee held one meeting to recommend to the Board the policy and structure for the remuneration of the executive Directors and senior management, determining the specific remuneration packages of all the executive Directors and senior management, reviewing and approving performance-based remuneration and compensation for loss or termination of office payable to executive Directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management.

Director Nomination Procedures

The Company has not set up a nomination committee yet. According to the Articles, the Board has the power from time to time and at any time to appoint any person as a Director either to fill a causal vacancy or as an addition to the Board. The current nomination procedures for appointment of new Directors would normally take into consideration of the candidates' past experience, qualifications and any other factors, if any, which are relevant to the Company's business. Then, shortlisted candidates with their profiles would be brought to the Board before meeting for consideration as soon as it is practicable. During the year ended 31 March 2010, Mr. Lam was appointed as the independent non-executive Director to replace upon Mr. Pan's resignation.

COMPLIANCE WITH THE CODE

The Company has complied with the Code throughout the financial year ended 31 March 2010 except for deviation from code provisions below:

Chairman and chief executive officer

Under code provision A.2.1, the roles of chairman and chief executive officer should be separated. Mr. Yau serves as the Chairman of the Board and the Chief Executive Officer. The reason for not splitting the roles of chairman and chief executive officer are as follows:

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

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

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

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

Appointment term of non-executive Directors

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

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

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

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

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2010.

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

The remuneration of the external auditor of the Company in respect of audit services for the year ended 31 March 2010 amounted to HK$480,000.

INTERNAL CONTROLS

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

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

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

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

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

- Check and balance

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

- Segregation of duties

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

Based on the assessment made by the senior management on the Group's corporate governance practices and also on the review by the Board on the effectiveness of the Group's internal control systems covering financial, operational and risk management controls, the Board is satisfied that during the financial year ended 31 March 2010:

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

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

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

BUSINESS ETHICS AND PROFESSIONAL CODE OF CONDUCTS

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

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

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

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

We have audited the financial statements of iMerchants Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 79, which comprise the consolidated and Company's statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

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

Hong Kong
22 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Turnover	*7*	**108,633**	91,290
Revenue		**8,595**	1,637
Cost of sale		**(3,927)**	(1,472)
Gross profit		**4,668**	165
Investment income		**29**	423
Other income	*9*	**357**	1,295
Net loss on disposal of available-for-sale investments		**(17,830)**	–
Net gain on disposal of debt securities		**–**	1,143
Net gain on disposal of listed trading securities		**1,729**	–
Net fair value change on listed trading securities		**–**	3,400
Increase in fair values of financial assets at fair value through profit or loss		**–**	2,785
Gain on disposal of convertible notes receivable		**–**	1,328
Impairment loss on goodwill	*19*	**(14,377)**	–
Impairment loss on other receivables		**(18,240)**	–
Selling expenses		**(5,292)**	(202)
Administrative expenses		**(37,887)**	(7,988)
Finance costs	*10*	**(5,923)**	(106)
(Loss) profit before taxation	*11*	**(92,766)**	2,243
Income tax expense	*13*	**(390)**	–
(Loss) profit for the year		**(93,156)**	2,243
Other comprehensive income (expense) for the year, net of tax			
Exchange difference arising on translation		**65**	(131)
Change in fair value of available-for-sale investments		**4,147**	(54,073)
Release of investment revaluation reserve upon disposal of available-for-sale investments		**54,378**	(771)
Total comprehensive expense for the year, net of tax		**(34,566)**	(52,732)
(Loss) profit for the year attributable to:			
Owners of the Company		**(92,503)**	2,386
Minority interests		**(653)**	(143)
		(93,156)	2,243
Total comprehensive expense attributable to:			
Owners of the Company		**(33,926)**	(52,562)
Minority interests		**(640)**	(170)
		(34,566)	(52,732)
(Loss) earnings per share (HK cents)	*14*		
Basic and diluted		**(3.12)**	0.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Non-current assets			
Property, plant and equipment	*16*	**6,875**	6,412
Prepaid lease payments	*17*	**2,576**	2,604
Intangible asset	*18*	**899,874**	–
Goodwill	*19*	**16,952**	49,569
Available-for-sale investments	*21*	**6,312**	53,852
		932,589	112,437
Current assets			
Inventories	*22*	**799**	141
Trade and other receivables	*23*	**5,163**	34,463
Prepaid lease payments	*17*	**60**	60
Cash held at non-bank financial institutions	*24*	**25,711**	8,903
Bank balances and cash	*24*	**21,925**	28,765
		53,658	72,332
Current liabilities			
Trade and other payables	*25*	**3,989**	1,935
Other loans	*26*	**–**	1,287
Amount due to a minority shareholder of a subsidiary	*27*	**2,542**	2,896
Income tax payables		**364**	–
		6,895	6,118
Net current assets		**46,763**	66,214
		979,352	178,651
Capital and reserves			
Share capital	*28*	**125,555**	113,251
Non-redeemable convertible preference shares	*29*	**587,696**	–
Reserves		**139,940**	64,249
Equity attributable to owners of the Company		**853,191**	177,500
Minority interests		**511**	1,151
Total equity		**853,702**	178,651
Non-current liabilities			
Other loans – due after one year	*26*	**3,990**	–
Convertible bonds	*30*	**121,660**	–
		125,650	–
		979,352	178,651

The consolidated financial statements on pages 25 to 79 were approved and authorised for issue by the board of directors on 22 June 2010 and are signed on its behalf by:

Director　　　　　　　　Director

STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	NOTES	**2010 HK$'000**	2009 HK$'000
Non-current asset			
Investments in subsidiaries	*20*	**957,575**	32,002
Current assets			
Amounts due from subsidiaries	*20*	**20,487**	118,860
Bank balances	*24*	**65**	4,250
		20,552	123,110
Current liabilities			
Other payables	*25*	**1,590**	420
Amounts due to subsidiaries	*20*	**2,838**	2,838
		4,428	3,258
Net current assets		**16,124**	119,852
		973,699	151,854
Capital and reserves			
Share capital	*28*	**125,555**	113,251
Non-redeemable convertible preference shares	*29*	**587,696**	–
Reserves	*31*	**138,788**	38,603
		852,039	151,854
Non-current liability			
Convertible bonds	*30*	**121,660**	–
		973,699	151,854

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Attributable to owners of the Company												
	Share capital HK$'000	Non-redeemable convertible preference shares HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Merger reserve HK$'000 *(Note b)*	Investment revaluation reserve HK$'000	Special capital reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 April 2008	113,251	–	–	3,297	45,918	771	60,592	–	–	6,233	230,062	–	230,062
Total comprehensive expense for the year	–	–	–	–	–	(54,844)	–	(104)	–	2,386	(52,562)	(170)	(52,732)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	976	976
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	345	345
At 31 March 2009 and 1 April 2009	113,251	–	–	3,297	45,918	(54,073)	60,592	(104)	–	8,619	177,500	1,151	178,651
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**–**	**58,525**	**–**	**52**	**–**	**(92,503)**	**(33,926)**	**(640)**	**(34,566)**
Issuance of shares	**12,304**	**–**	**46,142**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58,446**	**–**	**58,446**
Issue of non-redeemable preference shares *(Note c)*	**–**	**587,696**	**–**	**–**	**–**	**–**	**(20,570)**	**–**	**–**	**–**	**567,126**	**–**	**567,126**
Issue of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**84,045**	**–**	**84,045**	**–**	**84,045**
At 31 March 2010	**125,555**	**587,696**	**46,142**	**3,297**	**45,918**	**4,452**	**40,022**	**(52)**	**84,045**	**(83,884)**	**853,191**	**511**	**853,702**

Notes:

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

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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
(Loss) profit before taxation	**(92,766)**	2,243
Adjustments for:		
Amortisation of prepaid lease payments	**60**	35
Amortisation of intangible asset	**25,710**	–
Depreciation of property, plant and equipment	**466**	198
Finance costs	**5,923**	106
Gain on disposal on convertible note receivables	**–**	(1,328)
Impairment loss on other receivables	**18,240**	–
Impairment loss on trade receivables	**775**	–
Impairment loss on goodwill	**14,377**	–
Increase in fair values of financial assets at fair value through profit or loss	**–**	(2,785)
Interest income	**(5)**	(286)
Net loss on disposal of available-for-sale investments	**17,830**	–
Net gain on disposal of debt securities	**–**	(1,143)
Operating cash flows before movements in working capital	**(9,390)**	(2,960)
(Increase) decrease in inventories	**(655)**	420
Decrease in trade and other receivables	**1,073**	29,978
Decrease in held-for-trading investments	**–**	49,193
Decrease (increase) in available-for-sale investments	**88,235**	(88,859)
Decrease in financial assets at fair value through profit or loss	**–**	15,266
(Increase) decrease in cash held at non-bank financial institutions	**(16,808)**	55,607
Increase (decrease) in trade and other payables	**917**	(321)
Repayment from a related company	**–**	17,294
CASH FROM OPERATING ACTIVITIES	**63,372**	75,618
Income tax paid	**(26)**	–
NET CASH FROM OPERATING ACTIVITIES	**63,346**	75,618
INVESTING ACTIVITIES		
Net cash outflow in respect of the acquisition of an intangible asset through acquisition of a subsidiary *(Note 32)*	**(98,890)**	–
Purchases of property, plant and equipment	**(850)**	(2,690)
Refund of (payment for) deposits for potential investment projects	**27,470**	(27,470)
Interest received	**5**	286
Proceeds from disposal of convertible note receivables	**–**	4,000
Net cash outflow in respect of the acquisition of subsidiaries *(Note 33)*	**–**	(49,413)
NET CASH USED IN INVESTING ACTIVITIES	**(72,265)**	(75,287)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010 **HK$'000**	2009 HK$'000
FINANCING ACTIVITIES		
New other loans raised	**3,983**	–
Repayment of other loans	**(1,300)**	(679)
Repayment to a minority shareholder of a subsidiary	**(389)**	(1,001)
Interest paid	**(218)**	(106)
Repayment to a fellow subsidiary	**–**	(176)
Contribution from a minority shareholder of a subsidiary	**–**	345
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**2,076**	(1,617)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,843)**	(1,286)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**28,765**	30,133
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**3**	(82)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash	**21,925**	28,765

1. GENERAL

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

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

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

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

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
Hong Kong Accounting Standard ("HKAS") 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer Loyalty Programmes
HK(IFRIC) – INT 15	Agreements for the Construction of Real Estate
HK(IFRIC) – INT 16	Hedges of a Net investment in a Foreign Operation
HK(IFRIC) – INT 18	Transfers of Assets from Customers

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

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current and prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) – Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

HKFRS 7 – Improving Disclosures about Financial Instruments

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in accordance with the transitional provision set out in the amendments.

HKFRS 8 – Operating Segments

HKFRS 8 is a disclosure standard that has changed the basis of measurement of the Group's segment profit or loss. However, the adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs 2010[3]
HKAS 24 (Revised)	Related Party Disclosures[7]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[5]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Revised)	First time Adoption of HKFRSs[1]
HKFRS 1 (Amendment)	Additional Exceptions for first-time Adopters[4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Revised)	Group Cash-settled Share-based Payment Transaction[4]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[8]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum Funding Requirement[7]
HK(IFRIC) – INT 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – INT 19	Transfers of Assets from Customers[6]

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

[1] Effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
[4] Effective for annual periods beginning on or after 1 January 2010.
[5] Effective for annual periods beginning on or after 1 February 2010.
[6] Effective for annual periods beginning on or after 1 July 2010.
[7] Effective for annual periods beginning on or after 1 January 2011.
[8] Effective for transfers of assets from customers received on or after 1 January 2013.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of *HKAS 39 Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of *Improvements to HKFRSs (2009)*, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might affect the classification and measurement of the Group's leasehold land.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of consolidation

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

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

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

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

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

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

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

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

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss.

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment losses. Amortisation for the intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Prepaid lease payments

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

Financial instruments

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

Financial assets

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

Effective interest method

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represented investment held for trading. A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend and includes interest earned on the financial assets.

Loans and receivables

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

Available-for-sale financial assets

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

Available-for-sale financial assets including equity securities and debt securities are measured at fair value at the end of each reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

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

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

For all other financial assets, objective evidence of impairment could include:

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets (continued)

Impairment loss on financial assets (continued)

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity (continued)

Other financial liabilities

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

Equity instruments

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

Convertible bonds containing liability and equity components

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity component of convertible bonds.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the respective group entity, will remain in equity component of convertible bonds until the embedded option is exercised (in which case the balance stated in equity component of convertible bonds will transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bonds will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Non-redeemable convertible preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Group's option, and any dividend is discretionary.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

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

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

Equity-settled share-based payment transactions

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

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

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Inventories

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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 the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

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

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

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income 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 date.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in to profit or loss, except when it relates to items that are 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 respectively.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income in the consolidated financial statements and will be reclassified from equity to profit or loss on disposal of foreign operation. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

Borrowing costs

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

Retirement benefits costs

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the 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.

Useful lives and impairment assessment of property, plant and equipment

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

Impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2010, the carrying amount of trade receivables was approximately HK$928,000 (2009: HK$770,000) (net of impairment loss of approximately HK$787,000 (2009: HK$10,000)).

Impairment loss recognised in respect of other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2010, the carrying amounts of other receivables are HK$2,821,000 (2009: HK$5,407,000) (net of impairment loss of HK$18,240,000 (2009: nil)).

Impairment of intangible asset

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made. As at 31 March 2010, the carrying amounts of intangible asset were approximately HK$899,874,000 (2009: nil).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2010, the carrying amounts of goodwill was approximately HK$16,952,000 (2009: HK$49,569,000) (net of impairment loss of approximately HK$14,377,000 (2009: nil)). Details of impairment testing on goodwill are set out in Note 19.

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

Key sources of estimation uncertainty *(continued)*

Fair values of convertible bonds

The fair values of the convertible bonds involve assumptions on the Company's credit spread, discount rate, expected credit rating and future cash flows. Should these assumptions change, there would be material changes to the valuation.

Fair value of non-redeemable convertible preference shares

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including share prices, volatility and the relevant parameters of the valuation model be changed, there would be changes in the fair value of non-redeemable convertible preference shares.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of other loans and convertible bonds disclosed in Notes 26 and 30, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the associated risks, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remained unchanged during the two years ended 31 March 2010.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	The Group	
	2010	2009
	HK$'000	HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	**51,385**	71,313
– Available-for-sale investments	**6,312**	53,852
Financial liabilities		
– At amortised cost	**132,157**	6,095

	The Company	
	2010	2009
	HK$'000	HK$'000
Financial assets		
– Loans and receivables (including cash and cash equivalents)	**20,552**	123,110
Financial liabilities		
– At amortised cost	**126,088**	3,258

6. FINANCIAL INSTRUMENT *(continued)*

6b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, cash held at non-bank financial institutions, bank balances and cash, trade and other payables, amount due to a minority shareholder of a subsidiary, other loans, convertible bonds and amounts due from/to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

Other than the subsidiary established in the PRC whose functional currency is RMB, the Company and subsidiaries' functional currency is HK$. However, certain bank balances and cash held in non-bank financial institutions are denominated in currencies other than HK$.

	As at 31 March 2010		**As at 31 March 2009**	
	United States Dollar ("USD")'000	**Australian Dollars ("AUD")'000**	USD'000	AUD'000
Assets	**59**	**1**	226	1

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a reasonably possible change of 5% in exchange rate of HK$ against each foreign currency while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 5% (2009: 5%) change in foreign currency rates.

	USD		**AUD**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
(Decrease) increase in loss for the year, net of tax effect				
– if HK$ weakens against foreign currencies	**(19)**	(73)	**–**	–
– if HK$ strengthens against foreign currencies	**19**	73	**–**	–

A change of 5% (2009: 5%) in exchange rate of HK$ against each foreign currency does not affect other components of equity.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

6. FINANCIAL INSTRUMENT *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk (continued)

Other price risk

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

Sensitivity analysis

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

If the prices of the respective equity instruments had been 5% (2009: 5%) higher/lower, the investment revaluation reserve would increase/decrease by approximately HK$316,000 (2009: HK$2,693,000) for the Group as a result of the changes in fair value of available-for-sale investments.

The Company has no equity securities and is not exposed to equity securities price risk.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to other loans for the years ended 31 March 2010 and 2009. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

The Group's and the Company's exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Since the Group's and the Company's exposure to interest rate risk is minimal, no sensitivity analysis has been prepared.

6. FINANCIAL INSTRUMENT *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Credit risk

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

The Group has no significant credit risks as it has policies in place to ensure that sales of products are made to customers with appropriate credit history. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group only transacts with entities with good repayment history.

The Group has concentration of credit risk as 100% (2009: 99.6%) of the total trade receivables are due from the Group's five largest customers of the manufacture and trading of ceramic sewage materials segment.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for the entire (2009: 100%) total trade receivables as at 31 March 2010.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

For other financial assets, such as cash held at non-bank financial institutions and available-for-sale investments, the Group limited its exposure to credit risk by transacting the majority of its securities with broker-dealers and regulated exchanges with high credit rating of which the Group considered to be well established. All transactions in listed securities are settled/paid for upon delivery using approved and reputable brokers.

Liquidity risk

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

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

6. FINANCIAL INSTRUMENT *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity risk tables

The Group

	Less than one year HK$'000	More than one year but less than two years HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2010					
Non-derivative financial liabilities					
Trade and other payables	**3,965**	**–**	**–**	**3,965**	**3,965**
Other loans	**–**	**4,745**	**–**	**4,745**	**3,990**
Convertible bonds	**–**	**–**	**200,000**	**200,000**	**121,660**
Amount due to a minority shareholder of a subsidiary	**2,542**	**–**	**–**	**2,542**	**2,542**
	6,507	**4,745**	**200,000**	**211,252**	**132,157**
2009					
Non-derivative financial liabilities					
Trade and other payables	1,912	–	–	1,912	1,912
Other loans	1,287	–	–	1,287	1,287
Amount due to a minority shareholder of a subsidiary	2,896	–	–	2,896	2,896
	6,095	–	–	6,095	6,095

6. FINANCIAL INSTRUMENT *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk (continued)

Liquidity risk tables (continued)

The Company

	Less than one year HK$'000	More than two years but less than five years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2010				
Non-derivative financial liabilities				
Other payables	**1,590**	**–**	**1,590**	**1,590**
Amounts due to subsidiaries	**2,838**	**–**	**2,838**	**2,838**
Convertible bonds	**–**	**200,000**	**200,000**	**121,660**
	4,428	**200,000**	**204,428**	**126,088**
2009				
Non-derivative financial liabilities				
Other payables	420	–	420	420
Amounts due to subsidiaries	2,838	–	2,838	2,838
	3,258	–	3,258	3,258

6c. Fair values

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

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

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

6. FINANCIAL INSTRUMENT *(continued)*

6c. Fair value *(continued)*

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

The fair values of the convertible bonds and other loans for disclosure purpose is estimated by discounting the future contractual cash flow at the current market interest rate that is available to the Group for similar financial instruments.

6d. Fair value measurement recognised in the statements of financial position

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

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

The Group

	31 March 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale financial assets				
Listed equity securities	6,312	–	–	6,312

There was no transfers between Level 1 and 2 in current year.

Included in other comprehensive income is an amount of approximately HK$4,147,000 being gain relating to listed equity securities held at the end of the reporting period and is reported as changes of "investment revaluation reserve".

7. TURNOVER

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

	2010	2009
	HK$'000	HK$'000
Proceeds from disposal of available-for-sale investments	**88,235**	–
Proceeds from disposal of financial assets at fair value through profit or loss	**11,774**	15,266
Dividends from listed securities	**29**	376
Proceeds from disposal of held-for-trading investments	**–**	54,780
Proceeds from disposal of debt securities	**–**	19,184
Interest income from debt securities	**–**	47
Turnover from investments	**100,038**	89,653
Revenue from manufacture and trading of ceramic sewage materials	**8,595**	1,637
	108,633	91,290

8. SEGMENT INFORMATION

The Group has adopted *HKFRS 8 Operating Segments* with effect from 1 April 2009. HKFRS 8 is a disclosure standard that 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 who are directors of the Company, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard (*HKAS 14 Segment Reporting*) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group's operating and reportable segments under HKFRS 8 are as follows:

(a) Investments in financial and investment products

(b) Manufacture and trading of ceramic sewage materials

Information regarding the above segments is reported below. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

Segment information about these businesses is presented below:

Segment Revenue and Results

For the year ended 31 March

	Investment in financial and investment products		**Manufacture and trading of ceramic sewage materials**		**Total**	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
SEGMENT REVENUE:						
External sales	**–**	–	**8,595**	1,637	**8,595**	1,637
Investment income	**29**	423	**–**	–	**29**	423
	29	423	**8,595**	1,637	**8,624**	2,060
SEGMENT RESULTS	**(41,913)**	9,697	**(35,274)**	(614)	**(77,187)**	9,083
Unallocated corporate income and expenses					**(15,579)**	(6,840)
(Loss) profit before taxation					**(92,766)**	2,243

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

8. SEGMENT INFORMATION *(continued)*

Segment Revenue and Results *(continued)*

For the year ended 31 March

	Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
OTHER SEGMENT INFORMATION:						
Amounts included in the measure of segment profit or loss or segment asset:						
Addition to non-current assets *(Note)*	**925,584**	–	**850**	52,259	**926,434**	52,259
Depreciation of property, plant and equipment and amortisation of prepaid lease payments	**–**	–	**488**	197	**488**	197
Amortisation of intangible asset	**25,710**	–	**–**	–	**25,710**	–
Net loss on disposal of available-for-sale investments	**17,830**	–	**–**	–	**17,830**	–
Net gain on disposal of debt securities	**–**	(1,143)	**–**	–	**–**	(1,143)
Net gain on disposal of listed trading securities	**(1,729)**	–	**–**	–	**(1,729)**	–
Net fair value change on listed trading securities	**–**	(3,400)	**–**	–	**–**	(3,400)
Increase in fair values of financial assets at fair value through profit or loss	**–**	(2,785)	**–**	–	**–**	(2,785)
Gain on disposal of convertible notes receivable	**–**	(1,328)	**–**	–	**–**	(1,328)
Impairment loss on trade receivables	**–**	–	**775**	–	**775**	–
Impairment loss on other receivables	**–**	–	**18,240**	–	**18,240**	–
Impairment loss on goodwill	**–**	–	**14,377**	–	**14,377**	–
Amounts regularly provided to the chief operation decision maker but not included in measure of segment profit or loss or segment assets:						
Depreciation of unallocated property, plant and equipment	**–**	–	**–**	–	**38**	36
Interest income	**3**	282	**2**	4	**5**	286
Finance costs	**5,705**	–	**218**	106	**5,923**	106
Income tax expense	**–**	–	**390**	–	**390**	–

Note: Non-current assets exclude financial instruments.

8. SEGMENT INFORMATION *(continued)*

Segment Assets and Liabilities

As at 31 March

	Investment in financial and investment products		Manufacture and trading of ceramic sewage materials		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
ASSETS						
Segment assets	**931,897**	62,902	**28,707**	60,223	**960,604**	123,125
Unallocated segment assets					**25,643**	61,644
Total assets					**986,247**	184,769
LIABILITIES						
Segment liabilities	**–**	541	**4,937**	3,833	**4,937**	4,374
Unallocated segment liabilities					**127,608**	1,744
Total liabilities					**132,545**	6,118

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

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

Geographical information

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

	Revenue from external customers		Non-current assets	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
The PRC	**8,595**	1,637	**926,206**	58,480
Hong Kong	**–**	–	**6,383**	53,957
	8,595	1,637	**932,589**	112,437

8. SEGMENT INFORMATION *(continued)*

Information about major customers

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

	2010 **HK$'000**	2009 HK$'000
Customer A[1]	**2,197**	N/A[2]
Customer B[1]	**5,685**	N/A[2]
Customer C[1]	**N/A[2]**	364
Customer D[1]	**N/A[2]**	1,223

1. *Revenue from manufacture and trading of ceramic sewage materials.*
2. *The corresponding revenue did not contribute over 10% of the total revenue of the Group in the respective year.*

9. OTHER INCOME

	2010 **HK$'000**	2009 HK$'000
Interest income	**5**	286
Government subsidies *(Note)*	**307**	–
Net exchange gain	**8**	543
Sundries	**37**	466
	357	1,295

Note: The amounts represented the unconditional subsidies granted from the PRC government for the Group's contribution to environmental protection for the year ended 31 March 2010 (2009: Nil).

10. FINANCE COSTS

	2010 **HK$'000**	2009 HK$'000
Interest expenses on		
– Imputed interest expenses on convertible bonds *(Note 30)*	**5,705**	–
– Other loans wholly repayable within five years	**218**	106
	5,923	106

11. (LOSS) PROFIT BEFORE TAXATION

	2010 HK$'000	2009 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Staff costs (including directors' emoluments)		
Salaries and allowances	**4,103**	2,664
Retirement benefits scheme contributions	**75**	73
	4,178	2,737
Amortisation of intangible asset	**25,710**	–
Amortisation of prepaid lease payments	**60**	35
Auditor's remuneration	**480**	420
Cost of inventories recognised as expenses	**3,927**	1,472
Depreciation of property, plant and equipment	**466**	198
Impairment loss on trade receivables	**775**	–
Operating lease charges in respect of rented premises	**1,168**	581

12. EMOLUMENTS FOR DIRECTORS AND EMPLOYEES

(a) The emoluments paid or payable to each of the eight (2009: seven) directors, were as follows:

For the year ended 31 March 2010

Name of Director	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Yau Yan Ming Raymond	–	585	12	597
Mr. Yang Bin	–	435	12	447
Mr. Li Wen Jun	–	370	12	382
Mr. Wong Ka Chun Carson	–	370	12	382
Independent non-executive directors:				
Mr. Wu Tak Lung	144	–	–	144
Mr. Chang Kin Man	120	–	–	120
Mr. Lam Tze Chung [1]	53	–	–	53
Mr. Pan Chik [2]	91	–	–	91
	408	1,760	48	2,216

1. *Appointed on 19 November 2009.*
2. *Resigned on 19 November 2009.*

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

(a) For the year ended 31 March 2009

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

1. *Appointed on 1 August 2008.*

There was no arrangement under which directors waived or agreed to waive any emoluments during the two years ended 31 March 2010.

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2009: four) were directors of the Company whose emoluments are included in the disclosures in Note 12(a) above. The emoluments of the remaining one (2009: one) individuals were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and allowances	**364**	359
Retirement benefits scheme contributions	**12**	12
	376	371

The emoluments were within the following bands:

	Number of employees	
	2010	2009
Nil to HK$1,000,000	**1**	1

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2010.

13. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current	**364**	–
– Under provision in prior years	**26**	–
	390	–

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

No tax is payable on the profit for the year ended 31 March 2010 arising in Hong Kong since the assessable profit is wholly absorbed by tax losses brought forward.

Hong Kong Profits Tax has not been provided for in the consolidated financial statements for the year ended 31 March 2009 as there was no estimated assessable profit derived.

Under the Law of the EIT and Implementation Regulation of the Law of the EIT, the tax rate of the PRC subsidiary is at 25% from 1 January 2008 onwards.

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

	2010 HK$'000	2009 HK$'000
(Loss) profit before taxation	**(92,766)**	2,243
Taxation at domestic income tax rate of 16.5% (2009: 16.5%)	**(15,306)**	370
Tax effect of expenses not deductible for tax purpose	**15,595**	1,358
Tax effect of income not taxable for tax purpose	**(13)**	(1,487)
Tax effect of deductible temporary differences not recognised	**128**	–
Utilisation of tax losses previously not recognised	**(231)**	(180)
Effect of different tax rates of a subsidiary operating in other jurisdictions	**191**	(61)
Under provision for taxation in prior years	**26**	–
Tax expense for the year	**390**	–

At 31 March 2010, the Group had unused estimated tax losses of approximately HK$122,017,000 (2009: HK$123,415,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

13. INCOME TAX EXPENSE *(continued)*

At 31 March 2010, the Group also has other deductible temporary differences of approximately HK$775,000 (2009: Nil). No deferred tax assets has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which deductible temporary differences can be utilised.

14. (LOSS) EARNINGS PER SHARE

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

	2010	2009
	HK$'000	HK$'000
(Loss) earnings		
(Loss) earnings for the purposes of basic (loss) earnings per share ((loss) earnings for the year attributable to owners of the Company)	**(92,503)**	2,386
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,966,118**	2,831,275

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

Diluted earnings per share was same as the basic earnings per share for the year ended 31 March 2009 as there were no diluting events existed.

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

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2010, nor has any dividend been proposed since the end of the reporting period (2009: nil).

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 April 2008	–	–	120	–	–	120
Additions	–	5	47	–	2,638	2,690
Acquired on acquisition of subsidiaries	3,065	708	2	115	–	3,890
Exchange realignment	(62)	(14)	–	(2)	(12)	(90)
At 31 March 2009	3,003	699	169	113	2,626	6,610
Additions	–	256	26	–	568	850
Transfers	3,221	–	–	–	(3,221)	–
Exchange realignment	42	9	–	1	27	79
At 31 March 2010	6,266	964	195	114	–	7,539
ACCUMULATED DEPRECIATION						
At 1 April 2008	–	–	–	–	–	–
Provided for the year	68	79	38	13	–	198
At 31 March 2009	68	79	38	13	–	198
Provided for the year	208	189	46	23	–	466
At 31 March 2010	276	268	84	36	–	664
CARRYING VALUES						
At 31 March 2010	5,990	696	111	78	–	6,875
At 31 March 2009	2,935	620	131	100	2,626	6,412

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

The Group *(continued)*

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

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

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

17. PREPAID LEASE PAYMENTS

	The Group	
	2010	2009
	HK$'000	HK$'000
The Group's prepaid lease payment comprised:		
Leasehold land in the PRC under medium-term leases	**2,636**	2,664

	The Group	
	2010	2009
Analysed for reporting purposes as:	**HK$'000**	HK$'000
Current assets	**60**	60
Non-current assets	**2,576**	2,604
	2,636	2,664

As at 31 March 2010, the Group had pledged prepaid lease payments with carrying amount of approximately HK$2,636,000 (2009: HK$2,664,000) to secure other loans granted to the Group.

18. INTANGIBLE ASSET

	The Group HK$'000
COST	
At 1 April 2008 and 31 March 2009	–
Acquired through acquisition of a subsidiary	925,584
At 31 March 2010	925,584
ACCUMULATED AMORTISATION	
At 1 April 2008 and 31 March 2009	–
Provided for the year	25,710
At 31 March 2010	25,710
CARRYING VALUES	
At 31 March 2010	899,874
At 31 March 2009	–

The intangible asset represented the exclusive right derived from a management agreement ("**Management Agreement**") to receive management fee equivalent to 70% of the net profits of Careall Capital, a company established in the PRC and being an independent third party of the Group. Under the Management Agreement, Careall Capital and one of the ultimate beneficial owner of the vendor of Supreme Luck shall irrevocably and unconditionally warrant, guarantee and undertake to and with Supreme Luck that the net profits of Careall Capital during the one-year period commencing from the date of the Management Agreement, 19 August 2009 shall not be less than approximately HK$113,380,000 (equivalent to RMB100,000,000); the second one-year period commencing from the date of the Management Agreement shall not be less than approximately HK$170,070,000 (equivalent to RMB150,000,000); and the third one-year period commencing from the date of the Management Agreement shall not be less than approximately HK$226,760,000 (equivalents to RMB200,000,000). The shareholders of Careall Capital have signed a share pledge agreement with Supreme Luck that all the rights and interests in the registered capital of Careall Capital are pledged in favour of Supreme Luck for the period of the Management Agreement. Careall Capital principally engaged in venture investment, venture investment advisory and management services, with the objective of investment in the equities of the new technology-based enterprises in the PRC. The exclusive right was acquired through the acquisition of the entire issued share capital of Supreme Luck during the year ended 31 March 2010. Details of which are set out in Note 32.

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

The recoverable amount of the exclusive right has been determined on the basis of value-in-use calculation with reference to a valuation performed by Grant Sherman Appraisal Limited, an independent qualified valuer not connected to the Group. The value-in-use calculations use cash flow projections of 15 years and based on financial budgets approved by management of the Company covering a 3-year period, and a discount rate of 20.23%. The set of cash flows beyond the 3-year period are extrapolated using a same rate of return of 4.3 times. This rate of return is based on the relevant track record of Careall Capital and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for the exclusive right is based on the budgeted sales and expected realisable profit during the budget period and the similar quality of new investments during the budget period. Expected cash inflows/outflows, which include budgeted sales of listed securities, cost of acquiring new investment portfolio and other direct costs have been determined based on past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of exclusive right to exceed the recoverable amount of the exclusive right.

19. GOODWILL

	The Group
	HK$'000
COST	
At 1 April 2008	–
Arising on acquisition of subsidiaries	49,569
At 31 March 2009 and 1 April 2009	49,569
Adjustment to consideration for acquisition in prior year *(note)*	(18,240)
At 31 March 2010	31,329
IMPAIRMENT	
At 1 April 2008 and 31 March 2009	–
Impairment loss recognised during the year	14,377
At 31 March 2010	14,377
CARRYING VALUE	
At 31 March 2010	16,952
At 31 March 2009	49,569

Note: The goodwill was adjusted in the amount of approximately HK$18,240,000 attributable to the adjustment to consideration paid after the profit guarantee for the acquisition of Plenty One Limited was not met as at 31 March 2010. Details of the profit guarantee are set out in the Company's circular dated 19 June 2008.

The goodwill was recognised on acquisitions of a subsidiary, Plenty One Limited, which engaged in manufacture and trading of ceramic sewage materials. Accordingly, the goodwill was allocated to the cash generating unit ("**CGU**") of manufacture and trading of ceramic sewage materials.

The recoverable amount of this CGU has been determined on the basis of value-in-use calculation with reference to a valuation performed by Asset Appraisal Limited, a qualified valuer, not connected with the Group, that calculation uses cash flow projections of 15 years and based on financial budgets approved by management covering a 5 year periods, and discount rate of 17.58% (2009: 16.29%). Cash flows beyond the 5 year periods have been extrapolated using a steady 3% (2009: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The directors of the Company are of the opinion that, the recoverable amount is less than its respective carrying amount as at 31 March 2010, accordingly an impairment loss of approximately HK$14,377,000 (2009: nil) was recognised.

20. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**957,575**	32,002

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

20. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM/TO SUBSIDIARIES *(continued)*

Details of the Company's subsidiaries at 31 March 2009 and 2010 are as follows:

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

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

21. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	The Group	
	2010	2009
	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value	**6,312**	53,852

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

22. INVENTORIES

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**332**	36
Finished goods	**467**	105
	799	141

23. TRADE AND OTHER RECEIVABLES

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**1,715**	780
Less: impairment loss recognised	**(787)**	(10)
	928	770
Other receivables	**21,061**	5,407
Less: impairment loss recognised	**(18,240)**	–
Prepayments and deposits	**1,414**	28,286
	5,163	34,463

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

As at 31 March 2010, included in other receivables are receivables relating to profit guarantee provided by the vendor of Plenty One Limited. Details are set out in Note 19.

As at 31 March 2009, included in prepayments and deposits are refundable deposits amounting to HK$27,470,000 for potential investment projects. The amount had been fully refunded during the year ended 31 March 2010.

23. TRADE AND OTHER RECEIVABLES *(continued)*

An aged analysis of the trade receivables net of impairment loss recognised as at the end of the reporting period, based on invoice date was as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 180 days	**542**	136
181 to 365 days	**386**	634
	928	770

(a) At 31 March 2010 and 2009, the aging analysis of trade receivables that were past due but not impaired are as follows:

The Group

	Total	**Neither past due nor impaired**	**Past due but not impaired <180 days**
	HK$'000	HK$'000	HK$'000
2010	928	542	386
2009	770	311	459

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

Trade receivables that were past due but not impaired related to customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balance are still considered fully recoverable.

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**10**	–
Recognised during the year	**775**	–
Acquisition of subsidiaries	**–**	10
Exchange realignment	**2**	–
Balance at end of the year	**787**	10

Included in impairment loss are individually impaired trade receivables with an aggregate balance of approximately HK$787,000 (2009: HK$10,000) which were due to long outstanding. The Group does not hold any collateral over these balances.

23. TRADE AND OTHER RECEIVABLES *(continued)*

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Balance at beginning of the year	**–**	–
Recognised during the year	**18,240**	–
Balance at end of the year	**18,240**	–

Included in impairment loss are individually impaired other receivables relating to the profit guarantee provided by the vendor of Plenty One Limited with an aggregate balance of approximately HK$18,240,000 (2009: nil) which the Company encountered difficulties in recovering and the directors of the Company considered that the amount is unlikely to be recovered. The Group does not hold any collateral over these balances.

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

Cash held at non-bank financial institutions and bank balances and cash comprise short-term deposits with an original maturity of three months or less, carrying interest at approximately ranging from 0% to 2.4% (2009: 0% to 0.72%) per annum.

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
AUD	**5**	5	**–**	–
USD	**461**	1,752	**–**	1,219

25. TRADE AND OTHER PAYABLES

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

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within 180 days	**304**	75	**–**	–
181 to 365 days	**172**	552	**–**	–
Over 1 year	**233**	–	**–**	–
	709	627	**–**	–
Other payables	**3,280**	1,308	**1,590**	420
	3,989	1,935	**1,590**	420

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

As at 31 March 2010, included in other payables with an amount of HK$1,110,000 (2009: nil) was the deferred consideration payable arising from the acquisition of an intangible asset through acquisition of a subsidiary (Note 32). The amount has been fully settled subsequent to the reporting period.

26. OTHER LOANS

	The Group	
	2010	2009
	HK$'000	HK$'000
Other loans – due within one year	**–**	1,287
Other loans – due more than one year but not exceeding two years	**3,990**	–
	3,990	1,287
Analysed as:		
Secured	**3,990**	1,006
Unsecured	**–**	281
	3,990	1,287

At 31 March 2010, other loans of approximately HK$3,990,000 (equivalent to RMB3,500,000 (2009: HK$1,287,000)) are fixed-rate borrowings carry interest at 10.53% (2009: 9.72%) per annum and repayable ranging from November 2011 to March 2012.

As at 31 March 2010, the secured other loans were secured by prepaid lease payments. As at 31 March 2009, the secured other loans were secured by prepaid lease payments and property, plant and equipment. Details are set out in Note 35.

27. AMOUNT DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

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

28. SHARE CAPITAL

	Number of ordinary shares	Amount HK$'000
Authorised:		
Balance at 1 April 2008 of HK$1 each	800,000,000	800,000
Share subdivision *(Note a)*	3,200,000,000	–
Balance at 31 March 2009 of HK$0.2 each	4,000,000,000	800,000
Increased during the year *(Note b)*	2,000,000,000	400,000
Share subdivision *(Note d)*	24,000,000,000	–
Balance at 31 March 2010 of HK$0.04 each	30,000,000,000	1,200,000
Issued and fully paid:		
Balance at 1 April 2008 of HK$1 each	113,251,000	113,251
Share subdivision *(Note a)*	453,004,000	–
Balance at 31 March 2009 of HK$0.2 each	566,255,000	113,251
Issue of shares *(Note c)*	61,522,160	12,304
Share subdivision *(Note d)*	2,511,108,640	–
Balance at 31 March 2010 of HK$0.04 each	3,138,885,800	125,555

Notes:

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

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

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

(c) On 23 October 2009, the Company issued 61,522,160 ordinary shares with a par value of HK$0.2 each. The closing price of the ordinary shares of the Company on 23 October 2009 was HK$0.95 per share (before the Share Subdivision II became effective). A sum of amount approximately HK$58,446,000 was raised and used as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary (Note 32).

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

28. SHARE CAPITAL *(continued)*

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

29. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	Number of shares '000	Amount HK$'000
Authorised:		
At 1 April 2008, 31 March 2009 and 1 April 2009	–	–
Non-redeemable convertible preference shares of HK$0.2 each	4,000,000	800,000
Subdivision of share of HK$0.2 each into five shares of HK$0.04 each *(Note)*	16,000,000	–
At 31 March 2010, HK$0.04 each	20,000,000	800,000
Issued and fully paid:		
At 1 April 2008, 31 March 2009 and 1 April 2009	–	–
Issue of preference shares, HK$0.2 each	2,938,478	587,696
Subdivision of share of HK$0.2 each into five shares of HK$0.04 each *(Note)*	11,753,912	–
At 31 March 2010, HK$0.04 each	14,692,390	587,696

Note: Pursuant to an ordinary resolution passed by the Company' shareholders at an extraordinary general meeting held on 30 October 2009, the then issued and unissued non-redeemable convertible preference shares of HK$0.2 each in the share capital of the Company are subdivided into 5 shares of HK$0.04 each. The authorised share capital of non-redeemable preference shares of the Company was remained at HK$800,000,000. The share subdivision took place on 2 November 2009.

On 23 October 2009, the Company issued approximately 2,938,478,000 non-redeemable convertible preference shares with a par value of HK$0.2 each, as part of consideration for the acquisition of an intangible asset through acquisition of a subsidiary (Note 32).

The valuation of the convertible preference shares was carried out by Grant Sherman Appraisal Limited, an independent qualified professional valuer not connected to the Group. The inputs for the calculation of the fair value were a blockage discount rate of 40% on convertible preference shares based on the restriction that the convertible preference shares cannot be converted into ordinary shares immediately. The variables and assumptions used in computing the fair value of the convertible preference shares are based on the directors' best estimate.

29. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES *(continued)*

The fair value of the convertible preference shares as at 23 October 2009 amounted to approximately HK$567,126,000, representing HK$0.193 per convertible preference share. The amount of shortage of approximately HK$20,570,000 by which fair value was less than the par value of the non-redeemable convertible preference shares is charged to the special capital reserve of the Company.

The non-redeemable convertible preference shares can be converted into ordinary shares of the Company at HK$0.2 per share (subject to adjustment) as subsequently adjusted to HK$0.04 per share as a result of the Share Subdivision II. The major terms of the above-mentioned convertible preference shares are set out below:

(1) The convertible preference share holders have the right, exercisable at any time perpetual as from the date of issue, to convert the preference shares into fully paid ordinary shares, provided that (i) any conversion of the convertible preference shares does not trigger a mandatory offer obligation under Rule 36 of the Hong Kong Code on Takeovers and Mergers; (ii) the number of shares to be allotted and issued upon the exercise of the conversion rights attaching to the convertible preference shares, in aggregate with the new ordinary shares issued and new ordinary shares to be issued upon the exercise of the conversion rights attaching to the convertible bonds as held by the holders and parties acting in concert with it, represents not more than 9.9% of the then issued ordinary share capital of the Company; and/or (iii) the public float of the shares of the Company shall not less than 15% of the shares of the Company at any time.

(2) The convertible preference shares are transferable other than to connected persons, as defined under the Listing Rules of the GEM, of the Company and do not carry the right to vote. The convertible preference shares holders shall not be entitled to any dividend nor distribution.

(3) The convertible preference shares shall rank pari passu with any and all current and future preferred equity securities of the Company.

(4) The convertible preference shares are non-redeemable.

Based on their terms and conditions, the convertible preference shares have been classified as equity instrument in the statement of financial position of the Company.

30. CONVERTIBLE BONDS

On 23 October 2009, the Company issued zero-couple convertible bonds ("CB") with an aggregate principal amount of HK$200,000,000 to vendor as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary (Note 32). The CB holders are entitled to convert the bonds into ordinary shares of the Company at any time between the date of issue of the bonds and their settlement date on 23 October 2014 in multiples of HK$1,000,000 at the conversion price of HK$0.2 (subject to adjustment) per conversion share as subsequently adjusted to HK$0.04 per share as a result of the Share Subdivision II. No conversion shall be made, if immediately upon such conversion, the bondholder and its parties acting in concert with in aggregate hold more than 9.9% of the issued share capital of the Company from time to time; and/or the public float of the Company' shares is less than 15% of the total issued shares of the Company. The Company has an early redemption option to redeem in whole or in part at par before the maturity date by serving seven days' prior written notice. Any amount of the bonds remains outstanding on the maturity date shall be redeemed at its then outstanding amount. The fair value of such early redemption option at the date of issue and subsequent reporting period was insignificant.

The CB contain two components, liability and equity elements. The equity element is presented in equity heading "equity component of convertible bonds". The effective interest rate of the liability component is 11.52% per annum.

The movement of CB is as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
At date of issue	115,955	84,045	200,000
Imputed interest charged for the year	5,705	–	5,705
At 31 March 2010	121,660	84,045	205,705

31. RESERVES

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special capital reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 April 2008	–	3,297	31,104	60,592	–	10,357	105,350
Total comprehensive expense for the year	–	–	–	–	–	(66,747)	(66,747)
At 31 March 2009	–	3,297	31,104	60,592	–	(56,390)	38,603
Total comprehensive expense for the year	–	–	–	–	–	(9,432)	(9,432)
Issuance of shares	46,142	–	–	–	–	–	46,142
Issue of non-redeemable preference shares	–	–	–	(20,570)	–	–	(20,570)
Issue of convertible bonds	–	–	–	–	84,045	–	84,045
At 31 March 2010	46,142	3,297	31,104	40,022	84,045	(65,822)	138,788

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

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

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

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

In the opinion of the directors of the Company, at 31 March 2010, the reserves available for distribution to shareholders pursuant to the Hong Kong Companies Ordinance amounted to approximately HK$5,304,000 (2009: HK$35,306,000).

32. ACQUISITION OF AN INTANGIBLE ASSET THROUGH ACQUISITION OF A SUBSIDIARY

On 23 October 2009, the Company acquired the entire issued share capital of Supreme Luck from an independent third party for a total consideration of approximately HK$925,572,000. The principal activity of Supreme Luck is an investment holding company and its major asset is an exclusive right to receive management fee from Careall Capital. Careall Capital is principally engaged in venture investment, venture investment advisory and management services. Careall Capital mainly invests in the equities of the new technology-based enterprises in the PRC. Accordingly, the transaction has been accounted for as the acquisition of an intangible asset through acquisition of a subsidiary.

The net assets acquired in the transaction are as follows:

	2010 HK$'000
Net assets acquired:	
Intangible asset	**925,584**
Other payables	**(12)**
Net assets acquired	**925,572**
Total consideration satisfied by:	
Issue of ordinary shares *(Note)*	**58,446**
Issue of convertible bonds *(Note 30)*	**200,000**
Issue of non-redeemable convertible preference shares *(Note 29)*	**567,126**
Cash	**98,890**
Deferred consideration	**1,110**
	925,572
Net cash outflow arising on acquisition:	
Cash consideration paid	**98,890**

Note: As part of the consideration for the acquisition of Supreme Luck, 61,522,160 new ordinary shares of the Company with par value of HK$0.2 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to HK$58,446,000.

Supreme Luck contributed approximately HK$25,710,000 to the Group's loss for the period between the date of acquisition and the end of the report period.

If the acquisition had been completed on 1 April 2009, total Group's turnover for the year would remain unchanged and loss for the year ended 31 March 2010 would have been increased by approximately HK$35,996,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2009, nor is it intended to be a projection of future results.

33. ACQUISITION OF SUBSIDIARIES

On 12 August 2008, the Group acquired the entire issued share capital of Plenty One Limited at a consideration of HK$55,000,000. Plenty One Limited was an investment holding company and its principal assets was an investment in a 80% held subsidiary, Ping Xiang San He which was established in the PRC and principally engaged in manufacture of bio-hang membrane filtering materials and filters, sale of water treatment equipment and material. The acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of acquisition was approximately HK$49,569,000.

The net assets acquired in the transaction, and the goodwill arising from the acquisition were as follows:

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

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

The Goodwill arising on the acquisition was attributed to the anticipated profitability of Ping Xiang San He.

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

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

34. SHARE OPTION SCHEMES

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

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

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

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

(c) a company beneficially owned by any Participants.

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

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

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

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

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

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

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

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

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

There has been no option outstanding under 2002 Share Option Scheme as at 31 March 2009 and 2010.

35. PLEDGE OF ASSETS

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Property, plant and equipment	**–**	2,514
Prepaid lease payments	**2,636**	2,664
	2,636	5,178

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. Rental was fixed at the inception of the lease. No provision for contingent rent and terms of renewal were established in the leases.

At the end of the reporting period, the Group had future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**1,159**	432
In the second to fifth years inclusive	**290**	436
	1,449	868

37. CAPITAL COMMITMENTS

	The Group	
	2010	2009
	HK$'000	HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided for in the financial statements	**–**	229

38. RETIREMENT BENEFITS SCHEMES

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

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

The retirement benefits costs charged to consolidated statement of comprehensive income amounted to approximately HK$75,000 (2009: HK$73,000). The retirement benefits costs charged to consolidated statements of comprehensive income represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

39. RELATED PARTY DISCLOSURES

The balances with related parties at the end of the reporting period are disclosed elsewhere in the financial statements.

Compensation of key management personnel

The emoluments of directors of the Company are disclosed in Note 12 above. The emoluments of the key management other than directors were as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and allowance	**364**	359
Retirement benefits scheme contributions	**12**	12
	376	371

40. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2010, part of the consideration for the acquisition of a subsidiary comprised ordinary shares, convertible bonds and non-redeemable preference shares, respectively. Further details of the acquisition are set out in Note 32 above.

41. EVENT AFTER THE REPORTING PERIOD

On 8 and 9 June 2010, 140,000,000 and 300,000,000 ordinary shares of the Company were issued and allotted respectively upon the exercise of the conversion rights attaching to the non-redeemable convertible preference shares by the holder.

FINANCIAL SUMMARY

For the year ended 31 March 2010

RESULTS

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Turnover	119,671	93,776	138,985	91,290	**108,633**
Revenue	648	88	–	1,637	**8,595**
Cost of sale	–	–	–	(1,472)	**(3,927)**
Gross profit	648	88	–	165	**4,668**
Investment income	5,179	3,436	2,767	423	**29**
Net gain (loss) on disposal of debt securities	1,515	(131)	1,132	1,143	**–**
Net loss on disposal of available-for-sale investments	–	–	–	–	**(17,830)**
Net gain on disposal of listed trading securities	–	–	–	–	**1,729**
Net fair value change on listed trading securities	17,927	10,399	7,423	3,400	**–**
Increase in fair values of financial assets at fair value through profit or loss	1,020	1,601	927	2,785	**–**
Gain on disposal of convertible notes receivable	–	–	–	1,328	**–**
Other income	807	1,216	5,559	1,295	**357**
(Allowance) reversal for a convertible bond	–	(2,672)	2,672	–	**–**
Impairment loss on other receivables	–	–	–	–	**(18,240)**
Impairment loss on goodwill	–	–	–	–	**(14,377)**
Selling expenses	–	–	–	(202)	**(5,292)**
Administrative expenses	(10,382)	(11,534)	(11,654)	(7,988)	**(37,887)**
Finance costs	–	–	–	(106)	**(5,923)**
(Loss) profit before taxation	16,714	2,403	8,826	2,243	**(92,766)**
Income tax expense	–	–	–	–	**(390)**
(Loss) profit for the year	16,714	2,403	8,826	2,243	**(93,156)**
Attributed to:					
– Owners of the Company	16,714	2,403	8,826	2,386	**(92,503)**
– Minority interests	–	–	–	(143)	**(653)**
	16,714	2,403	8,826	2,243	**(93,156)**

ASSETS AND LIABILITIES

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
Total assets	224,143	225,840	230,891	184,769	**986,247**
Total liabilities	(740)	(1,035)	(829)	(6,118)	**(132,545)**
Net assets	223,403	224,805	230,062	178,651	**853,702**
Equity attributable to equity holders of the Company	223,403	224,805	230,062	177,500	**853,191**
Minority interests	–	–	–	1,151	**511**
	223,403	224,805	230,062	178,651	**853,702**