EMCOM INTERNATIONAL LIMITED

帝 通 國 際 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8220

Poised for

Growth

Annual Report 2010

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

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

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

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This report, for which the directors of Emcom International 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 of the Company (the "Directors"), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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BOARD OF DIRECTORS

Executive Directors

Chiau Sing Chi
Chan Cheong Yee
Yik Chok Man
Keung Kwok Hung

Non-Executive Directors

Chong Lee Chang
Chin Chow Chung Hang Roberta

Independent Non-Executive Directors

Tsang Fung Chu
Wong Chi Keung Patrick
Chen Chou Mei Mei Vivien
Leung Ka Kui Johnny

COMPANY SECRETARY

Keung Kwok Hung

COMPLIANCE OFFICER

Chan Cheong Yee

AUDIT COMMITTEE

Tsang Fung Chu
Wong Chi Keung Patrick
Leung Ka Kui Johnny

REMUNERATION COMMITTEE

Wong Chi Keung Patrick
Tsang Fung Chu
Leung Ka Kui Johnny

AUTHORIZED REPRESENTATIVES

Chan Cheong Yee
Keung Kwok Hung

AUDITORS

Graham H. Y. Chan & Co.
Certified Public Accountants

PRINCIPAL BANKERS

Fubon Bank Limited
The Hong Kong and Shanghai Banking Corporation Limited

COMPLIANCE ADVISER

China Everbright Capital Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 1201-1204, 12/F,
Sea Bird House, 22-28 Wyndham Street,
Central, Hong Kong.

SHARE REGISTRARS AND TRANSFER OFFICES

Principal Registrar

HSBC Trustee (Cayman) Limited
P.O. Box 513 G.T. Strathvale House
North Church Street, George Town
Grand Cayman, Cayman Islands
British West Indies

Branch Registrar

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

STOCK CODE

8220

WEBSITE

http://www.emcominternational.com

Directors' Business Review

On behalf of the Board of Directors (the "Board"), I hereby present the annual report of Emcom International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2010 (the "Year") to our shareholders.

GENERAL

During the Year, the Group is principally engaged in sales and trading of telecommunication and electronic equipment, commodities and computer hardware and relevant peripherals ("Trading"), property holding and provision of property management services ("Property Holding and Management").

FINANCIAL REVIEW

During the Year, the Group recorded a total turnover of approximately HK$687,987,000, representing increase of approximately 220% as compared with HK$214,935,000 for 2009.

Loss attributable to shareholders for the Year was approximately HK$32,916,000 compared with a loss of HK$95,531,000 for 2009.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2010, the Group had total assets of approximately HK$394,956,000 (31 March 2009: HK$48,343,000), including cash and cash equivalents of approximately HK$9,796,000 (31 March 2009: HK$15,403,000). There was no pledged bank deposit as at 31 March 2010 (31 March 2009: HK$150,000).

During the Year, the Group financed its operations mainly with its own working capital and proceeds from top-up placing and subscription of shares of the Company. On 2 October 2009, the Company entered into a top-up placing and subscription agreement with its placing agent, pursuant to which the Company agreed to place 150 million existing shares at a price of HK$0.1 per top-up placing share and to subscribe for 150 million top-up subscription shares at a price of HK$0.1 per top-up subscription share (the "Top-up Placing and Top-up Subscription"). The Top-up Placing and Top-up Subscription was completed on 14 October 2009, of which the gross proceeds from the Top-up Subscription were approximately HK$15,000,000 and the net proceeds from the Top-up Subscription were approximately HK$14,700,000. Such amount of proceeds increases the working capital of the Company and enhances the liquidity strength of the Group.

As at 31 March 2010, the Group had total outstanding borrowings of approximately HK$227.8 million, comprising secured interest-bearing bank loans of approximately HK$155 million; the convertible bonds with carrying amount of approximately HK$72.6 million which is secured, interest-bearing at a rate of 5% per annum after the first anniversary of the date of issue and due on the 2nd anniversary of the date of issue of the bonds; and obligation under finance leases of HK$194,000. The property acquired in October 2009 with carrying amount of HK$320,000,000 as at 31 March 2010 is pledged to a bank for banking facilities and holders of convertible bonds (31 March 2009: Nil).

As at 31 March 2010, the debt ratio (defined as the ratio between total liabilities over total assets) was approximately 0.78 (31 March 2009: approximately 0.93).

MAJOR EVENTS

(1) On 27 May 2009, the Company as purchaser entered into an agreement with Beglobal Investments Limited, a company incorporated in the British Virgin Islands and an independent third party of the Company, and Ryoden Property Development Company Limited, a company incorporated in Hong Kong and an independent third party of the Company (the "Vendors") (the "Agreement"), pursuant to which the Company has agreed to acquire and the Vendors have agreed to sell of the (i) 2 shares of US$1.00 each in the share capital of the Harvest Yield Investments Limited, a company incorporated in the British Virgin Islands with limited liability ("Harvest"), representing the entire issued share capital in Harvest, which is beneficially owned by the Vendors in equal portion and (ii) the amounts equal to the entirety of the face value of the loans outstanding as at completion of the Acquisition pursuant to the terms and conditions of the Agreement made by the Vendors to Harvest for a total consideration of HK$300 million less the Outstanding Bank Loan. As at the date of the Agreement, the consideration amounts to HK$153 million. The details of the transaction were set out in an announcement dated 4 June 2009 and the circular dated 20 July 2009. The Acquisition was completed on 7 October 2009. Following the completion, the Group beneficially owns the entire interest of the shopping mall named "Granville Identity" or "gi", located at No.34 and 36, Granville Road, Tsimshatsui, Kowloon, Hong Kong with a gross floor area of 1,526.20 square meters (the "Property").

The Group considers that it is in the benefits of the Company to seek for suitable investment opportunities and broaden its sources of income. The Group believes that the rental income from the Property will generate stable income for the Group and will also broaden its sources of income. In addition, the Property represents an excellent investment opportunity as the Company can benefit from the gain in value of the Property as the Hong Kong property market grows.

(2) On 22 February 2010, the following disclosable and connected transactions and continuing connected transactions took place:

(a) The Company entered into a service agreement (the "Service Agreement") with Mr. Chiau Sing Chi ("Mr. Chiau") whereby the Company shall appoint Mr. Chiau as an Executive Director of the Company and Mr. Chiau shall accept the appointment with prescribed duties for an initial term of five years effective from the commencement date. Pursuant to the Service Agreement in consideration for the services to be provided by Mr. Chiau, subject to the satisfaction of certain conditions, the Company should issue to Mr. Chiau (i) the Convertible Bonds with a principal amount of HK$45 million at the Conversion Price of HK$0.10 and (ii) the Options with the rights to subscribe for 250 million new Shares at a price of HK$0.10 each. As Mr. Chiau is a discretionary object of a discretionary trust which is a substantial shareholder of the Company, Mr. Chiau is a connected person to the Company. Therefore, the Service Agreement constitutes a discloseable and connected transaction of the Company under the GEM Listing Rules.

(b) High Amuse Limited (the "Licensee"), a wholly owned subsidiary of the Company, entered into a licence agreement (the "License Agreement") with Entrance Gate Limited (the "Licensor") pursuant to which, subject to the satisfaction of certain conditions, the Licensor shall grant to the Licensee an exclusive licence to use, apply or exploit the relevant intellectual property rights including but not limited to the intellectual property rights to design, manufacture, produce, distribute, process, supply, rent, broadcast, transmit, show, sale and/or advertise of the products (the "Peripheral Products") derived from the use, application or exploitation of the intellectual property rights relating to the movie entitled "長江七號" (the "Movie") globally for the licence period. The Licence Agreement has a term for 3 years subject to renewal up to 10 years with effect from the commencement date, the Licensee shall pay the Licensor a royalty based on 10% of the sales revenues to be received by the Licensee in cash on the use application or exploitation of the intellectual property rights licensed to the Licence under the Licence Agreement. The intellectual property rights stipulated in the Licence Agreement included but not limited to the intellectual property rights and the goodwill in respect of all the animated characters and personalities, designs, figures and the names thereof, portrayals of various characters, persons or fictional subjects, together with such names and symbols as may have been used to identify any of them which have appeared and/or have been used in the Movie (but excluding all contents distributed via mobile platform). Given that the Licence Agreement is made inter-conditional on other connected transactions as described in the announcement dated 22 February 2010 and Mr. Chiau is a connected person of the Company pursuant to the GEM Listing Rules, hence the Company considers that the transactions contemplated under the Licence Agreement constitute a continuing connected transaction under the GEM Listing Rules.

(c) High Amuse Limited entered into an acquisition agreement with some vendors pursuant to which, subject to satisfaction of the conditions precedent under the acquisition agreement, High Amuse Limited has agreed to acquire the entire share capital of Raxco Assets Corp. ("Raxco") and the shareholders' loan for a cash consideration of HK$10 from the vendors. Raxco is a company incorporated in the British Virgin Islands in 2004 and started its operation since January 2005 and the company is in the establishment stage of operating its online software and game development business through its wholly-owned subsidiary in the PRC, Shanghai NorthStar Software Co., Ltd.(上海北之辰軟件技術有限公司) ("Northstar"), a wholly owned foreign enterprise of Raxco established in the PRC for the purpose of online software development, online game development, technical consultancy services and information technology support for online software and online game. Given that one of the vendors, Teamgreat Investments Limited, is ultimately owned by a discretionary trust of which Mr. Chiau is a discretionary object and Mr. Chiau is a connected person of the Company pursuant to the GEM Listing Rules, the transactions contemplated under the acquisition agreement constitute a connected transaction of the Company under the GEM Listing Rules.

(d) Ngai Wah Associates Limited (the "Transferor") and High Amuse Limited entered into a profit transfer deed (the "Profit Transfer Deed"), pursuant to which, subject to the satisfaction of certain conditions, the Transferor shall transfer all the profits ("Profits") attributable to the animation film production agreement (the "Film Production Agreement") dated 22 April 2009 with中國電影集團公司製片分公司("China Film Group") in relation to the production of the animation film of the Movie (the "Animation Film") to High Amuse Limited with effect from the completion date. The term of the Profit Transfer Deed shall be of three years and will be automatically renewed thereafter as long as the Film Production Agreement remains valid and effective. The Transferor has the right to engage in the exploitation of the intellectual property rights as are subsisting in the movie entitled "長江七號" and has entered into the Film Production Agreement with China Film Group in relation to the production of the animation film of the Movie. The Transferor is entitled to the Profits as contemplated under the Film Production Agreement and pursuant to the Profit Transfer Deed, High Amuse Limited will be entitled to all the Profits generated from the Film Production Agreement. Given that the Transferor beneficially owned by an associate of Mr. Chiau who is a connected person of the Company pursuant to the GEM Listing Rules, the transactions contemplated under Profit Transfer Deed constitute a continuing connected transaction of the Company under the GEM Listing Rules.

The details of the transactions were set out in an announcement dated 23 February 2010 and the circular dated 3 May 2010. The above transactions were duly completed in June 2010.

(3) On 9 March 2010, Power Alliance Investment Limited, a wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with the purchaser, pursuant to which the Power Alliance Investment Limited has agreed to sell and the purchaser has agreed to acquire the Property at a consideration of HK$320,000,000. The details of the transaction were contained in the Company's announcement dated 19 March 2010. This transaction constitutes a very substantial disposal and is subject to approval by the Shareholders pursuant to Rules 19.06 of the GEM Listing Rules. A circular containing further details of the disposal and further information of the Group, together with the notice of the EGM will be dispatched to the Shareholders as soon as practicable and in compliance with the GEM Listing Rules.

CHANGE OF COMPANY NAME

On 22 February 2010, the Board proposes to change the English name of the Company from "Emcom International Limited" to "Bingo Group Limited" and to adopt a new Chinese name "比高集團有限公司" as the Chinese secondary name of the Company to replace the Chinese name "帝通國際有限公司" (which was adopted for identification purposes only). The proposed change of name will be subject to, among others, the passing of a special resolution by the shareholders at the Extraordinary General Meeting approving the change of name and approval of the proposed change of name by the Registrar of Companies in Cayman Islands. The special resolution was passed on 27 May 2010. On 7 June 2010, the Company was informed that due to human error at the Registrar of Companies in Cayman Islands, there is another company with the exact name "Bingo Group Limited" already existed in the Cayman Islands despite the previous name check and reservation approved by the Registrar of Companies in Cayman Islands. As such, the name "Bingo Group

Limited" cannot be approved of by the Registrar of Companies in Cayman Islands. The Board of the Company, therefore, proposes to apply for the name "Bingo Group Holdings Limited" as its new name and to adopt a new Chinese name "比高集團控股有限公司" as the Chinese name of the Company. As at the date of this report, the proposed change in company name is still pending the passing of special resolution by the shareholders of the Company and approval by the Registrar of Companies in Cayman Islands.

EVENTS AFTER REPORTING PERIOD

Saved as disclosed in this annual report, the Company had the following significant events subsequent to the reporting period:

(a) On 27 May 2010, the Company entered into the Strategic Cooperation Memorandum with China Film Group Film Production Corporation, a wholly owned subsidiary of China Film Group Corporation pursuant to which the Company and China Film Group Film Production Corporation agreed to co-invest, produce and distribute a series of market-oriented film productions that are mainly catered for the film entertainment market in mainland China.

(b) Mrs. Chin Chow Chung Hang, Roberta has been appointed as a Non-executive Director with effect from 27 May 2010.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions during the Year were mainly denominated in Renminbi, HK Dollars and US Dollars. Risk on exposure to fluctuation in exchange rates was insignificant to the Group.

EMPLOYEES

As at 31 March 2010, the Group had 48 (31 March 2009: 45) staff in the PRC and Hong Kong. Total staff costs including directors' remuneration were approximately HK$19,943,000 during the Year (31 March 2009: HK$14,881,000).

Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees. During the Year, total 164,500,000 share options have been granted to certain directors, employees and advisors.

LITIGATION

As disclosed in the third quarterly report of the Company for the period ended 31 December 2009, the Company had settled the claim from Mr. Lee Kwok Ning Lobo and Ms. Lin Wai Yan. Other than as disclosed above and in the third quarterly report, the Company did not have other pending litigations.

CONTINGENT LIABILITIES

At 31 March 2010, the Company has issued a corporate guarantee for an amount of not less than HK$155,000,000 to a bank in respect of banking facilities granted to a wholly owned subsidiary. The directors of the Company do not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company at the end of the reporting period under the corporate guarantee issued is the outstanding amount of the bank loans of HK$155,000,000. The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value is nominal.

Saved as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2010 (31 March 2009: Nil).

CAPITAL COMMITMENTS

As at 31 March 2010, the Group had capital commitments of approximately HK$3,656,000 (31 March 2009: approximately HK$5,255,000).

OPERATING LEASE COMMITMENTS

As at 31 March 2010, the commitments under non-cancellable operating lease are represented as follows:

	31 March 2010		31 March 2009	
	Properties	**Others**	Properties	Others
	(Audited)	**(Audited)**	(Audited)	(Audited)
	HK$'000	**HK$'000**	HK$'000	HK$'000
Not later than one year	**445,000**	**–**	1,708,000	–
Later than one year but not later than five years	**195,000**	**–**	703,000	–
Total operating lease commitments	**640,000**	**–**	2,411,000	–

Directors' Business Review

OPERATION REVIEW

During the Year under review, the Group had continued its business of Trading and Property Holding and Management. The Group had recorded a total turnover of approximately HK$687,987,000 for the Year (31 March 2009: HK$214,935,000). Loss attributable to shareholders for the Year was approximately HK$32,916,000 (31 March 2009: HK$95,531,000).

The Trading business segment and Property related business segment had both contributed steady income to the Group. Segment information is set out in note 5 to the financial statements.

OUTLOOK

While the Group has continued its existing businesses of trading and property related businesses, we have taken the greatest effort to explore other business opportunities in order to maximize the wealth of our shareholders. Going forward, the Company will put more focus on its new businesses – filmed entertainment business, licensing business and online games and multimedia business.

The year ahead will still be a year full of challenges. Nevertheless the management remains confident to move forward to a new era and is optimistic about the prospects of the Group's business in 2010 and beyond.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to all our shareholders, investors and business partners for their continued support and confidence in the Group. I would also like to thank my fellow directors and senior management who have offered invaluable advice and leadership during such a challenging year and the management team and all staff for their dedication, loyalty and valued services.

For and on behalf of the Board

Chan Cheong Yee
Executive Director
Hong Kong, 28 June 2010

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Chiau Sing Chi – Mr. Chiau, aged 47, has over 20 years of performance and management experience in the movie industry. Mr. Chiau has been a leading icon of the movie and entertainment industry in the Greater China Region for over 20 years, and had received numerous awards in the industry, including best supporting actor, best actor and best director awards presented by leading film academies. Mr. Chiau joined the Group in June 2010.

Mr. Chan Cheong Yee – Mr. Chan, aged 46, is currently the responsible officer of China Everbright Securities (HK) Limited and an executive director of China Innovation Investment Limited (Stock code: 1217). Mr. Chan holds a Bachelor's Degree of Science majoring in Finance and has been in the financial and investment business for over 20 years. Mr. Chan is a registered and licensed person under the SFO to carry on regulated activities in dealing of securities, advising on securities, dealing in futures contracts and undertaking asset management. Mr. Chan joined the Group in August 2007.

Mr. Yik Chok Man – Mr. Yik, aged 51, holds a Master of Professional Accountancy degree from the Hong Kong Polytechnic University. Mr. Yik is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Prior to joining the Company, Mr. Yik had worked at a leading international accounting firm for about 5 years and at an international construction company listed on the main board of the Stock Exchange for about 7 years. At present, Mr. Yik is an assistant general manager of Ryoden Property Development Company Limited, a substantial sharehoder of the Company. Mr. Yik has over 27 years of experience in financial and business management. Mr. Yik joined the Group in October 2009.

Mr. Keung Kwok Hung – Mr. Keung, aged 37, obtained his bachelor's degree with honours in accountancy from the Hong Kong Polytechnic University. Mr. Keung had worked at leading international accounting firms for more than 9 years and held the position of financial controller at a logistics company in Hong Kong for 2 years. During 2004 to 2006, Mr. Keung was the financial controller, company secretary and qualified accountant of a company listed on the main board of the Stock Exchange. Mr. Keung has over 14 years of financial management and accounting experience and being as the fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Keung joined the Group in July 2009.

NON-EXECUTIVE DIRECTORS

Mr. Chong Lee Chang – Mr. Chong, aged 51, is a Malaysian, graduated with a BA (honours) degree in law from the Manchester Metropolitan University (formerly known as Manchester Polytechnic) in 1982. He was admitted to the Honourable Society of Lincoln's Inn, London, in 1982 and was enrolled as a barrister at law in 1983. Mr. Chong is a senior partner of a Kuala Lumpur based law firm, Messrs. LC Chong & Co. and has more than 20 years of experience in legal practice in Malaysia. He has served as an executive director of Antah Holdings Berhad, a public company listed on the main board of Bursa Malaysia and also held directorship in Permanis Sdn. Bhd. Mr. Chong also holds directorship in CVM Minerals Limited (Stock code: 705). Mr. Chong joined the Group in March 2009.

Mrs. Chin Chow Chung Hang, Roberta – Mrs. Chin, aged 47, has co-produced various films with the Golden Harvest Group in the past. She holds a Bachelor of Arts Degree in English Literature from Dominican University of California, USA and a Master's Degree in Communication – Documentary film from Stanford University, USA. Mrs Chin has more than 25 years' experience in the film production and distribution industry, including as an interim CEO in the JC Group. Mrs. Chin joined the Group in May 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tsang Fung Chu – Ms. Tsang, aged 42, is a certified public accountant, fellow of the Association of Chartered Certified Accountants and the HKICPA. Ms. Tsang holds a Bachelor Degree of Social Sciences from the University of Hong Kong and has broad experience in the finance and accounting field. She served as honorary auditor for several non-government organizations and non-profit making organization and has a number of government and public appointment, mainly in the Yaumatei/Tsimshatsui/Mongkok region in Hong Kong. She is also a member of All China Youth Federation, the PRC and is involved in the provision of professional services to various kinds of PRC companies and investors. Ms. Tsang joined the Group in August 2007.

Mr. Wong Chi Keung Patrick – Mr. Wong, aged 59, has been working in the insurance field for thirty years at senior management level in the area of sales management, during which several major sales awards and international recognitions have been achieved. Besides sales and marketing, Mr. Wong has put extensive effort in the training areas for insurance professionals. Mr. Wong is currently working in Fortis Insurance Company as regional director, and he is also the master trainer and members of the Fortis Financial Services Academy. His major working areas are risk management and sales compliance. He is also an active member in the GAMA (General Agents and Managers Association of Hong Kong) and LUA (Life Underwriters Association of Hong Kong). Mr. Wong joined the Group in November 2007.

Mrs. Chen Chou Mei Mei, Vivien – Mrs. Chen, aged 61, graduated with a Bachelor of Arts degree from the University of Colorado in the US and has over 30 years' experience in investments, in particular, property related investments. Mrs. Chen has been appointed as an executive director of Winsor Properties Holdings Limited (Stock code: 1036) since October 1996. Mrs. Chen joined the Group in October 2009.

Mr. Leung Ka Kui, Johnny – Mr. Leung, aged 52 is a qualified solicitor and a Notary Public and China Appointed Attesting Officer. Mr. Leung has over 24 years of experience in the legal field and is the senior partner of Messrs. Johnny K. K. Leung & Co., Solicitors and Notaries. Mr. Leung holds a bachelor of laws degree from the University of London. Mr. Leung had been appointed as an independent non-executive director of Jackin International Holdings Limited (Stock Code: 630), Celestial Asia Securities Holdings Limited (Stock Code: 1049), and Cardlink Technology Group Limited (Stock Code: 8066) since 28 January 2000, 25 October 2000 and 12 September 2001 respectively. Mr. Leung joined the Group in September 2009.

Directors and Senior Management

CHIEF OPERATION OFFICER

Mr. Chan Ying Kei, Goris – Mr. Chan, aged 39, is a professional manager in multinational corporation and new technology industry for 16 years. He served as the Vice President for Sony Ericsson Greater China Region and Global Director for Motorola North Asia region in marketing when he moved to Beijing since 2003. Mr. Chan has the expertise about turning new technology into consumer centric business as well as re-engineering and building new business value for company in most efficient way. His experience included launching first camera phone, first Walkman phone and first MMS in Hong Kong for World Cup news through HKCSL. He tripled Sony Ericsson market share within 2 years for both Hong Kong and China. With his integrated experience in new technology, telecommunications, new digital media from the position of Sales, Marketing, Business Development and even Merger & Acquisition, he has a vision of building a new entertainment value chain for the BIG CHINA market with a more strategic and well structured approach. Mr. Chan joined the Group in March 2010.

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the year ended 31 March 2010, except for the following deviation:

Code Provision A.2.1

This code stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The Board is in the process of locating an appropriate person to fill the vacancy of the chairman and chief executive officer of the Company as soon as practicable.

Recommended Best Practices A.4.4

The Company has not established a nomination committee. Instead, the full Board is involved in the appointment of new directors. The Board will take into consideration criteria such as expertise, experience, integrity and commitment when considering new director appointment. The Board will conduct in-depth assessment on the independence of candidates for post of independent directors.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year. The Company has also made specific enquiry to all directors and save as disclosed in the interim report for the period ended 30 September 2009 and the disposal of 62,500,060 shares of the Company and acquisition of 20,000,000 shares of the Company by Mr. Chong Lee Chang which were not in compliance with Rules 5.56 and 5.61 of the GEM Listing Rules, the Company was not aware of any non-compliance with the required standard of dealing and its code of conduct regarding securities transactions by directors.

BOARD OF DIRECTORS

The Board is responsible for determining the overall strategy, reviewing and approving the work plan of the Company; and overseeing the corporate governance of the Company. While the management of the Company is responsible for proposing and implementing the work plan of the Company, executing the day-to-day operation of the Company and undertaking any further responsibility as delegated by the Board from time to time.

As at the date of this report, the Board comprises four executive directors, two non-executive directors and four independent non-executive directors. The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened when circumstances require. Its composition and the attendance of individual directors at these board meetings were as follows:

Name		Number of meetings held during the term of office	Number of meetings attended
Executive directors			
Mr. Chiau Sing Chi	(appointed on 1 June 2010)	N/A	N/A
Mr. Chan Cheong Yee		29	29
Mr. Yik Chok Man	(appointed on 9 October 2009)	7	7
Mr. Keung Kwok Hung	(appointed on 28 July 2009)	23	23
Mr. Yong Wai Hong	(resigned on 18 April 2009)	0	0
Mr. Lam Kwok Ho	(resigned on 28 July 2009)	4	4
Non-executive directors			
Mr. Chong Lee Chang		12	10
Mrs. Chin Chow Chung Hang, Roberta	(appointed on 27 May 2010)	N/A	N/A
Independent non-executive directors			
Ms. Tsang Fung Chu		15	14
Mr. Wong Chi Keung Patrick		14	13
Mr. Leung Ka Kui Johnny	(appointed on 10 September 2009)	6	5
Mrs. Chen Chou Mei Mei Vivien	(appointed on 9 October 2009)	4	4
Mr. Tsang Zee Ho Paul	(appointed on 9 October 2009 and resigned on 31 March 2010)	4	4

TERM OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors of the Company, Mr. Wong Chi Keung Patrick, Ms. Tsang Fung Chu, Mr. Leung Ka Kui Johnny and Mrs. Chen Chou Mei Mei Vivien, are not appointed for a specific term but are subject to retirement and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company, Mr. Chong Lee Chang and Mrs. Chin Chow Chung Hang, Roberta are not appointed for a specific term but are subject to retirement and re-election at the Company's annual general meetings in accordance with the Articles of Association of the Company.

REMUNERATION OF DIRECTORS

The Company has established a remuneration committee with specific written terms of reference. The Committee is mainly responsible for making recommendation to the Board on policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration. The committee comprises three independent non executive Directors, namely Mr. Wong Chi Keung Patrick, Ms. Tsang Fung Chu and Mr. Leung Ka Kui Johnny. The Committee convened two meetings during the financial year ended 31 March 2010.

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, fee for the Company's external auditor for audit services was HK$479,000. Except the statutory audit fee, the Company has paid HK$349,000 to the external auditor for non-audit services.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual report and accounts, interim reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee will also be responsible for reviewing and supervising the Company's financial reporting and internal control system.

The audit committee comprises three independent non-executive Directors, namely Ms. Tsang Fung Chu (Chairman), Mr. Wong Chi Keung Patrick and Mr. Leung Ka Kui Johnny. The Committee convened four meetings during the financial year ended 31 March 2010. During these meetings, the committee reviewed the annual, interim and quarterly results of the Company and made recommendations to the Board and the management in respect of the Company's financial reporting and internal control system. Details of the attendance of the audit committee meetings are as follows:

Name		Number of meetings held during the term of office	Number of meetings attended
Ms. Tsang Fung Chu		4	4
Mr. Wong Chi Keung Patrick		4	4
Mr. Leung Ka Kui Johnny	(appointed on 10 September 2009)	2	2
Mr. Chong Lee Chang	(re-designated as NED on 10 September 2009)	2	2

Accountability and Audit

The directors acknowledge their responsibility for preparing the accounts of the Company. As at 31 March 2010, the directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the Company on a going concern basis.

The responsibilities of the external auditor on financial reporting are set out in the Independent Auditor's Report attached to the Company's Financial Statements for the year ended 31 March 2010.

The Board has regularly reviewed the effectiveness of the Company's internal control system with an aim to safeguard the shareholders' interests and the Company's assets. The purpose is to provide reasonable, but not absolute, assurance against material misstatements, errors, losses or fraud, and to manage rather than eliminate risks of failure in achieving the Company's business objectives.

Directors' Report

The board of Directors (the "Board") of Emcom International Limited (the "Company") presents the audited financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 22 to the financial statements.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 32. The Directors of the Company do not recommend the payment of final dividend for the year ended 31 March 2010 (2009: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 128. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 18 to the financial statements.

SHARE CAPITAL, SHARE OPTIONS, WARRANTS AND CONVERTIBLE BONDS

Details of movements in either the Company's convertible notes, share capital and share option during the year are set out in notes 35, 37 and 41 to the financial statements.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 38 to the financial statements and in the consolidated statement of changes in equity, respectively.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, sales to the Group's five largest customers accounted for 97% of the total sales for the year and sales to the largest customer included therein amounted to 41%. Purchases from the Group's five largest suppliers accounted to 99% of the total purchases for the year and purchases from the largest supplier included therein amounted to 97%.

None of the directors of the Company or any of their associates or any shareholders which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital had any beneficial interest in the Group's five largest customers.

DIRECTORS

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

Executive directors:	
Mr. Chiau Sing Chi	(appointed on 1 June 2010)
Mr. Chan Cheong Yee	(re-designated on 14 April 2009)
Mr. Keung Kwok Hung	(appointed on 28 July 2009)
Mr. Yik Chok Man	(appointed on 9 October 2009)
Mr. Yong Wai Hong	(resigned on 18 April 2009)
Mr. Lam Kwok Ho	(resigned on 28 July 2009)
Non-executive directors:	
Mr. Chong Lee Chang	(re-designated on 10 September 2009)
Mrs. Chin Chow Chung Hang Roberta	(appointed on 27 May 2010)
Independent non-executive directors:	
Ms. Tsang Fung Chu	
Mr. Wong Chi Keung Patrick	
Mr. Leung Ka Kui Johnny	(appointed on 10 September 2009)
Mrs. Chen Chou Mei Mei Vivien	(appointed on 9 October 2009)
Mr. Tsang Zee Ho Paul	(appointed on 9 October 2009 and resigned on 31 March 2010)

In accordance with Article 86(3) of the Company's Articles of Association, Mr. Yik Chok Man, Mr. Leung Ka Kui, Johnny, Mrs. Chin Chow Chung Hang Roberta and Mrs. Chen Chou Mei Mei, Vivien will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election, while Mr. Keung Kwok Hung will not offer himself for re-election as an executive director.

In accordance with Article 87 of the Company's Articles of Association, Ms. Tsang Fung Chu and Mr. Wong Chi Keung Patrick shall retire by rotation at the forthcoming annual general meeting and both of them will not offer themselves for re-election as independent non-executive directors.

The Company confirmed that it has received from each of its independent non-executive directors an annual confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 March 2010 and it still considered them to be independent as the date of this report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in notes 27 and 47 to the financial statements, no other contracts of significance in relation to the Group's business to which the Company, any of the subsidiaries or its holding company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at the time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, the following Directors of the Company had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to herein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange:

(a) Long positions in the shares of the Company

Name of Directors	Nature of interest	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Chan Cheong Yee	Beneficial owner	10,000	0.00%
Mr. Yik Chok Man	Beneficial owner	1,364,000	0.05%
Mr. Chong Lee Chang *(Note 1)*	Beneficial owner and corporate interests	90,631,999	3.34%
Mr. Wong Chi Keung Patrick	Beneficial owner	1,350,000	0.05%
Ms. Chen Chou Mei Mei Vivien	Beneficial owner	5,500,000	0.20%

Note:

1. Mr. Chong Lee Chang, a Non-Executive Director of the Company, had personally owned 16,131,952 Shares and had been deemed to be interested in 74,500,047 shares through his beneficial interest in 100% of the entire issued share capital of Shieldman Limited.

2. The total number of the issued share capital of the Company as at 31 March 2010 was 2,711,559,126.

(b) Long positions in the underlying shares of the Company

The Company adopted a share options scheme on 19 October 2002 which the Board may, at their discretion, offer employees, non-executive Directors, independent non-executive Directors or any other persons who have contributed to the Group to take up share options to subscribe for shares subject to the terms and conditions stipulated in the share option scheme. Details of share options granted to the Directors as at 31 March 2010 were as follows:

Name of Director	Date of grant	Number of options held as at 1 April 2009	Number of options granted during the period	Number of options exercised during the year	Number of options held as at 31 March 2010	Exercise price HK$	Exercise period
Mr. Chan Cheong Yee	30 Dec 2008	1,350,000	–	(1,350,000)	–	0.054	30 Dec 2008 – 29 Dec 2011
	26 Aug 2009	–	10,000,000	–	10,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Mr. Keung Kwok Hung	26 Aug 2009	–	8,000,000	(3,000,000)	5,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Ms. Tsang Fung Chu	30 Dec 2008	1,350,000	–	(1,350,000)	–	0.054	30 Dec 2008 – 29 Dec 2011
Mr. Wong Chi Keung Patrick	30 Dec 2008	1,350,000	–	(1,350,000)	–	0.054	30 Dec 2008 – 29 Dec 2011

Note: The exercise price and number of options held as at 1 April 2009 of options granted on 30 December 2008 have been adjusted in accordance with share consolidation on the basis of 2 ordinary shares consolidated into 1 share.

Save as disclosed above, as at 31 March 2010, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares of debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as known to the Directors, as at 31 March 2010, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short in the Shares or underlying Shares (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) who is expected, directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein:

Long position in the shares and underlying shares of the Company

Name of Shareholder	Number of Shares held	Approximate percentage of issued share capital of the Company	Number of underlying shares held
Golden Treasure Global Investment Limited *(Note 1)*	390,000,000	14.38%	–
Beglobal Investments Limited *(Note 1)*	390,000,000	14.38%	390,000,000
Mega Charming Limited *(Note 2)*	190,000,000	7.01%	–
Ryoden Property Development Company Limited *(Note 2)*	190,000,000	7.01%	390,000,000
Emcom Limited *(Note 3)*	174,706,000	6.44%	–
Jolly King Limited *(Note 4)*	174,706,000	6.44%	–
Mr. Phang Wah *(Note 4)*	174,706,000	6.44%	–
Modern China Holdings Limited *(Note 5)*	174,706,000	6.44%	–
Mr. Chen Jijin *(Note 5)*	174,706,000	6.44%	–

Notes:

1. Golden Treasure Global Investment Limited ("Golden Treasure") is beneficially interested in 390,000,000 Shares. Beglobal Investments Limited holds 100% interest in Golden Treasure and is therefore deemed to be interested in 390,000,000 Shares held by Golden Treasure. Beglobal Investments Limited is the holder of convertible bonds of the Company who has the right to convert the principal amount of the convertible bonds into 390,000,000 Shares Beglobal Investments Limited is ultimately owned by the trustee of a discretionary trust, The Sino Star Trust. The discretionary objects of The Sino Star Trust include Mr. Chiau Sing Chi and his family.

2. Mega Charming Limited is beneficially interested in 190,000,000 Shares. Ryoden Property Development Company Limited ("Ryoden Property") holds 100% interest in Mega Charming Limited and is therefore deemed to be interested in 190,000,000 Shares held by Mega Charming Limited. Ryoden Property is the holder of convertible bonds of the Company who has the right to convert the principal amount of the convertible bonds into 390,000,000 Shares. Ryoden Property is wholly and beneficially owned by Designcase Limited, which is 99% beneficially owned by a discretionary trust founded by Mr. F.K. Hu. The remaining 1% interest in Designcase Limited is owned by Mr. and Mrs. F.K. Hu.

3. The issued share capital of Emcom Limited is beneficially owned as to 75% by Mr. Phang Wah, 15% by Mr. Yong Wai Hong and 10% by Mr. Lee Pin Yeow. Mr. Yong Wai Hong was the former Chairman, Chief Executive Officer and Executive Director of the Company and resigned on 18 April 2009. Emcom Limited is a party acting in concert with Modern China Holdings Limited under section 317(1)(a) of the SFO. Therefore, Emcom Limited is deemed to be interested in 174,706,000 Shares. Emcom Limited is beneficially interested in 98,864,000 Shares or approximately 3.65% of the issued share capital of the Company.

4. Jolly King Limited holds 75% interest in Emcom Limited and is therefore entitled to exercise or control the exercise of one-third or more of the voting power of Emcom Limited. The entire issued share capital of Jolly King Limited is held by Mr. Phang Wah. By virtue of the SFO, Jolly King Limited and Mr. Phang Wah are deemed to be interested in 174,706,000 Shares.

5. Modern China Holdings Limited is wholly and beneficially owned by Mr. Chen Jijin who was formerly the chairman and an executive Director. Modern China Holdings Limited is a party acting in concert with Emcom Limited under section 317(1)(a) of the SFO. Therefore, Modern China Holdings Limited is deemed to be interested in 174,706,000 Shares. Modern China Holdings Limited is beneficially interested in 75,842,000 Shares or 2.80% of the issued share capital of the Company.

Save as disclosed above, as at 31 March 2010, the Directors are not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short in the Shares or underlying Shares (i) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or (ii) who is expected, directly and indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or (iii) which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTIONS SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for shares in the Company.

The following share options were outstanding under the Scheme during the year:

Category	Date of grant	Number of options held as at 1 April 2009	Number of options granted during the year	Number of options exercised during the year	Number of options held as at 31 March 2010	Exercise price HK$	Exercise period
Directors	30 Dec 2008	4,050,000	–	(4,050,000)	–	0.054	30 Dec 2008 – 29 Dec 2011
	26 Aug 2009	–	18,000,000	(3,000,000)	15,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Former directors	30 Dec 2008	2,700,000	–	(2,700,000)	–	0.054	30 Dec 2008 – 29 Dec 2011
Employees	30 Dec 2008	320,000	–	(319,000)	1,000	0.054	30 Dec 2008 – 29 Dec 2011
	26 Aug 2009	–	2,000,000	(500,000)	1,500,000	0.1012	26 Aug 2009 – 25 Aug 2012
Advisors	30 Dec 2008	85,500,000	–	(85,500,000)	–	0.054	30 Dec 2008 – 29 Dec 2011
	24 Feb 2009	24,500,000	–	(6,500,000)	18,000,000	0.072	24 Feb 2009 – 23 Feb 2012
	26 Aug 2009	–	144,500,000	(79,500,000)	65,000,000	0.1012	26 Aug 2009 – 25 Aug 2012
Total		117,070,000	164,500,000	(182,069,000)	99,501,000		

Note: The exercise price and number of options held as at 1 April 2009 of options granted on 30 December 2008 and 24 February 2009 have been adjusted in accordance with share consolidation on the basis of 2 ordinary shares consolidated into 1 share.

DIRECTORS' AND EMPLOYEES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES" and "SHARE OPTIONS SCHEME" above, none of the Directors or employees of the Group or their associates were granted by the Company or its subsidiaries the rights to acquire shares or debentures of the Company or any other body corporate, or had exercised any such rights as at 31 March 2010.

CONNECTED TRANSACTIONS

Save as disclosed in page 98 and 123, note 27 and 47 to the financial statements, no other connected transactions were entered into by the Group under the GEM Listing Rules.

COMPETING INTEREST

None of the Directors, the management shareholders or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 48 to the financial statements.

AUDITORS

CCIF CPA Limited were auditors of the Company for the year ended 31 March 2008 and resigned as auditors on 13 January 2009. Graham H.Y. Chan & Co. was appointed to fill the vacancy on 13 January 2009.

The financial statements of the Group for the year ended 31 March 2010 were audited by Graham H.Y. Chan & Co. and a resolution for their reappointment as the Company's auditors for the upcoming year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Cheong Yee
Executive Director

Hong Kong, 28 June 2010

Independent Auditor's Report

事會陳
務計浩
所師賢

GRAHAM H.Y. CHAN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

TO THE SHAREHOLDERS OF EMCOM INTERNATIONAL LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Emcom International Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 28 to 127 which comprise the consolidated and Company's statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the 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 consolidated 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 disclosure requirements of the Hong Kong Companies Ordinance.

Graham H.Y.Chan & Co.
Certified Public Accountants *(Practising)*
Unit 1, 15/F, The Center,
99 Queen's Road Central,
Hong Kong

28 June 2010

Consolidated Income Statement

For the Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Continuing operations			
Turnover	6	**687,987**	213,195
Cost of sales		**(676,631)**	(210,589)
Operating cost		**(7,391)**	–
Gross profit		**3,965**	2,606
Reimbursement from licensor		**3,347**	2,271
Gain arising on change in fair value of investment properties		**20,000**	–
Other revenue and other net income	7	**48**	122
Selling expenses		**(33)**	(116)
Administrative expenses		**(50,936)**	(29,606)
Other losses	11	**(24,322)**	(16,108)
Share of loss of associates	23	**(84)**	(63)
Finance costs	8	**(4,820)**	(77)
Loss before taxation		**(52,835)**	(40,971)
Taxation	14	**(2,719)**	(313)
Loss for the year from continuing operations	11	**(55,554)**	(41,284)
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	**22,042**	(54,637)
Loss for the year		**(33,512)**	(95,921)
Loss attributable to:			
Owners of the Company	15	**(32,916)**	(95,531)
Non-controlling interests		**(596)**	(390)
		(33,512)	(95,921)
Loss per share (cents per share)	17		
From continuing and discontinued operations			
Basic: Current year/prior year as retrospectively restated		**(1.50)**	(6.74)
Prior year as previously reported		**–**	(3.37)
Diluted		**N/A**	N/A
From continuing operations			
Basic: Current year/prior year as retrospectively restated		**(2.51)**	(2.88)
Prior year as previously reported		**–**	(1.44)
Diluted		**N/A**	N/A

Details of dividend payable to owners of the Company are set out in note 16.

Consolidated Statement of Comprehensive Income

For the Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
Loss for the year		**(33,512)**	(95,921)
Other comprehensive loss			
Exchange differences on translating foreign operations			
– Exchange differences arising during the year		**(290)**	(2,460)
– Reclassification adjustments relating to foreign operations disposed during the year		**(3,366)**	(45)
Other comprehensive loss for the year, net of tax		**(3,656)**	(2,505)
Total comprehensive loss for the year		**(37,168)**	(98,426)
Total comprehensive loss attributable to:			
Owners of the Company		**(36,572)**	(98,031)
Non-controlling interests		**(596)**	(395)
		(37,168)	(98,426)

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*18*	**2,182**	3,039
Other intangible asset	*20*	**–**	–
Goodwill	*21*	**7,556**	2,700
Interests in an associate	*23*	**–**	–
		9,738	5,739
CURRENT ASSETS			
Inventories	*24*	**–**	15,050
Trade receivables	*25*	**1,177**	5,395
Other receivables, deposits and prepayments	*26*	**54,245**	5,307
Security deposit to a related company	*27*	**–**	800
Pledged bank deposit	*28*	**–**	150
Bank balances and cash	*28*	**9,796**	15,324
		65,218	42,026
Assets classified as held for sale	*10*	**320,000**	578
		385,218	42,604
CURRENT LIABILITIES			
Trade payables	*29*	**8,236**	2,740
Deposits received, other payables and accruals	*30*	**61,589**	20,899
Promissory note	*31*	**–**	900
Amount due to an associate	*23*	**147**	63
Amount due to non-controlling interests	*32*	**483**	966
Tax payables		**631**	313
Obligation under finance lease	*33*	**83**	–
Bank loans, secured	*34*	**78,200**	–
		149,369	25,881
Liabilities associated with assets classified as held for sale	*10*	**–**	19,185
		149,369	45,066
NET CURRENT ASSETS/(LIABILITIES)		**235,849**	(2,462)
TOTAL ASSETS LESS CURRENT LIABILITIES		**245,587**	3,277

Consolidated Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT LIABILITIES			
Obligation under finance lease	*33*	**111**	–
Bank loans, secured	*34*	**76,800**	–
Convertible bonds	*35*	**72,645**	–
Deferred tax liability	*36*	**9,061**	–
		158,617	–
NET ASSETS		**86,970**	3,277
CAPITAL AND RESERVES			
Share capital	*37*	**54,231**	32,590
Reserves	*38*	**32,981**	(29,545)
		87,212	3,045
Non-controlling interests		**(242)**	232
TOTAL EQUITY		**86,970**	3,277

The financial statements on pages 28 to 127 were approved and authorised for issue by the board of directors on 28 June 2010 and are signed on its behalf by:

Chan Cheong Yee
DIRECTOR

Yik Chok Man
DIRECTOR

Statement of Financial Position

At 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	22	157,038	27,356
CURRENT ASSETS			
Other receivables, deposits and prepayments	26	443	3
Security deposit to a related company	27	–	800
Bank balances and cash		2	–
		445	803
CURRENT LIABILITIES			
Other payables and accruals	30	3,504	3,944
Amount due to subsidiaries	22	1,649	820
		5,153	4,764
NET CURRENT LIABILITIES		(4,708)	(3,961)
TOTAL ASSETS LESS CURRENT LIABILITIES		152,330	23,395
NON CURRENT LIABILITIES			
Convertible bonds	35	72,645	–
NET ASSETS		79,685	23,395
CAPITAL AND RESERVES			
Share capital	37	54,231	32,590
Reserves	38	25,454	(9,195)
TOTAL EQUITY		79,685	23,395

Chan Cheong Yee
DIRECTOR

Yik Chok Man
DIRECTOR

Consolidated Statement of Changes in Equity

For the Year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2008	24,790	67,856	3,930	12,154	355	6,214	(77,554)	37,745	(121)	37,624
Loss for the year	–	–	–	–	–	–	(95,531)	(95,531)	(390)	(95,921)
Other comprehensive loss for the year	–	–	–	–	–	(2,500)	–	(2,500)	(5)	(2,505)
Total comprehensive loss for the year	–	–	–	–	–	(2,500)	(95,531)	(98,031)	(395)	(98,426)
Conversion from the convertible note took place on 9 April 2008	2,400	60,000	–	(12,154)	–	–	–	50,246	–	50,246
Issue of new shares of HK$0.01 each completed on 7 January 2009	5,400	5,400	–	–	–	–	–	10,800	–	10,800
Capital injection by non-controlling interest holders of a subsidiary	–	–	–	–	–	–	–	–	748	748
Issuing expenses	–	(359)	–	–	–	–	–	(359)	–	(359)
Cancellation or lapse of share option granted	–	–	–	–	(355)	–	355	–	–	–
Equity-settled share option arrangement	–	–	–	–	2,644	–	–	2,644	–	2,644
At 31 March 2009	32,590	132,897	3,930	–	2,644	3,714	(172,730)	3,045	232	3,277
Loss for the year	–	–	–	–	–	–	(32,916)	(32,916)	(596)	(33,512)
Other comprehensive loss for the year	–	–	–	–	–	(3,656)	–	(3,656)	–	(3,656)
Total comprehensive loss for the year	–	–	–	–	–	(3,656)	(32,916)	(36,572)	(596)	(37,168)
Share consideration of HK$0.02 each for acquisition of subsidiary	15,000	60,000	–	–	–	–	–	75,000	–	75,000
Issue of new shares of HK$0.02 each completed on 14 October 2009	3,000	12,000	–	–	–	–	–	15,000	–	15,000
Issue of ordinary shares under share option scheme	3,641	16,895	–	–	(6,669)	–	–	13,867	–	13,867
Issuing expenses	–	(280)	–	–	–	–	–	(280)	–	(280)
Issue of convertible bonds on 7 October 2009	–	–	–	8,202	–	–	–	8,202	–	8,202
Equity-settled share option arrangement	–	–	–	–	8,950	–	–	8,950	–	8,950
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	122	122
At 31 March 2010	54,231	221,512	3,930	8,202	4,925	58	(205,646)	87,212	(242)	86,970

Consolidated Statement of Cash Flows

For the Year ended 31 March 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year:		**(33,512)**	(95,921)
Adjustments for:			
Income tax expenses		**2,719**	313
Finance costs recognised in profit or loss		**4,820**	77
Interest income		**(4)**	(119)
Share of loss of a jointly controlled entity		**–**	721
Share of loss of an associate		**84**	63
(Gain)/loss on disposal of a subsidiary		**(22,439)**	580
Gain arising on change in fair value of investment properties		**(20,000)**	–
Depreciation and amortisation		**1,225**	4,313
Write off of property, plant and equipment		**381**	–
Impairment loss in respect of property, plant and equipment		**1,033**	888
Impairment loss in respect of goodwill		**5,465**	3,759
Impairment loss in respect of other intangible assets		**–**	2,080
Write down of inventory		**14,402**	15,783
Written off in respect of interests in a jointly controlled entity		**–**	18,928
Impairment loss in respect of payment for investment in a joint venture		**–**	8,653
Impairment loss in respect of trade and other receivables, deposits and prepayments		**2,577**	1,025
Loss on disposal of property, plant and equipment		**867**	9,069
Equity-settled share option expense		**8,950**	2,644
Operating cash flows before working capital changes		**(33,432)**	(27,144)
Decrease/(increase) in inventories		**648**	(26,196)
Decrease/(increase) in trade receivables		**4,538**	(432)
(Increase)/decrease in other receivables, deposits and prepayments		**(50,321)**	8,878
Decrease/(increase) in security deposit to a related company		**800**	(800)
Increase in amount due from a jointly controlled entity		**–**	(1)
(Decrease) in amount due to a related company		**–**	(1,509)
Increase in trade payables		**3,115**	3,285
(Decrease)/increase in other payables, accruals and deposit received		**(11,354)**	22,744
(Decrease)/increase in amount due to non-controlling interests		**(483)**	966
CASH USED IN OPERATION		**(86,489)**	(20,209)
Tax paid		**(222)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(86,711)**	(20,209)

Consolidated Statement of Cash Flows

For the Year ended 31 March 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	*39*	**52**	3,747
Decrease in pledged bank deposit		**150**	–
Purchase of other intangible assets		**–**	(2,340)
Purchase of property, plant and equipment		**(525)**	(10,904)
Proceeds from disposal of property, plant and equipment		**94**	941
Deposit received in respect of sale of investment properties		**48,000**	–
Net cash outflow from disposal of subsidiaries	*40*	**(79)**	(41)
Interests received		**4**	119
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**47,696**	(8,478)
CASH FLOWS FROM FINANCIAL ACTIVITIES			
Net proceeds from placement of new shares		**14,720**	10,441
Proceeds from shares issued under share option scheme		**13,867**	–
Capital injection from non-controlling interests		**–**	748
Repayment of promissory loans		**(900)**	(5,900)
Bank loans arised		**7,925**	–
Repayment of finance lease		**(56)**	–
Interest on finance lease paid		**(6)**	–
Bank interest paid		**(1,967)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**33,583**	5,289
DECREASE IN CASH AND CASH EQUIVALENTS		**(5,432)**	(23,398)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**15,403**	39,612
Effect of foreign exchange rate changes		**(175)**	(811)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*28*	**9,796**	15,403

1. CORPORATE INFORMATION

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 22 to the financial statements.

The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in Hong Kong is located at Room 1201-1204, 12th Floor, Sea Bird House, 22-28 Wyndham Street, Central, Hong Kong. The Company has its primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and the disclosure requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below. These financial statements have been prepared under historical cost convention except for certain financial instruments and investment properties which are measured at fair value, as explained in the accounting policies set out below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Statement of compliance (Continued)

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the company's financial year beginning on 1 April 2009.

HKAS 1 (Revised in 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	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 Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfer of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5

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

HKAS 1 (Revised) has introduced changes in the presentation and disclosures of financial statements (including changes in the titles of the financial statements). The revised standard separates owner and non-owner changes in equity. The statement of changes in equity will only include details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this revised standard has introduced the statement of comprehensive income: it presents all items of income and expenses recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present comprehensive income in two statements. Comparative information has been re-presented to conform to the new presentation. The revised standard has no impact on the financial position or results of operations of the Group.

The amendments to HKFRS 7 expand 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Statement of compliance (Continued)

HKFRS 8 supersedes HKAS 14 "Segment Reporting", and 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-makers in order to allocate resources to the segment and to assess its performance. This contrasts with the presentation of segment information in prior years which was based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management, and has resulted in additional reportable segments being identified and presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[8]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[6]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013
8 Effective for annual periods beginning on or after 1 January 2011, unless otherwise specified

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Statement of compliance (Continued)

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

b) Consolidation

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

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

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

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position with equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Consolidation (Continued)

Where losses applicable to the non-controlling interests exceed the non-controlling interests in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling interests, are charged against the Group's interest except to the extent that the non-controlling interest has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling interest's share of losses previously absorbed by the Group has been recovered.

Increase in interest in existing subsidiary is treated in the same manner as the acquisition of subsidiary, with goodwill or a bargain purchase gain being recognized where appropriate. For decrease in interest in subsidiary regardless of whether the disposal would result in the Group losing control over the subsidiary, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognized in profit or loss.

c) Business combinations

The acquisition of businesses 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 non-controlling interest in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Goodwill

Goodwill arising on acquisition on or after 1 January 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after 1 January 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated 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 the 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 in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

e) Subsidiaries

A subsidiary is a company controlled by the Company. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from their activities.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the jointly controlled entity's net assets, unless it is classified as held for sale. The Group's share of the post-acquisition, post-tax results of the jointly controlled entities and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entity. For this purpose, the Group's interest in the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

g) Investment in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Investment in associates (Continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit and loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

h) Non-current assets held for sale and discontinued operations

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Except for certain assets as explained below, non-current assets and disposal groups classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and jointly controlled entity) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Non-current assets held for sale and discontinued operations (Continued)

Discontinued operations

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

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

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

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

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

i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Major costs incurred in restoring property, plant and equipment to their normal working condition are charged to profit or loss. Improvements are capitalised and depreciated over their expected useful lives.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss on disposal of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Property, plant and equipment (Continued)

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computers	25%
Leasehold improvement	Over the shorter of the lease terms and 20%
Motor vehicles	20%
Furniture, fixtures and equipment	20%
Plant and machinery	10%
Moulds	20%

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

j) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property. Investment properties are stated in the consolidated statements of financial position at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Intangible assets

Intangible assets acquired separately

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

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Research and development expenditures

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the tangible asset first meets the recognition criteria. Where no internally –generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on a first-in, first-out basis, comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

m) Financial instruments

Financial assets and financial liabilities are recognised 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 and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (Continued)

Financial assets (Continued)

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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a jointly controlled entity, security deposit to a related company, pledged bank deposits and cash and cash equivalents) 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), unless the effect of discounting would be immaterial, in which case they are stated at cost less provision for impairment.

Impairment loss on financial assets

Financial assets are assessed for indicators of impairment at the end of the 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 impacted.

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

– it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

For certain categories of financial asset, such as trade and other receivables, 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 past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from group companies, 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 receivables or amounts due from group companies 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 loss 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (Continued)

Financial liabilities and equity instruments

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.

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and other financial liabilities. The Group classifies its financial liabilities into other financial liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses 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, when appropriate, a short period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including trade and bills payables, other payables and accruals, amounts due to group companies and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (Continued)

Convertible note

Convertible notes issued by the Company that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

An initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible loan notes equity reserve until either the note is converted or redeemed.

If the note is converted, the convertible loan note equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the convertible loan notes equity reserve is released directly to retained profits.

Equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Financial instruments (Continued)

Financial guarantee

A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within other payables and accruals. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in other payables and accruals in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

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 the cumulative gain or loss that had been recognised in other comprehensive income and accumulated 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 or payable is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment of other assets other than goodwill (see the accounting policy in respect of goodwill above)

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

– property, plant and equipment;

– intangible assets;

– investments in subsidiaries;

– investment in an associate and

– investment in a jointly controlled entity.

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

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Impairment of other assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

Reversal of impairment losses

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

Interim financial reporting and impairment

Under the GEM Listing Rules, the Company is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year.

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

o) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. Cash and cash equivalents include investments and advances denominated in foreign currencies provide that they fulfill the above criteria.

For the purposes of the statement of cash flows, cash and cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) Provisions and contingent liabilities

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

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

q) Leases

Leases are classified as finance lease 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.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance costs and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Lease where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to profit or loss on the straight-line basis over the lease terms. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and these benefits can be measured reliably.

(i) Revenue from the sale 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 title has passed.

(ii) Income in respect of management services is recognised when the services are rendered.

(iii) Rental income from counter sales is recognised when the goods are sold.

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

s) Reimbursement from licensor

Pursuant to the agreement between the licensor of the shopping mall and the Group, the licensor will reimburse the Group all actual and renewable costs and expenses paid by the Group in connection with fulfillment of the obligation of the Group on the condition that the prior written approval of the licensor is obtained. Reimbursement from licensor is recognised when the relevant expenses incurred are certain to be reimbursable by the licensor and is presented as a separate item in the consolidated income statement.

t) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Income tax (Continued)

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Income tax (Continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously: or

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

  – the same taxable entity; or

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

u) Employee benefits

(i) Short-term employee benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

u) Employee benefits (Continued)

(ii) Contributions to defined contribution retirement plan

The Group operates a defined contribution mandatory provident fund retirement benefits scheme (the "Hong Kong Scheme") under the Mandatory Provident Fund Scheme Ordinance, for those employees who are eligible to participate in the Hong Kong Scheme. The Hong Kong Scheme became effective on 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Hong Kong Scheme.

The Group contributes on a monthly basis to defined contribution retirement benefit plan organized by relevant municipal governments in the People's Republic of China ("PRC"). The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees payable under the plan. Contribution to the plan is expensed as incurred. The assets of the plan are held separately from those of the Group in independently administered funds managed by the PRC Government.

(iii) Share-based compensation

The Company operates an equity-settled share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with corresponding increase in equity (share options reserve). The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss, and a corresponding adjustment to share options reserve over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium and the amount previously recognised in share options reserve will be transferred to share premium when the options are exercised. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained profits.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

v) Share options granted to advisers

For share options granted to advisers in exchange for services, they are measured at the fair value of the services received. The fair values of the services are recognised as expenses immediately, unless the services qualify for recognition as assets, with corresponding increase in equity (share options reserve).

w) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying assets for its intended use or sale are interrupted or complete.

x) Translation of foreign currencies

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

x) Translation of foreign currencies (Continued)

Group companies

The financial statements of all the Group's entity (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities of the Group's foreign operations are translated at the closing rate at the end of the reporting period;

(ii) income and expense items are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. When a foreign operation is sold, the cumulative amount of the exchange differences is reclassified from equity to profit or loss as part of the gain or loss on sale.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

y) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- control, is controlled by, or is under common control with, the Group;
- has an interest in the Company that gives it significant influence over the Group; or
- has joint control over the Group

(ii) the party is a member of key management personnel of the Company;

(iii) the party is a close member of the family of any individual referred to in (i) and (ii);

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

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

z) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

3. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the categories of the Group and the Company's financial assets and liabilities as at the end of the reporting period are as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	**60,373**	22,082	**115,374**	28,155
Financial liabilities				
Financial liabilities measured at amortised cost	**244,831**	29,665	**77,331**	3,769

(b) Financial risk management objectives and policies

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

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, Singapore dollars, United States dollars and Renminbi.

Most of the trading transactions of the Group were denominated in United States dollars and in Renminbi. As the Group considers the risk of movements in exchange rates between the Hong Kong dollar and the United States dollar to be insignificant, while the official rates for United States dollars has remained stable and the risk on Renminbi exposure is insignificant for both years, no hedging or similar measures have been implemented by the Group. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(i) *Foreign currency risk* (Continued)

As at 31 March 2010 and 2009, most assets and liabilities of the Group were denominated in Hong Kong dollars. Given this, management does not expect that there will be any significant currency risk associated with the Group. The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	2010		2009	
	USD'000	**RMB'000**	USD'000	RMB'000
Assets	**2,290**	**629**	1,004	1,548
Liabilities	**–**	**(7,607)**	–	(18,280)

There is no significant effect on the Group's result for 2010 and 2009 in response to reasonably possible changes in the foreign exchange rates to which the Group has exposure at the end of the reporting period. In this respect, it is assumed that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the Group's exposure to foreign exchange risk for financial instruments in existence at that date and that all other variables, in particular interest rates, remain constant. It is also assumed that the pegged rate between HKD and USD would be materially unaffected by any changes in movement in value of USD against other currencies. The analysis is performed on the same basis for 2009.

(ii) *Interest rate risk*

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk due to its bank deposits and borrowings, respectively, carrying interest at variable and fixed rates which are disclosed in notes 28, 33, 34 and 35 to the financial statements respectively. The Group currently does not have an interest rate hedging policy and does not use any derivative instruments to reduce its economic exposure to the changes in interest rates.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of HIBOR arising from the Group's Hong Kong dollar denominated borrowings.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(ii) Interest rate risk (Continued)

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank deposits and borrowings. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point increase or decrease is used when reporting period interest rate risk internally to key management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax profit would decrease/increase by HK$1,469,000. This mainly attributable to the Group's exposure to interest rates on its variable rate bank deposits and borrowings.

There was no significant impact on the Group's result for the year ended 31 March 2009 in response to reasonably possible changes in the interest rates to which the Group had exposure at 31 March 2009.

(iii) Credit risk

The Group's credit risk is primarily attributable to cash at bank, trade and other receivables and deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash at bank are placed with high-credit-quality institutions and directors of the Group consider that the credit risk for such is minimal.

In respect of trade receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60-120 days from the date of billing. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

In order to minimise the credit risk in respect of deposit, trade and other receivables, the Group reviews the recoverable amount at the end of each reporting period to ensure that adequate allowances are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. At the end of the reporting period, the Group has a certain concentration of credit risk as 24% (2009: 81%) of the total trade receivables was due from the Group's five largest customers and 88% (2009: 0%) of the total other receivables, deposits and prepayments was deposit held by the legal adviser of the Company on behalf of the Group.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk from trade and other receivables are set out in notes 25 and 26 to the financial statements.

(iv) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

The following table details the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates current at the end of the reporting period) and the earliest date the Company can be required to pay. The financial effect of the disposal of investment properties is set out in note 48 (vii) to the financial statements.

The Group

	2010					
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade payables	8,236	8,236	8,236	–	–	–
Other payables and accruals	8,126	8,126	8,126	–	–	–
Promissory note	–	–	–	–	–	–
Convertible notes	72,645	81,900	–	81,900	–	–
Amount due to an associate	147	147	147	–	–	–
Amount due to minority interest	483	483	483	–	–	–
Obligation under finance lease	194	216	93	92	31	–
Bank loans	155,000	166,973	80,110	3,067	24,199	59,597
	244,831	266,081	97,195	85,059	24,230	59,597

3. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

(iv) Liquidity risk (Continued)

The Group (Continued)

	2009					
	Carrying amount (Restated) HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000
Trade payables	10,284	10,284	10,284	–	–	–
Other payables and accruals	17,452	17,452	17,452	–	–	–
Promissory note	900	900	900	–	–	–
Convertible notes	–	–	–	–	–	–
Amount due to an associate	63	63	63	–	–	–
Amount due to minority interest	966	966	966	–	–	–
Obligation under finance lease	–	–	–	–	–	–
Bank loans	–	–	–	–	–	–
	29,665	29,665	29,665	–	–	–

The Company

	2010				2009			
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000
Other payables and accruals	3,036	3,036	3,036	–	2,949	2,949	2,949	–
Convertible notes	72,645	81,900	–	81,900	–	–	–	–
Amounts due to subsidiaries	1,650	1,650	1,650	–	820	820	820	–
	77,331	86,586	4,686	81,900	3,769	3,769	3,769	–

3. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair values

The fair values of debt elements of convertible notes is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The carrying amounts of the group's and the company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2010 and 2009.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results.

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. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

a) Useful lives of property, plant and equipment and intangible assets (other than goodwill)

The Group's management determines the estimated useful lives and related depreciation and amortization charges for its property, plant and equipment and intangible assets (other than goodwill). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment and intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. Management will increase the depreciation and amortization charges where useful lives are less than previously estimated lives or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change in depreciable and amortization lives and therefore depreciation and amortization expense in future periods.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

b) Impairment of trade and other receivables

The Group makes impairment loss on doubtful debts based on an assessment of the recoverability of trade receivables and other receivables. Impairment is applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

c) Estimated net realisable value of inventories

The Group determines the write-down for slow-moving or obsolete inventories based on an assessment of the net realisable value of the inventories. Write-down is applied to the inventories where events or changes in circumstances indicate that the net realisable value is less than cost. The determination of net realisable value requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and inventory expenses in the period in which such estimate has been changed.

d) 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 the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise.

e) Valuation of share options granted

The fair value of share option granted was calculated using the Black-Scholes pricing model based on the Group's management's significant inputs into calculation the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

f) Realisation of deferred tax assets

Deferred tax assets relating to tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation assets and taxation in the periods in which such estimate is changed.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The Group's operating business are structured and managed separately according to the nature of their operations.

For management purposes, the Group is organised into two operating segments:

Trading – Sales and trading of telecommunication and electronic equipment, commodities, and computer hardware and relevant peripherals

Property holding and management – Property holding and provision of property management services

The revenue from external customers reported to the management is measured in a manner consistent with that in the income statement. Revenue between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

Segment result represents the profit or loss by each segment without allocation of central administration costs including directors' salaries, share of loss of associates, investment and other income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Two discontinued operations (manufacturing business and telecommunication service) were reported as separate business. The segment information does not include any amounts for these discontinued operations, which are described in more detail in note 9.

5. SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment. Amounts reported for the prior year have been restated to conform to the requirements of HKFRS 8.

	Year ended 31 March 2010			Year ended 31 March 2009		
	Trading HK$'000	Property Holding and Management HK$'000	Total HK$'000	Trading HK$'000	Property Holding and Management HK$'000	Total HK$'000
Segment Revenue						
Reportable segment revenue	678,730	9,257	687,987	214,139	512	214,651
Inter-segment revenue	–	–	–	(1,456)	–	(1,456)
Revenue from external customers (continuing operations)	678,730	9,257	687,987	212,683	512	213,195
Segment Result						
Reportable segment result	(18,181)	(16,937)	(35,118)	(3,895)	(1,462)	(5,357)
Interest income			4			111
Gain arising on change in fair value of investment properties			20,000			–
Unallocated corporate expenses			(32,817)			(35,585)
Share of loss of an associate			(84)			(63)
Finance cost			(4,820)			(77)
Loss before taxation (continuing operations)			(52,835)			(40,971)
Segment Assets						
Reportable segment assets	8,255	380,161	388,416	30,421	7,154	37,575
Assets related to manufacturing business			–			112
Assets related to telecommunication services			–			1,297
Unallocated corporate assets			6,540			9,359
Consolidated total assets			394,956			48,343
Segment Liabilities						
Reportable segment liabilities	5,599	60,142	65,741	14,324	4,674	18,998
Liabilities related to manufacturing business			–			19,185
Liabilities related to telecommunication services			–			266
Amount due to an associate			147			63
Amount due to non-controlling interests			483			966
Tax payables			632			313
Obligation under finance lease			194			–
Promissory notes			–			900
Deferred tax liabilities			9,061			–
Convertible bonds			72,645			–
Bank loan, secured			155,000			–
Unallocated corporate liabilities			4,083			4,375
Consolidated total liabilities			307,986			45,066

5. SEGMENT INFORMATION (CONTINUED)

For the purposes of monitoring segment information and allocating resources between segment:

- all assets are allocated to reportable segments other than interest in an associate and unallocated corporate assets. Goodwill is allocated to reportable segments as described in note 21.

- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, amount due to an associate and non-controlling interests, borrowings and unallocated corporate liabilities.

Other segment information:

	Year ended 31 March 2010			Year ended 31 March 2009		
	Trading HK$'000	Property Holding and Management HK$'000	Total HK$'000	Trading HK$'000	Property Holding and Management HK$'000	Total HK$'000
Additions to non-current assets	55	698	753	2,144	6,459	8,603
Interest income	–	1	1	1	–	1
Finance costs	–	1,786	1,786	–	–	–
Depreciation and amortisation	288	413	701	1,004	–	1,004
Loss on disposal of property, plant and equipment	778	–	778	9	–	9
Impairment on other intangible assets	–	–	–	2,080	–	2,080
Write down of inventory	14,402	–	14,402	291	–	291
Impairment on goodwill	–	5,465	5,465	–	3,759	3,759

Revenue from major products and services:

The Group's revenue from continuing operations from its major products and services were as follows:

	2010 HK$'000	2009 HK$'000
Sales of palm oil and coal	668,628	183,278
Sales of telecommunication and electronic equipment	–	29,405
Sales of computer hardware and relevant peripherals	10,102	–
Property management fee income	2,619	512
Rental income	6,638	–
	687,987	213,195

5. SEGMENT INFORMATION (CONTINUED)

Geographical information:

The Group is domiciled in Hong Kong. The geographical location of customers is based on the location of the customers, irrespective of the origin of the goods or services. The geographical location of the non-current assets is based on the physical location of assets in the case of property, plant and equipment, and the location of the operation to which they are allocated in the case of Goodwill. Revenue from continuing operations from external customers and information about non-current assets by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC (including Hong Kong)	**18,565**	512	**9,738**	5,739
Taiwan	**761**	27,960	**–**	–
Singapore	**387,760**	111,601	**–**	–
Indonesia	**280,901**	71,677	**–**	–
Others	**–**	1,445	**–**	–
	687,987	213,195	**9,738**	5,739

Information about major customers:

Included in revenues arising from sales of palm oil and coal of HK$668,628,000 (2009: HK$183 million) are revenues of approximately HK$280,900,000 (2009: HK$99 million) which arose from sales to the Group's largest customer.

6. TURNOVER

An analysis of Group's turnover for the year from continuing operations, is as follows:

	2010 **HK$'000**	2009 HK$'000
Revenue from sales of goods	**678,730**	212,683
Revenue from rendering of services	**9,257**	512
	687,987	213,195

7. OTHER REVENUE AND OTHER NET INCOME

	2010 **HK$'000**	2009 HK$'000
Continuing operations		
Interest income	**44**	111
Others	**4**	11
	48	122

8. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Continuing operations		
Bank loan interest	1,967	–
Effective interest on convertible bonds	2,847	77
Finance lease charges	6	–
	4,820	77

9. DISCONTINUED OPERATIONS

The Group had discontinued its business of manufacturing and telecommunication. The disposal is consistent with the Group's long term policy to reallocate and consolidate scarce financial resources and management time to other business segments.

On 30 June 2009, the Board of Directors agreed to dispose the entire 100% shareholding interest in Photar International Limited, the Group's manufacturing business which involved the manufacturing and sale of Mobile phones and DVD players. The gain on disposal of the manufacturing business for the year amounted to HK$22,439,000. Details of the assets and liabilities disposed of are disclosed in note 40.

For the year ended 31 March 2008, the Group disposed the entire 100% shareholding interest in EmCall Singapore Pte Limited which was rendering of telecommunication services. The loss on disposal for the year ended 31 March 2008 amounted to HK$580,000. Details of the assets and liabilities disposed of are disclosed in note 40.

The combined results and cash flows of the discontinued operations (i.e. manufacturing business and telecommunication service) included in the consolidated income statement and the consolidated statement of cash flows are set out below.

9. DISCONTINUED OPERATIONS (CONTINUED)

	2010 HK$'000	2009 HK$'000
Profit/(loss) for the year from discontinued operations		
Revenue	–	2,355
Expenses	(25)	(11,614)
Impairment on inventory	–	(15,492)
Interests in a joint controlled entity write off	–	(18,928)
Impairment on other receivables, deposits and prepayments	–	(716)
Gain/(loss) on disposal of property, plant and equipment	9	(8,053)
Write off of property, plant and equipment	(381)	–
Impairment loss recognised on re-measurement to fair value less costs to sell	–	(888)
Loss before taxation	(397)	(53,336)
Taxation *(note 14)*	–	–
	(397)	(53,336)
Gain/(loss) on disposal of subsidiaries	22,439	(580)
Share of loss of a jointly controlled entity	–	(721)
	22,042	(54,637)
Cash flows from discontinued operations		
Net cash used in operating activities	(25)	(16,189)
Net cash (used in)/from investing activities	(79)	15,480
Net cash used in financing activities	–	–
Net cash flows	(104)	(709)

At 31 March 2009, the manufacturing business and telecommunication services had been classified and accounted for as disposal groups held for sale and impairment loss of HK$888,000 was recognised to reduce the carrying amount of the assets to the fair value less cost to sell.

10. NON-CURRENT ASSETS HELD FOR SALE

	2010 HK$'000	2009 HK$'000
Investment property held for sale *(Note i)*	320,000	–
Property, plant and equipment held for sale *(Note ii)*	–	466
Assets related to the manufacturing business *(Note iii)*	–	112
	320,000	578
Liabilities associated with assets held for sale *(Note iii)*	–	19,185

Note i: On 19 March 2010, the Board of Directors announced that the Group entered into a provisional sale and purchase agreement to dispose the Group's investment property at the consideration of HK$320,000,000. The disposal will be completed on or before 21 September 2010. No impairment loss was recognised on reclassification of the investment property as held for sale at 31 March 2010. The fair value of the investment properties at 31 March 2010 is HK$320,000,000. Details of the revaluation of the investment properties are disclosed in note 19.

Note ii: The Group discontinued the business of telecommunication in the previous year. The property, plant and equipment of this business (i.e. telecommunication servers) was reclassified as held for sale at 31 March 2009.

Note iii: As described in note 9, the Group disposed of its manufacturing business, which involved the manufacturing and sale of mobile phones and DVD players. The major classes of assets and liabilities comprising the operations classified as held for sale at 31 March 2009 are as follows:

	2009 HK$'000
Interests in a jointly controlled entity	–
Other receivables, deposits and prepayments	2
Amount due from a jointly controlled entity	31
Bank and cash balances	79
Assets of manufacturing business classified as held for sale	112
Trade payables	(7,544)
Other payables	(11,641)
Liabilities of manufacturing business associated with assets classified as held for sale	(19,185)
Net liabilities of manufacturing business classified as held for sale	(19,073)

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year from continuing operations is arrived at after charging/(crediting):

	2010 HK$'000	2009 HK$'000
Auditor's remuneration	**479**	415
Amortization of other intangible assets	**–**	260
Bad debts written off	**–**	–
Cost of inventories sold	**676,631**	210,589
Direct operating expenses from investment properties that generated rental income during the year	**7,391**	–
Depreciation	**1,225**	2,042
– Owned assets	**1,186**	2,042
– Assets held under finance leases	**39**	–
Exchange loss	**(311)**	43
Other losses	**24,322**	16,108
– Impairment on property, plant and machinery	**1,033**	–
– Write off on inventory	**14,402**	291
– Impairment on goodwill	**5,465**	3,759
– Impairment on other intangible assets	**–**	2,080
– Impairment on payment for investment in a joint venture *(note (iii))*	**–**	8,653
– Loss on acquisition of non-controlling interests	**121**	–
– Impairment on other receivables, deposits and prepayments	**2,425**	309
– Loss on disposal of property, plant and equipment	**876**	1,016
Operating lease rental in respect of rented premises *(note (i))*	**2,622**	3,954
Research and development costs *(note (ii))*	**204**	584
Staff costs (including directors' remuneration)		
– Salaries and allowances	**10,686**	8,134
– Equity-settled share option expense	**1,088**	151
– Retirement scheme contributions	**306**	125

11. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS (CONTINUED)

Notes:

(i) Included in the operating lease rentals in respect of rented premises are paid for the director's and staff quarter of HK$101,000 (2009: HK$496,000) which had also been included in staff costs disclosed above.

(ii) Included in the research and development expenditure are staff costs of HK$ nil (2009: HK$286,000) which had also been included in staff costs disclosed above.

(iii) The Group had entered into a joint venture agreement with Shanghai Jian Hua Satellite Communications Limited, for the purpose of conducting distant education and training. An amount of approximately HK$8,653,000 was paid for the capital investment of this potential joint venture during the year ended 31 March 2008. Despite the fact that the joint venture company had been set up during the year ended 31 March 2009, the Group assessed the recoverable amount of the consideration paid by reference to value in use to be nil and determined that the consideration paid was impaired by HK$8,653,000.

12. DIRECTOR'S EMOLUMENTS

The emoluments paid or payable to the Company's directors for the year ended 31 March 2010 and 2009 were as follows:

	Year ended 31 March 2010			
	Directors' fee HK$'000	Salaries, allowances and other benefits HK$'000	Share based payment HK$'000	Total HK$'000
Executive directors				
Mr. Chan Cheong Yee *(note i)*	177	–	544	721
Mr. Keung Kwok Hung *(note ii)*	–	630	435	1,065
Mr. Yik Chok Man *(note iii)*	40	–	–	40
Mr. Yong Wai Hong *(note iv)*	–	95	–	95
Mr. Lam Kwok Ho *(note v)*	27	–	–	27
Non-executive director				
Mr. Chong Lee Chang *(note vi)*	84	–	–	84
Independent non-executive directors				
Ms. Tsang Fung Chu	84	–	–	84
Mr. Wong Chi Keung Patrick	84	–	–	84
Mr. Leung Ka Kui Johnny *(note vii)*	47	–	–	47
Ms. Chen Chou Mei Mei Vivien *(note iii)*	40	–	–	40
Mr. Tsang Zee Ho Paul *(note viii)*	40	–	–	40
	623	725	979	2,327

12. DIRECTOR'S EMOLUMENTS (CONTINUED)

	Year ended 31 March 2009			
	Directors' fee HK$'000	Salaries, allowances and other benefits HK$'000	Share based payment HK$'000	Total HK$'000
Executive directors				
Mr. Yong Wai Hong	–	1,096	29	1,125
Mr. Lam Kwok Ho	105	60	29	194
Independent non-executive directors				
Mr. Chan Cheong Yee *(note i)*	105	–	29	134
Mr. Chong Lee Chang *(note vi)*	–	–	–	–
Ms. Tsang Fung Chu	105	–	29	134
Mr. Wong Chi Keung Patrick	105	20	29	154
	420	1,176	145	1,741

Note:

(i) Re-designated to executive director from independent non-executive director on 14 April 2009

(ii) Appointed on 28 July 2009

(iii) Appointed on 9 October 2009

(iv) Resigned on 18 April 2009

(v) Resigned on 28 July 2009

(vi) Appointed as independent non-executive director on 31 March 2009 and re-designed to non-executive director on 10 September 2009.

(vii) Appointed on 10 September 2009

(viii) Appointed on 9 October 2009 and resigned on 31 March 2010

During the year ended 31 March 2010 and 2009, no emoluments were paid to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors has waived any emoluments in the ended 31 March 2010 and 2009.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals in the Group with the highest emoluments, two (2009: one) are directors of the Company whose emoluments are disclosed above. The emoluments of the remaining three individuals (2009: four), whose emoluments are individually below HK$1,000,000, are as follows:

	2010 HK$'000	2009 HK$'000
Salaries and other benefits	1,166	1,448
Retirement scheme contributions	20	19
	1,186	1,467

14. TAXATION

	2010 HK$'000	2009 HK$'000
The taxation charge comprises:		
Current tax		
Hong Kong	540	313
Deferred tax *(note 36)*		
Current year	2,179	–
Tax recognised in profit or loss	2,719	313
Attributable to:		
Continuing operations	2,719	313
Discontinued operations	–	–
	2,719	313

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

14. TAXATION (CONTINUED)

Taxes on profits assessable other than in Hong Kong are calculated at the rates of tax prevailing in the places in which the Group operates based on existing legislation, practices and interpretations thereof.

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

	2010 HK$'000	2009 HK$'000
Loss before taxation		
Continuing operations	(52,835)	(40,971)
Discontinued operations	22,042	(54,637)
	(30,793)	(95,608)
Tax at the statutory tax rate	(6,011)	(15,775)
Income not subject to taxation	(10,330)	(309)
Expenses not deductible for tax purpose	12,367	8,915
Effect of different tax rates of subsidiaries operating in other jurisdictions	(359)	(724)
Tax effect of unrecognised temporary difference	894	448
Tax effect of unrecognised tax loss	6,158	7,758
Taxation charge for the year	2,719	313

14. TAXATION (CONTINUED)

The tax charge relating to components of other comprehensive loss is as follows:

	2010			2009		
	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000	Before tax HK$'000	Tax charge HK$'000	After tax HK$'000
Exchange difference on translating foreign operations:						
– Exchange differences arising during the year	290	–	290	2,460	–	2,460
– Reclassification adjustments relating to foreign operations disposed during the year	3,366	–	3,366	45	–	45
	3,656	–	3,656	2,505	–	2,505

15. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss attributable to owners of the Company for the year dealt with in the financial statements of the Company is a net loss of HK$64,449,000 (2009: HK$96,670,000).

16. DIVIDEND

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

17. LOSS PER SHARE

(i) Basic loss per share

	2010 HK Cent	2009 HK Cent (restated)
Basic loss per share		
From continuing operations	(2.51)	(2.88)
From discontinued operations	1.01	(3.86)
Total basic loss per share	(1.50)	(6.74)

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2010 HK$'000	2009 HK$'000
Loss for the year attributable to owners of the Company	(32,916)	(95,531)
Less: Profit/(loss) for the year from discontinued operations used in the calculation of basic loss per share from discontinued operation	22,042	(54,637)
Loss used in the calculation of basic loss per share from continuing operations	(54,958)	(40,894)

	2010	2009 (restated)
Weighted average number of ordinary shares for the purpose of basic loss per share	2,189,949,797	1,417,928,483

Weighted average number of ordinary shares for the year ended 31 March 2009 is restated by share consolidation on the basis of 2 ordinary shares consolidated into 1 share.

17. LOSS PER SHARE (CONTINUED)

(ii) Diluted loss per share

Diluted loss per share for the year ended 31 March 2010 and 2009 are not presented as the effect of share option and convertible notes are anti-dilutive and are not included in the calculation of diluted loss per share for the years ended 31 March 2010 and 2009.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold Improvement HK$'000	Mould HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost							
At 1 April 2008	1,926	11,405	4,682	450	4,507	298	23,268
Additions	2,100	754	7,060	523	467	–	10,904
Disposal	(1,808)	(11,537)	(11,222)	(224)	(2,157)	(301)	(27,249)
Reclassified as held for sale	–	–	–	(34)	(2,662)	–	(2,696)
Exchange difference	6	132	61	3	13	3	218
At 31 March 2009 and 1 April 2009	2,224	754	581	718	168	–	4,445
Additions	442	–	6	–	32	295	775
Acquired on acquisition of subsidiaries *(Note 39)*	1,680	–	–	266	705	–	2,651
Disposal	(2,229)	–	–	(117)	(190)	–	(2,536)
Exchange difference	5	–	2	2	–	–	9
At 31 March 2010	2,122	754	589	869	715	295	5,344
Accumulated depreciation and impairment							
At 1 April 2008	492	10,472	3,277	102	970	209	15,522
Charge for the year	1,716	472	238	145	1,442	40	4,053
Written back on disposal	(1,121)	(11,014)	(3,531)	(59)	(1,041)	(251)	(17,017)
Impairment loss	–	–	–	–	888	–	888
Reclassified as held for sale	–	–	–	(9)	(2,221)	–	(2,230)
Exchange difference	8	120	54	1	5	2	190

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold Improvement HK$'000	Mould HK$'000	Plant and machinery HK$'000	Computers HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 31 March 2009 and 1 April 2009	1,095	50	38	180	43	–	1,406
Acquired on acquisition of subsidiaries *(Note 39)*	607	–	–	35	513	–	1,155
Charge for the year	691	151	61	168	115	39	1,225
Written back on disposal	(1,451)	–	–	(103)	(106)	–	(1,660)
Impairment loss	–	553	480	–	–	–	1,033
Exchange difference	2	–	1	–	–	–	3
At 31 March 2010	944	754	580	280	565	39	3,162
Net book value							
At 31 March 2010	1,178	–	9	589	150	256	2,182
At 31 March 2009	1,129	704	543	538	125	–	3,039

At 31 March 2010, the net book value of motor vehicle held under finance lease of the Group was HK$256,000 (2009: nil).

19. INVESTMENT PROPERTIES

The Group

	HK$'000
At fair value	
At 1 April 2008, 31 March 2009 and 1 April 2009	–
Acquired on acquisition of subsidiaries *(Note 39)*	300,000
Gain on property valuation	20,000
Transfer to assets classified as held for sale *(Note 10)*	(320,000)
At 31 March 2010	–

The investment properties are held on medium term leases of between 10 to 50 years in Hong Kong. As at 31 March 2010, the investment properties were revalued on an open market value on their existing use basis by Greater China Appraisal Limited, an independent professional valuer, who have among their staff holding recognised and relevant professional qualification with recent experience in the location and category of property being valued. The valuation was arrived by reference to comparable sales transactions as available in the market.

All the investment properties are re-classified as non-current assets held for sale. Details of the assets classified as held for sale are disclosed in note 10.

The investment properties have been pledged to secure general banking facilities granted to the Group (Note 34) and convertible bonds (Note 35).

20. OTHER INTANGIBLE ASSET

The Group

	Capitalised development cost HK$'000
Cost	
At 1 April 2008	–
Additions	2,340
At 31 March 2009, 1 April 2009	2,340
Write-off	(2,340)
At 31 March 2010	–
Accumulated amortisation and impairment	
At 1 April 2008	–
Provided for the year	(260)
Impairment loss recognised	(2,080)
At 31 March 2009, 1 April 2009	(2,340)
Eliminated on write-off	2,340
At 31 March 2010	–
Carrying amount	
At 31 March 2010 & 31 March 2009	–

The amortisation expense had been included in the line item depreciation and amortization expense in the consolidated income statement.

The capitalized development cost has definite useful lives. Such intangible asset is amortised on a straight-line basis over 3 years. During the year 31 March 2009, the Group carried out a review of the recoverable amount of capitalized development cost. As a result, the Company assessed the recoverable amount of this asset to be nil and the carrying amount was written down by HK$2,080,000.

21.GOODWILL

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost		
At beginning of the year	**6,459**	–
Acquired on acquisition of subsidiaries *(Note 39)*	**10,321**	6,459
At end of the year	**16,780**	6,459
Accumulated impairment losses		
At beginning of the year	**(3,759)**	–
Impairment loss recognised	**(5,465)**	(3,759)
At end of the year	**(9,224)**	(3,759)
Carrying amount		
At 31 March	**7,556**	2,700

The carrying amount of goodwill (net of accumulated impairment losses) was allocated to cash-generating units as follows:

	2010	2009
	HK$'000	HK$'000
Property management – Gi Space	**–**	2,700
Property investment – Harvest Yield	**7,556**	–
	7,556	2,700

21. GOODWILL (CONTINUED)

Property management

The goodwill associated with property management arose when Gi Space Limited, Gi Space (Canton) Limited and ISpace Investment Limited were acquired by the Group. Gi Space Limited is the retail facility manager for the investment properties of the Group. During the year, the Company has agreed to sell the investment properties of the Group and Gi Space Limited is required to discontinue the property management services rendered to the Group's investment properties at the purchaser's discretion. The directors assessed the recoverable amount of goodwill and determined to write off the goodwill related to property management.

Property investment

The goodwill arose from the acquisition of Harvest Yield Investments Limited ("Harvest Yield") during the year, which is engaged in property investment. For the purpose of impairment testing, goodwill has been allocated to one cash generating unit.

During the financial year, the Group assessed the recoverable amount of goodwill associated with the Harvest Yield by reference to value in use. The calculations use post-tax cash flow projections based on financial budgets. Taking into account the latest development in respect of the sale of investment property, management believe that the recoverable amount would exceed its carrying amount and therefore, no impairment is necessary.

22 INTERESTS IN SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**41,951**	1
Amount due from subsidiaries	**201,731**	114,601
Less: impairment loss	**(86,644)**	(87,246)
	157,038	27,356
Amount due to subsidiaries	**(1,649)**	(820)

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

22 INTERESTS IN SUBSIDIARIES (CONTINUED)

The movement in the allowance for impairment is as follows:

	The Company	
	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	87,246	–
Impairment losses recognised	38,665	87,246
Amounts written off as uncollectible	(39,267)	–
Balance at end of the year	86,644	87,246

Included in the allowance are individually impaired amount due from subsidiaries which have significant loss for the year.

Particulars regarding the subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
Easybuild Assets Management Limited	BVI	Limited liability company	US$1	100		Investment holding
Emcom (HK) Pte Limited	Hong Kong	Limited liability company	HK$10	100		Investment holding
Faith Pro Trading Limited	BVI	Limited liability company	US$100	100		Dormant
Harvest Yield Investments Limited *(note ii)*	BVI	Limited liability company	US$2	100		Investment holding
High Amuse Limited	BVI	Limited liability company	US$1	100		Investment holding
Sinotrans Resources Limited	BVI	Limited liability company	US$1	100		Trading of palm oil and coal
EmCall Pte Limited	Hong Kong	Limited liability company	HK$10		100	Dormant
Emcom International (China) Investment Limited	Hong Kong	Limited liability company	HK$10		100	Investment holding

22 INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ operation	Type of legal entity	Issued and fully paid share capital	Attributable equity interest held by the Company Directly %	Attributable equity interest held by the Company Indirectly %	Principal activities
Gi Space Limited	Hong Kong	Limited liability company	HK$1		100	Marketing and management of a shopping mall
Gi Space (Canton) Limited (formerly known as Ty Space Limited)	Hong Kong	Limited liability company	HK$1		100	Marketing and management of a shopping mall
Gi Space (Hunghom) Limited	Hong Kong	Limited liability company	HK$1		100	Dormant
ISpace Investment Limited	Hong Kong	Limited liability company	HK$1		100	Marketing and management of a shopping mall
Power Alliance Investment Limited ("Power Alliance") *(note ii)*	Hong Kong	Limited liability company	HK$1		100	Property investment
Sparkle Success Investment Limited *(note i)*	Hong Kong	Limited liability company	HK$1		100	Investment holding
Skymax Investment Development Limited *(note i)*	Hong Kong	Limited liability company	HK$100		100	Trading of servers
Smoothway Investment Limited *(note i)*	Hong Kong	Limited liability company	HK$10		100	Investment holding and trading of computer hardware
Sinoeye Limited	BVI	Limited liability company	US$1		100	Investment holding
E-Learning iTech Service (Shanghai) Company Limited	The PRC	Limited liability company	US$173,101		51	Providing consultancy services
Smoothway Technology (Shenzhen) Inc. *(note i)*	The PRC	Limited liability company	HK$600,000		100	Provision of technical development on communication device

22 INTERESTS IN SUBSIDIARIES (CONTINUED)

The Group acquired 100% equity interests of Harvest Yield Investments Limited and ISpace Investment Limited from independent third parties at consideration of HK$153,000,000 by way of issuing consideration shares and convertible bonds by the Company and HK$1 respectively. The net assets of the subsidiaries acquired of are disclosed in note 39.

During the year ended 31 March 2010, the Group acquired 30% interest in Smoothway Investment Limited at a cash consideration of HK$3 from the non-controlling interests. After the acquisition, Smoothway Investment Limited has become a wholly-owned subsidiary of the Group.

During the year 31 March 2010, the Company disposed one of the subsidiaries to a third party for a consideration of HK$ 1. The net assets of the subsidiary disposed of are disclosed in note 40.

Note i: These subsidiaries are not audited by Graham H.Y.Chan & Co.

Note ii: The entire issued capital in Harvest Yield and Power Alliance are pledged to secure the convertible bonds issued by the Company.

23. INTERESTS IN AN ASSOCIATE

	The Group	
	2010	2009
	HK$'000	HK$'000
Cost of investment in unlisted associate	**–**	–
Share of post – acquisition results	**(147)**	(63)
Amount due to an associate	**(147)**	(63)

Amount due to an associate is unsecured, non-interest bearing and has no fixed terms of repayment. The Group has incurred the legal obligation to make additional investment on the associate and the capital commitment was disclosed in the note 43 in the financial statement. As a result, the additional share of losses and the liability were recognised.

23. INTERESTS IN AN ASSOCIATE (CONTINUED)

As at 31 March 2010, the Group had interest in the following associate:

Name of associate	Form of business structure	Place of incorporation/ operations	Class of shares held	Nominal value of issued capital	Percentage of equity attributable to the Group	Principal activities
Boss Education Limited	Limited liability company	Hong Kong	Ordinary	HK$1,000	49%	Promoting multimedia training, job training and consultation services

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

	2010 HK$'000	2009 HK$'000
Total assets	115	103
Total liabilities	(414)	(230)
Net liabilities	(299)	(127)
Group's share of net liabilities of the associate	(147)	(63)
Revenue	–	–
Loss for the year	(172)	(128)
Group's share of loss of associates for the year	(84)	(63)

24. INVENTORIES

	The Group	
	2010 HK$'000	2009 HK$'000
Raw materials	–	129
Work-in-Progress	–	323
Finished goods	–	14,598
	–	15,050

25. TRADE RECEIVABLES

The aging of the Group's trade receivables is analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	**56**	702
31 – 60 days	**298**	81
61 – 90 days	**25**	42
Over 90 days	**950**	4,570
	1,329	5,395
Provision	**(152)**	–
	1,177	5,395

For property holding and management segment, no credit period was granted to the sub-licensees according to the Group's policies. For trading and other segment, the credit terms granted by the Group to its customers normally ranged from COD (cash-on-delivery) to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. All trade receivable are expected to be recovered within one year.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. As at 31 March 2010, impairment loss of HK$152,000 (2009: HK$nil) has been made. The impaired receivables related to sub-licensees who have moved out from the properties and the Group assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**53**	671
Past due but not impaired:		
Less than 1 month past due	**31**	31
1 to 3 months past due	**306**	4,489
More than 3 months past due	**787**	204
	1,177	5,395

25. TRADE RECEIVABLES (CONTINUED)

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

26. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other receivables	**49,472**	463	**288**	3
Deposits and prepayments	**4,773**	4,844	**155**	–
	54,245	5,307	**443**	3

Included in other receivables are deposits amounted of HK$48,000,000 in respect of disposal of properties of the Group held by legal adviser of the Company. Pursuant to the sale and purchase agreement, the said amount may be only released by the legal adviser to the Group provided that the balance of the purchase price is sufficient to discharge the existing legal charge or mortgage; and the necessary approvals from the shareholders of the Company for the sale of the properties to the purchaser have been duly obtained.

27. SECURITY DEPOSIT TO A RELATED COMPANY

Security deposit represented deposits pledged to Alliance Global Capital Finance Limited ("AGCF"), a company in which an ex-director, Lam Kwok Ho has beneficial interest, in accordance with a loan agreement entered into with AGCF to secure financial facility line granted to the Group. Since the conditions precedent to the agreement have not been fulfilled, the parties to the agreement agreed to terminate the agreement and have on 25 June 2009 entered into the Deed of Cancellation to terminate the agreement with immediate effect, AGCF has refunded the security deposit paid under the agreement to the Company.

28. CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

	The Group	
	2010	2009
	HK$'000	HK$'000
Unpledged deposits with bank		
Cash at bank and in hand	**9,796**	15,324
Bank and cash balances classified as held for sales *(Note 10)*	**–**	79
Cash and cash equivalents	**9,796**	15,403
Pledged bank deposit	**–**	150

Cash at banks earns interest at floating rate based on daily bank deposit rates. The pledged bank deposits carry fixed deposit interest rates. The fair values of the company's bank balances and cash and pledged bank deposits at 31 March 2010 approximate their corresponding carrying amounts.

Pledged bank deposits of HK$150,000 at 31 March 2009 represented deposits pledged to a bank to secure short term banking facilities granted to the Group and was therefore classified as current assets. The whole amount of the pledged bank deposits have been released during the year.

29. TRADE PAYABLES

The following is an aged analysis of the Group's trade payables at the end of the reporting period:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 30 days	**2,706**	2,680
31-60 days	**201**	–
61-90 days	**31**	60
Over 90 days	**5,298**	7,544
	8,236	10,284
Trade payables	**8,236**	2,740
Trade payables associated with assets held for sale *(Note 10)*	**–**	7,544
	8,236	10,284

30. DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Sales deposits received	**222**	14,134	**–**	–
Deposits received in respect of sale of investment properties	**48,000**	–	**–**	–
Security deposits received	**660**	635	**–**	–
Other payables and accruals	**12,707**	6,130	**3,504**	3,944
	61,589	20,899	**3,504**	3,944

31. PROMISSORY NOTE

On 2 December 2008, the Group issued the Promissory Note in a principal amount of HK$6,800,000 for acquiring the entire issued share capital of Gi Space Limited and Gi Space (Canton) Limited (formerly known as Ty Space Limited) and was interest free.

As security of the performance of the Group and its obligations under the promissory note, two share charges were duly executed by the Group to charge the entire issued share capital of Gi Space Limited and that of Gi Space (Canton) Limited in favour of the payee.

Pursuant to the promissory notes, the note shall be repayable in one lump sum on 31 May 2009 ("maturity date). The Group has the right to early redeem the promissory notes. The Company may at any time after three months from the date of issue of the promissory note to the date immediately before the maturity date of the promissory notes, redeem the promissory notes (in whole or in part) at the principal amount of the promissory notes to be redeemed. The Group early redeemed the amount of HK$5,900,000 during the year ended 31 March 2009 and then repaid the balance during the current year.

32. AMOUNT DUE TO NON-CONTROLLING INTERESTS

The amount is unsecured, non-interest-bearing and has no fixed terms of repayments.

33. OBLIGATION UNDER FINANCE LEASE

The Group leased a motor vehicle under finance lease. The lease term is 3 years. Interest rate underlying the finance lease is fixed at contract date at 7.15% per annum. No arrangement has been entered into for contingent rental payments.

33. OBLIGATION UNDER FINANCE LEASE (CONTINUED)

At 31 March 2010, the Group had obligation under finance lease repayable as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	83	93	–	–
After 1 year but within 2 years	83	93	–	–
After 2 years but within 5 years	28	31	–	–
	111	124	–	–
	194	217	–	–
Less total future interest expenses		(23)		–
Present value of lease obligation		194		–

The Group's obligation under finance lease is secured by the charge over the leased assets.

34. BANK LOANS, SECURED

At 31 March 2010, the bank loans were repayable as follows:

	The Group	
	HK$'000	HK$'000
Repayable on demand or within one year	78,200	–
After one year but within two years	1,200	–
After two years but within five years	19,200	–
After five years	56,400	–
	155,000	–

The bank loans included variable-rate borrowings repayable within one to ten years which carry interest rates of prevailing market rate plus 2.25% or HIBOR plus 2.25% per annum, whichever is higher. The effective interest rate on the bank loan is 2.45% per annum at 31 March 2010.

At 31 March 2010, the bank loans of the Group were secured by pledge of investment properties of the Group and corporate guarantee executed by the Company.

35. CONVERTIBLE BONDS

On 7 October 2009, the Company issued HK$78 million convertible bonds due on the second anniversary of the date of the issue of the bonds for the acquisition of the entire interests in Harvest Yield. For the period commencing on the date of the issue of the convertible bonds and expiring on the first anniversary of such date of issue, the convertible bonds shall accrue no interest. Following the passing of the said first anniversary, the convertible bonds shall accrue interest at the rate of 5% per annum of the outstanding principal amount of the convertible bonds. Interest is payable on the maturity date or such earlier date of redemption of the convertible bonds. The convertible bonds are secured by (i) first charge over the entire issued share capital in Harvest Yield; (ii) first charge over the entire issued capital in Power Alliance; and (iii) second charge over the investment properties of the Group.

The bondholders have the right at any time up to maturity date to convert the whole or any part of the principal amount of the convertible bonds into ordinary share at the initial conversion price of HK$0.10 per share (subject to adjustments). If the convertible bonds have not been converted on the maturity date, they will be redeemed at the principal amount.

35. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds contain two components, liability and equity components. The fair value of the liability component, which was determined by independent professional valuers, DTZ Debenham Tie Leung Limited and Roma Appraisals Limited on the date of issue, is the present value of the contractually determined stream of future cash flows discounted at the effective interest rate of 8.29% and providing substantially the same cash flows, on the same terms, but without the conversion option. The residual amount is assigned as the equity component and is included in equity.

The movement of the liability component and equity component of the convertible bonds for the year is set out below:

	Liability component HK$'000	**Equity component HK$'000**
Convertible bonds issued on 7 October 2009	**69,798**	**8,202**
Interest expenses charged	**2,847**	**–**
As at 31 March 2010	**72,645**	**8,202**

The convertible note issued on 11 October 2007 had been converted into share entirely during the year ended 31 March 2009. The movement of the liability component and equity component for that year is set out below:

	Liability component HK$'000	Equity component HK$'000
As at 1 April 2008	51,721	12,154
Interest expenses charged	77	–
Conversion of entire convertible note into share	(50,246)	(12,154)
As at 31 March 2009	1,552	–

The balance as at 31 March 2009 represented interest payable of the convertible note and had been included in Other payables and accruals in the consolidated and the Company's statements of financial position.

36. DEFERRED TAXATION

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

The Group

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Unused tax loss HK$'000	Total HK$'000
At 1 April 2008, 31 March 2009 and 1 April 2009	–	–	–	–
Acquired on acquisition of subsidiaries *(Note 39)*	1,613	10,149	(4,880)	6,882
Charged/(credited) to profit or loss	45	3,300	(1,166)	2,179
	1,658	13,449	(6,046)	9,061

In accordance with the accounting policy set out in note 2(t), the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$33,708,000 (2009: HK$38,972,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

As at 31 March 2009 and 2010, the Group and the Company has no material unprovided deferred tax.

37. SHARE CAPITAL

	2010		2009	
	Number of shares '000	**Nominal value HK$'000**	Number of shares '000	Nominal value HK$'000
Ordinary shares of HK$0.02 (2009: HK$0.01) each				
Authorised:				
At the beginning of the year	**10,000,000**	**100,000**	10,000,000	100,000
Consolidation of share from 2 shares into one consolidated share *(note 3)*	**(5,000,000)**	**–**	–	–
At the end of the year	**5,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At the beginning of the year	**3,258,980**	**32,590**	2,478,980	24,790
Conversion of convertible note *(note 1)*	**–**	**–**	240,000	2,400
Placing of new shares *(note 2)*	**–**	**–**	540,000	5,400
Share allotment under share option scheme before share consolidation *(note 6)*	**66,898**	**669**	–	–
Share consolidation *(note 3)*	**(1,662,939)**	**–**	–	–
Share consideration for acquisition of subsidiary *(note 4)*	**750,000**	**15,000**	–	–
Placing of new shares *(note 5)*	**150,000**	**3,000**	–	–
Share allotment under share option scheme after share consolidation *(note 6)*	**148,620**	**2,972**	–	–
At the end of year	**2,711,559**	**54,231**	3,258,980	32,590

Note 1: The Company issued 240,000,000 ordinary shares of HK$0.01 each as a result of the exercise of the conversion rights attached to the convertible note of entire principal amount of HK$62,400,000 at a conversion price of HK$0.26 each on 9 April 2008.

Note 2: The Company placed 540,000,000 ordinary shares of HK$0.01 each at a placing price of HK$0.02 per share on 7 January 2009.

37. SHARE CAPITAL (CONTINUED)

Note 3: Pursuant to an ordinary resolution passed on 5 August 2009, a capital reorganization was undertaken that the issued and unissued ordinary share of HK$0.01 each in the capital of the Company was consolidated on the basis of every 2 shares being consolidated into 1 share of HK$0.02 each ("Consolidated share").

Note 4: 750,000,000 Consolidated shares were issued at a price of HK$0.1 per share to satisfy part of the consideration pursuant to the sale and purchase agreement dated 27 May 2009 entered into between the Company and the vendors for the acquisition of Harvest Yield.

Note 5: The Company placed 150,000,000 Consolidated shares at a placing price of HK$0.1 per share on 14 October 2009 for the purpose of increase the working capital of the Company and enhance the liquidity strength of the Group.

Note 6: During the year, 66,898,000 ordinary shares of HK$0.01 each and 148,620,000 Consolidated shares of HK$0.02 each were issued pursuant to the share option scheme of the Company at consideration of HK$1,806,000 and HK$12,060,000 respectively.

Capital management

Capital comprises of share capital and reserves stated on the consolidated statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners of the Company and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively regularly reviews and manages its capital structure to maintain a balance between the higher owners' returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

As in prior year and consistent with industry practice, the Group monitors its capital structure on the basis of a net debt to adjusted capital ratio. For this purpose the Group defines net debts as total debt (which includes interest-bearing loans and borrowings, trade and other payables and obligation under finance lease but excludes redeemable preference shares) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of equity and redeemable preference shares, other than amounts recognised in equity relating to cash flow hedges, less unaccrued proposed dividends.

During the year ended 31 March 2010, the Group's net debt-to-equity ratio has been decreased due to issue of shares during the year.

37. SHARE CAPITAL (CONTINUED)

Capital management (Continued)

The net debt-to-equity ratio at 31 March 2010 and 2009 was as follows:

		The Group		The Company	
	Note	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Current liabilities					
Trade payables	*29*	**8,236**	2,740	**–**	–
Deposits received, other payables and accruals	*30*	**61,589**	20,899	**3,504**	3,944
Promissory note	*31*	**–**	900	**–**	–
Amount due to an associate	*23*	**147**	63	**–**	–
Amount due to non-controlling interests	*32*	**483**	966	**–**	–
Amounts due to subsidiaries	*22*	**–**	–	**1,649**	820
Tax payables		**631**	313	**–**	–
Obligation under finance lease	*33*	**83**	–	**–**	–
Bank loans, secured	*34*	**78,200**	–	**–**	–
Liabilities associated with assets classified as held for sale	*10*	**–**	19,185	**–**	–
		149,369	45,066	**5,153**	4,764
Non-current liabilities:					
Obligation under finance lease	*33*	**111**	–	**–**	–
Bank loans, secured	*34*	**76,800**	–	**–**	–
Convertible bonds	*35*	**72,645**	–	**72,645**	–
		149,556	–	**72,645**	–
Total debt		**298,925**	45,066	**77,798**	4,764
Less: Cash and cash equivalents	*28*	**(9,796)**	(15,403)	**(2)**	–
Pledged bank deposits	*28*	**–**	(150)	**–**	–
Net debt		**289,129**	29,513	**77,796**	4,764
Total equity		**86,970**	3,277	**79,685**	23,395
Net debt-to-equity ratio		**332%**	901%	**97%**	20%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirement.

38. RESERVES

a) The Group

	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	67,856	3,930	12,154	355	6,214	(77,554)	12,955
Conversion of convertible note into shares	60,000	–	(12,154)	–	–	–	47,846
Issue of ordinary shares of HK$0.01 each completed on 7 January 2009	5,400	–	–	–	–	–	5,400
Issuing expenses	(359)	–	–	–	–	–	(359)
Transfer of cancelled/lapsed share option to retained earning	–	–	–	(355)	–	355	–
Equity-settled share option arrangement	–	–	–	2,644	–	–	2,644
Exchange difference arising from translation of financial statements	–	–	–	–	(2,455)	–	(2,455)
Transfer to profit or loss on disposal of foreign operations	–	–	–	–	(45)	–	(45)
Loss for the year	–	–	–	–	–	(95,531)	(95,531)
At 31 March 2009	132,897	3,930	–	2,644	3,714	(172,730)	(29,545)
At 1 April 2009	132,897	3,930	–	2,644	3,714	(172,730)	(29,545)
Share consideration of HK$0.02 each for acquisition of subsidiary	60,000	–	–	–	–	–	60,000
Issue of ordinary shares of HK$0.02 each completed on 14 October 2009	12,000	–	–	–	–	–	12,000
Issue of ordinary shares under share option scheme	16,895	–	–	(6,669)	–	–	10,226
Issuing expenses	(280)	–	–	–	–	–	(280)
Issue of convertible bonds on 7 October 2009	–	–	8,202	–	–	–	8,202
Equity-settled share option arrangement	–	–	–	8,950	–	–	8,950
Exchange difference arising from translation of financial statements	–	–	–	–	(290)	–	(290)
Transfer to profit or loss on disposal of foreign operations	–	–	–	–	(3,366)	–	(3,366)
Loss for the year	–	–	–	–	–	(32,916)	(32,916)
At 31 March 2010	221,512	3,930	8,202	4,925	58	(205,646)	32,981

38. RESERVES (CONTINUED)

b) The Company

	Share premium HK$'000	Contributed surplus HK$'000	Equity component of convertible note HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2008	67,856	1,988	12,154	355	(50,409)	31,944
Conversion of convertible note into shares	60,000	–	(12,154)	–	–	47,846
Issue of ordinary shares of HK$0.01 each completed on 7 January 2009	5,400	–	–	–	–	5,400
Issuing expenses	(359)	–	–	–	–	(359)
Transfer of cancelled/lapsed share option to retained earning	–	–	–	(355)	355	–
Equity-settled share option arrangement	–	–	–	2,644	–	2,644
Loss for the year	–	–	–	–	(96,670)	(96,670)
At 31 March 2009	132,897	1,988	–	2,644	(146,724)	(9,195)
At 1 April 2009	132,897	1,988	–	2,644	(146,724)	(9,195)
Share consideration of HK$0.02 each for acquisition of subsidiary	60,000	–	–	–	–	60,000
Issue of ordinary shares of HK$0.02 each completed on 14 October 2009	12,000	–	–	–	–	12,000
Issue of ordinary shares under share option scheme	16,895	–	–	(6,669)	–	10,226
Issuing expenses	(280)	–	–	–	–	(280)
Issue of convertible bonds on 7 October 2009	–	–	8,202	–	–	8,202
Equity-settled share option arrangement	–	–	–	8,950	–	8,950
Loss for the year	–	–	–	–	(64,449)	(64,449)
At 31 March 2010	221,512	1,988	8,202	4,925	(211,173)	25,454

38. RESERVES (CONTINUED)

b) The Company (Continued)

At 31 March 2010, the aggregate amount of reserves available for distribution to owners of the Company was approximately HK$12,327,000. At 31 March 2009, the Company had no reserve available for distribution to shareholders.

The share premium is arising from the issue of shares of the Company.

The contributed surplus represents the difference between the combined net assets of the subsidiaries acquired by the Company and the nominal value of the shares of the Company at the time of the Group reorganisation.

39. ACQUISITION OF SUBSIDIARIES

Acquisition in 2010

On 7 October 2009, the Company acquired the entire issued share capital of Harvest Yield and the sale debts, being the amounts equal to the entirety of the face value of the loans outstanding at 7 October 2009 made by the vendors to Harvest Yield. Harvest Yield is the sole beneficial owner of the entire issued share capital of Power Alliance, a company incorporated in Hong Kong, who is the owner of the shopping mall located in Tsimshatsui which is currently managed by Gi Space Limited, a wholly owned subsidiary of the Company. The Board considers that it is in the benefits of the Company to seek for suitable investment opportunities and broaden its source of income. The Board believes that the rental income from the shopping mall will generate stable income for the Group and will also broaden its source of income. In addition, the shopping mall represents an excellent investment opportunity as the Company can benefit from the gain in value of the shopping mall as the Hong Kong property market grows.

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition in 2010 (Continued)

On 1 January 2010, the Company acquired the entire issued share capital of ISpace Investment Limited at consideration of HK$1.

The fair value of net assets acquired in the transactions approximate to their carrying amounts at the date of acquisition and the goodwill arising are as follows:

	Harvest Yield HK$'000	ISpace HK$'000	Total HK$'000
Net assets/(liabilities) acquired:			
Investment properties *(note 19)*	300,000	–	300,000
Property, plant and equipment *(note 18)*	192	1,304	1,496
Trade and other receivables	1,375	132	1,507
Bank and cash balance	51	1	52
Trade and other payables	(2,217)	(4,202)	(6,419)
Bank loan, secured	(147,075)	–	(147,075)
Deferred tax liabilities *(note 36)*	(6,882)	–	(6,882)
	145,444	(2,765)	142,679
Goodwill *(note 21)*	7,556	2,765	10,321
	153,000	–	153,000
Total consideration satisfied by:			
Issue of shares *(note 37)*	75,000	–	75,000
Issue of convertible bonds *(note 35)*	78,000	–	78,000
	153,000	–	153,000
Net cash inflow arising on acquisition:			
Bank balances and cash acquired	51	1	52

The fair value of the consideration shares was based on the published share price. The basis of fair value calculation of convertible bonds is set out in note 35.

The goodwill arising on the acquisition was attributable to the anticipated profitability of Harvest Yield and ISpace.

Harvest Yield and ISpace contributed profit of HK$11,026,000 and loss of HK$3,074,000 respectively to the Group' loss for the period between the date of acquisition and 31 March 2010.

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition in 2010 (Continued)

If the acquisition had been completed on 1 April 2009, total group revenue and loss for the year ended 31 March 2010 would have been HK$693,512,000 and HK$29,016,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results 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.

Acquisition in 2009

On 19 December 2008, the Group acquired the entire issued share capital of Gi Space Limited and Gi Space (Canton) Limited (formerly known as Ty Space Limited) for considerations of HK$5,000,000 and HK$1,800,000 respectively. Both companies are principally engaged in marketing and management of shop mall. The amount of goodwill arising as a result of the acquisition was approximately HK$6,459,000 in aggregate.

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

	Gi Space Limited	Gi Space (Canton) Limited	
	Acquiree's carrying amount and fair value HK$'000	Acquiree's carrying amount and fair value HK$'000	Total fair value HK$'000
Net assets acquired:			
Bank balances and cash	3,548	199	3,747
Trade receivables	685	174	859
Other receivables, deposits and prepayments	70	–	70
Amounts due from parent company before acquisition	115	36	151
Trade payables	(2,683)	–	(2,683)
Other payables and accruals	(1,443)	(360)	(1,803)
	292	49	341
Goodwill			6,459
			6,800
Total consideration satisfied by:			
Fair value of promissory note			6,800
Net cash inflow arising on acquisition:			
Bank balances and cash acquired			3,747

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Acquisition in 2009 (Continued)

The net assets of acquirees were carried at amounts not materially different from their fair values as at acquisition date. The promissory note was carried at amounts not materially different from its fair values when issued at the acquisition date due to the short maturity of the promissory note.

The goodwill arising on the acquisition was attributable to the anticipated profitability of the new business and the anticipated future operating synergies form the combination.

Gi Space Limited and Gi Space (Canton) Limited contributed HK$1,030,000 and HK$442,000 to the Group' loss for the period between the date of acquisition and 31 March 2009 respectively.

If the acquisition had been completed on 1 April 2008, total group revenue and loss for the year ended 31 March 2009 would have been HK$215,496,000 and HK$ 95,582,000 respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results 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.

40. DISPOSAL OF SUBSIDIARIES

For year ended 31 March 2010

As referred to in note 9, on 30 June 2009, the Group disposed of the entire equity interests in Photar International Limited at a consideration of HK$1 to an independent third party. Details of the net liabilities disposed of are as follows:

	HK$'000
Net liabilities disposed of:	
Interests in a jointly controlled entity	–
Other receivables, deposits and prepayments	2
Amount due from a jointly controlled entity	31
Bank and cash balances	79
Trade and other payables	(19,185)
	(19,073)
Gain on disposal of subsidiaries:	
Consideration received and receivable	–
Net liabilities disposed of	19,073
Release of exchange reserve	3,366
Gain on disposal	22,439
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(79)
	(79)

The impact of disposed subsidiaries on the Group's results and cash flows in the current and prior periods is disclosed in note 9.

40. DISPOSAL OF SUBSIDIARIES (CONTINUED)

For year ended 31 March 2009

On 10 November 2008, the Group disposed of one subsidiary, EmCall Singapore Pte Limited. The net assets of the EmCall Singapore Pte Limited at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	222
Inventories	303
Trade receivables	75
Other receivables, deposits and prepayments	23
Bank and cash balances	41
Other payables and accruals	(39)
	625
Release of exchange reserve	(45)
Loss on disposal	580
Total consideration	–
Net cash outflow arising on disposal:	
Cash consideration	–
Bank balances and cash disposed of	(41)
	(41)

The subsidiary disposed of during the year did not have any significant impact on the Group's cash-flow.

41. SHARE OPTION SCHEME

The Company's share option scheme was adopted pursuant to written resolutions passed on 19 October 2002 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and participants who have contributed to the Group, and will expire in 12 November 2012. Under the Scheme, the board of directors of the Company may grant options to full-time or part-time employees including directors (executive and non-executive) and any advisor, consultant, supplier, distributor, contractor, agent, business partner, promoter, service provider or customer of the Company or any of its subsidiaries, to subscribe for share in the Company.

Subject to the condition that the total number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares of the Company in issue from time to time, the total number of shares in respect of which options may be granted under the Scheme when aggregated with any shares subject to any other schemes is not permitted to exceed 10% of the shares of the Company immediately upon the listing of the shares on the Stock Exchange ("Scheme Mandate Limit"), without prior approval from the Company's shareholders. Options lapsed in accordance with the terms of the share option scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors or any of his, her or its associates in the 12-month period up to and including the date of offer of the option exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5 million must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per option. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors of the Company and will not be less than the highest of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

Details of specific categories of options are as follows:

Option type	Date of grant	Exercise period	Exercise price HK$	Adjusted exercise price HK$
2008A	3/10/2007	3/10/2008 – 3/10/2012	0.312	–
2009A	30/12/2008	30/12/2008 – 29/12/2011	0.027	0.054
2009B	24/2/2009	24/2/2009 – 23/2/2012	0.036	0.072
2010	26/8/2009	26/8/2009 – 25/8/2012	0.1012	–

41. SHARE OPTION SCHEME (CONTINUED)

Note 1: For 2008A, the options are exercisable during the 4-year period from the first anniversary of the offer date to the expiry of the fifth anniversary of the offer date (i.e., from 3 October 2008 to 3 October 2012) in the following manner:

(1) 20% of the respective option shares will be exercisable by the related grantee after the first anniversary of the offer date; and

(2) The remaining 80% of the respective option shares will be exercisable by the related grantee after the third anniversary of the offer date.

For 2009A, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 30 December 2008 to 29 December 2011).

For 2009B, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e., from 24 February 2009 to 23 February 2012).

For 2010, the options are exercisable in part or in full during the 3-year period from the offer date to the expiry of the third anniversary of the offer date (i.e. from 26 August 2009 to 25 August 2012)

Note 2: The exercise price and number of options outstanding as at 5 August 2009 of option type 2009A and 2009B have been adjusted in accordance with share consolidation of two shares into one consolidated share.

41. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the year:

			Number of shares issuable under options held						
Category	Share option type	Balance at 1 April 2009 '000	Exercised before share consolidation '000	Balance before share consolidation '000	Adjusted balance upon share consolidation '000	Granted '000	Exercised after share consolidation '000	Lapsed '000	Balance at 31 March 2010 '000
Directors	2008A	–	–	–	–	–	–	–	–
	2009A	13,500	(10,800)	2,700	1,350	–	(1,350)	–	–
	2010	–	–	–	–	18,000	(3,000)	–	15,000
Employees	2008A	–	–	–	–	–	–	–	–
	2009A	640	(598)	42	21	–	(20)	–	1
	2010	–	–	–	–	2,000	(500)	–	1,500
Advisor	2008A	–	–	–	–	–	–	–	–
	2009A	171,000	(55,500)	115,500	57,750	–	(57,750)	–	–
	2009B	49,000	–	49,000	24,500	–	(6,500)	–	18,000
	2010	–	–	–	–	144,500	(79,500)	–	65,000
		234,140	(66,898)	167,242	83,621	164,500	(148,620)	–	99,501

The weighted average share price during the year was HK$0.1094.

41. SHARE OPTION SCHEME (CONTINUED)

The following share options were outstanding under the Scheme during the prior year:

			Number of shares issuable under options held				
Category	Share option type	Balance at 1 April 2008 '000	Granted during the year '000	Exercised during the year '000	Lapsed during the year '000	Cancelled during the year '000	Balance at 31 March 2009 '000
Directors	2008A	600	–	–	–	(600)	–
	2009A	–	13,500	–	–	–	13,500
Employees	2008A	2,264	–	–	(1,904)	(360)	–
	2009A	–	640	–	–	–	640
Advisor	2008A	9,296	–	–	(8,608)	(688)	–
	2009A	–	171,000	–	–	–	171,000
	2009B	–	49,000	–	–	–	49,000
		12,160	234,140	–	(10,512)	(1,648)	234,140

The fair value of the share options granted for 2010 during the year ended 31 March 2010 was approximately to HK$8,950,000 (2009: fair value of 2009A and 2009B was approximately to HK$1,977,000 and HK$667,000 respectively) and the Company recognised total expenses of approximately HK$8,950,000 for the year. (2009: HK$2,644,000)

41. SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a Black- Scholes Option Pricing Model, taking into the account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share option type			
	2008A	2009A	2009B	2010
Option pricing model	Binomial	Black– Scholes	Black– Scholes	Black– Scholes
Grant date share price	HK$0.27	HK$0.027	HK$0.036	HK$0.099
Exercise price	HK$0.312	HK$0.027	HK$0.036	HK$0.101
Volatility	85.57%	84.3%	80.24%	136.78%
Risk-free interest rate	4.079%	0.379%	0.447%	0.409%
Life of options	5 years	3 years	3 years	3 years
Expected dividend yield	0%	0%	0%	0%

Expected volatility was determined by using the historical weekly volatility of the Company's share price over the previous 78 weeks. (2009: over the previous 78 weeks)

At the date of approval of these financial statements, the Company had 69,501,000 share options outstanding under the Scheme, which represented approximately 3% of the Company's shares in issue as at that date.

42. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	2010	2009
	HK$'000	HK$'000
Within one year	**445**	1,708
In the second to fifth year, inclusive	**195**	703
	640	2,411

Other than as disclosed above, the Group and the Company had no material lease commitments outstanding at the end of reporting period.

42. OPERATING LEASE COMMITMENTS (CONTINUED)

The Group as lessor

The Group's lease its investment properties under operating lease arrangements, with leases negotiated for terms arranging from 0 to 2 years.

At the end of the reporting period, the Group had contracted with tenants for the following minimum lease payments.

	2010 HK$'000	2009 HK$'000
Within one year	3,354	–
In the second to fifth year, inclusive	1,342	–
	4,696	–

The Group entered into a sale and purchase agreement with Success Build Limited, an independent third party for the disposal of the investment properties. The disposal is expected to be completed on or before 21 September 2010. Pursuant to the sale and purchase agreement, the Group shall on the completion date either (a) assign and novate in favour of the purchaser of all subsisting sub-licences under the sub-licence agreements in respect of any part of the properties or (b) terminate those sub-licences under the sub-licence agreements not assigned and novated pursuant to (a) above. Assuming the disposal of the investment properties is completed on 21 September 2010, the company had future minimum lease payment receivable within one year under non-cancellable operating leases of HK$2,104,000.

43. CAPITAL COMMITMENTS

The Group

	2010 **HK$'000**	2009 HK$'000
Contracted but not provided for		
– Additional capital injection in an associate,		
Boss Education Limited	**2,450**	2,550
– Additional capital injection in a subsidiary,		
E-Learning i Tech Service (Shanghai) Company Limited	**1,206**	1,206
Emcom Management Consultation (Shanghai) Company Limited	**–**	1,499
	3,656	5,255

Other than as disclosed above, the Group and the Company had no material capital commitments outstanding at the end of the report period.

44. CONTINGENT LIABILITIES

At 31 March 2010, the Company has issued a corporate guarantee for an amount of not less than HK$155,000,000 to a bank in respect of banking facilities granted to a wholly owned subsidiary. The directors of the Company do not consider it probable that a claim will be made against the Company under the corporate guarantee. The maximum liability of the Company at the end of the reporting period under the corporate guarantee issued is the outstanding amount of the bank loans of HK$155,000,000. The Company has not recognised any deferred income in respect of the corporate guarantee as its fair value is nominal.

Saved as disclosed above, the Group and the Company did not have any significant contingent liabilities as at 31 March 2010.

45. PLEDGE OF ASSETS

As at 31 March 2010, the investment properties (which is classified as held for sale) with carrying amount of HK$320,000,000 have been pledged to secure general banking facilities granted to the Group and convertible bonds. In addition, the convertible bonds are also secured by first charges over the entire issued share capital in Harvest Yield and Power Alliance.

As at 31 March 2010, the Group's obligation under finance lease is secured by the lessor's charge over the leased asset, which has a carrying amount of HK$256,000.

46. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

– During the year, the Group acquired a motor vehicle with a capital value of HK$295,000 under a finance lease.

– As detailed in note 39, the Group acquired Harvest Yield at the consideration of HK$153 million during the year. The amount was settled in the way of issue of consideration shares and convertible bonds by the Company during the year.

– In prior year, the Group acquired Gi Space Limited and Gi Space (Canton) Limited at the consideration of HK$6,800,000. The amount was settled in the way of issue of promissory note.

47. RELATED PARTY TRANSACTIONS

In addition to the security deposit to a related company as disclosed in note 27 and transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party and connected transactions.

Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 12 is as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries, allowances and other benefits	**1,348**	1,596
Share-based payment	**979**	145
	2,327	1,741

48. EVENTS AFTER THE REPORTING PERIOD

i) Appointment of executive director

Mr. Chiau Sing Chi ("Mr. Chiau") has been appointed as an executive director of the Company with effect from 1 June 2010 and the Company has issued first tranche of convertible bonds in the principal amount of HK$25,000,000 and granted share options with the subscription right to subscribe up to 250,000,000 shares at the initial exercise price of HK$0.10 per share to Mr. Chiau pursuant to the term and conditions of the service agreement dated 22 February 2010 entered between the Company and Mr. Chiau.

The convertible bonds are interest-free, unsecured and matured ten years from the date of issue. At the options of the holders, the convertible bonds shall be converted at the price of HK$0.10 per share (subject to adjustment). The Company shall redeem each convertible bond which remain outstanding on the date immediately following ten years after the first issue of the convertible bonds.

The share options may be exercised in whole or in part at any time during the period commencing from the date of expiry of the eighteenth months from the date of grant of the share options to the date falling on the expiry of the fortieth month from the date of grant of the options. The exercise price shall initially be HK$0.10 per share (subject to adjustment).

ii) Adjustment to conversion price of HK$78 million convertible bonds

The conversion price of the HK$78 million convertible bonds has been adjusted from HK$0.10 per share to HK$0.09 per share with effect from 1 June 2010 as a result of the issue of the convertible bonds and share options under the service agreement dated 22 February 2010 entered between the Company and Mr. Chiau.

iii) Continuing connected transaction involving the entering into of the license agreement

On 22 February 2010, the Group entered into a license agreement with Entrance Gate Limited. Pursuant to the license agreement, the licensor shall grant to the Group an exclusive license to use, apply or exploit the intellectual property rights relating to the Movie "長江七號" globally for a term of 3 years subject to renewal up to 10 years and also the right to sub-license such exclusive license. The intellectual property rights stipulated in the license agreement included but not limited to the intellectual property rights and the goodwill in respect of all the animated characters and personalities, designs, figures and the names thereof, portrayals of various characters, persons or fictional subjects, together with such names and symbols as may have been used to identify any of them which have appeared and/or have been used in the Movie. The Group shall pay the licensor a royalty based on 10% of the sales revenues to be received by the Group under the license agreement.

48. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

iii) Continuing connected transaction involving the entering into of the license agreement (Continued)

Given that the license agreement is made inter-conditional on connected transactions as described in (iv) and (v) below and Mr. Chiau is a connected person of the Company under GEM Listing Rules, this transaction constituted a continuing connected transaction and has been approved by the independent shareholders on 27 May 2010.

The license agreement is effective from 1 June 2010 upon satisfaction of all conditions set out in the license agreement.

iv) Acquisition of the entire issued share capital and the entire shareholder's loan of Raxco

On 22 February 2010, the Group entered into an acquisition agreement with the vendors whereby the Group has conditionally agreed, among other things, to acquire from the vendors the entire issued share capital of Raxco Assets Corp. ("Raxco") and the entire shareholder's loan at a consideration of HK$10.

Raxco is a company incorporated in the British Virgin Islands and is in establishment stage of operating its online software and game development business through its wholly-owned subsidiary in the PRC.

The Board considers that the prospect of online game business lies on its earning potential, rather than on its net asset value. It is anticipated that the online software and game development business operated by Raxco through its PRC subsidiary will contribute to the potential growth in profit attributable to the owners of the Company in the future. Given that the performance of Raxco has been substantially improved in the year of 2009, with the expertise of Mr. Chiau in the Filmed Entertainment Business, it is considered that there are prospects in the business of Raxco. Furthermore, the Acquisition will expedite the time and reduce the costs to be incurred by the Group in establishing a similar establishment in the PRC.

One of the vendors is ultimately owned by a discretionary trust of which Mr. Chiau is a discretionary object. Mr. Chiau is a connected person of the Company pursuant to the GEM Listing Rules, the transactions contemplated under Acquisition Agreement constitute a connected transaction of the Company and has been approved by the independent shareholders on 27 May 2010. The acquisition has been completed on 2 June 2010.

The Group is still in progress to finalise the amount of each class of the acquiree's assets, liabilities and contingent liabilities as the completion date of the acquisition.

48. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

v) Continuing connected transaction – profit transfer deed

On 22 February 2010, the Ngai Wah Associates Limited (the "Transferor") and the Group entered into the Profit Transfer Deed, pursuant to which, subject to the satisfaction of certain conditions, the Transferor shall transfer all the profits, income, benefits entitled by the Transferor under, generated from or otherwise in connection with the Film Production Agreement dated 22 April 2009 entered into between the Transferor and 中國電影集團公司製片分公司, the Animation Film and transactions contemplated thereunder, including the profits and income entitled by the Transferor under the profit sharing arrangement as stipulated in Film Production Agreement to the Group with effect from the completion date.

The term of the Profit Transfer Deed shall be of three years and will be automatically renewed thereafter as long as the Film Production Agreement remains valid and effective. The Transferor has the right to engage in the exploitation of the intellectual property rights as are subsisting in the movie entitled "長江七號" and has entered into the Film Production Agreement with China Film Group in relation to the production of the animation film of the Movie. The Transferor is entitled to the Profits as contemplated under the Film Production Agreement and pursuant to the Profit Transfer Deed, the Group will be entitled to all the Profits generated from the Film Production Agreement.

Given that the Transferor is beneficially owned by an associate of Mr. Chiau who is a connected person of the Company pursuant to the GEM Listing Rules, the transactions contemplated under Profit Transfer Deed constitute a continuing connected transaction of the Company and has been approved by the independent shareholders on 27 May 2010. The Profit Transfer Deed is completed on 1 June 2010 upon satisfaction of all conditions.

vi) Change of company name

Pursuant to a special resolution passed on 27 May 2010, the name of the Company was changed from "Emcom International Limited" to "Bingo Group Limited". On 7 June 2010, the Company was informed that due to human error at the Registrar of Companies in Cayman Islands, there is another company with the exact name "Bingo Group Limited" already existed in the Cayman Islands despite the previous name check and reservation approved by the Registrar of Companies in Cayman Islands. As such, the name "Bingo Group Limited" cannot be approved of by the Registrar of Companies in Cayman Islands. The Board of the Company, therefore, proposes to apply for the name "Bingo Group Holdings Limited" as its new name. As at the date of this report, the proposed change in company name is still pending the passing of special resolution by the shareholders of the Company and approval by the Registrar of Companies in Cayman Islands.

48. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

vii) Disposal of investment properties

On 23 April 2010, the Group entered into a sale and purchase agreement with Success Build Limited, an independent third party for the disposal of the investment properties, the shopping mall located in Tsimshatsui, for a consideration of HK$320,000,000. The disposal is expected to be completed on or before 21 September 2010. The bank loan of HK$155,000,000, which is secured by pledge of the investment properties, will be payable on the completion date.

viii) On 27 May 2010, the Company entered into the Strategic Cooperation Memorandum with China Film Group Film Production Corporation, a wholly owned subsidiary of China Film Group Corporation pursuant to which the Company and China Film Group Corporation agreed to co-invest, produce and distribute a series of market-oriented film productions that are mainly catered for the film entertainment market in mainland China.

Details of the above events (i) to (vii) are set out in the circular dated 3 May 2010 and announcements dated 22 February 2010 and 19 March 2010.

49. COMPARATIVE FIGURES

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

Five Year Financial Summary

The results and assets and liabilities of the Group for the last five financial years are as follows:

	2010 HK$'000	2009 HK$'000 (Restated)	2008 HK$'000	2007 HK$'000	2006 HK$'000
RESULTS					
Turnover	**687,987**	214,935	98,779	63,072	64,147
Loss before taxation	**30,793**	95,608	27,715	28,510	13,299
Taxation	**(2,719)**	(313)	527	–	700
Loss before non-controlling interests	**33,512**	95,921	27,188	28,510	12,599
Non-controlling interests	**(596)**	(390)	(121)	–	–
Loss attributable to owners of the Company	**32,916**	95,531	27,067	28,510	12,599
Loss per share					
– Basic (cents)	**1.50**	6.74	1.47	4.52	2.26

	2010 HK$'000	2009 HK$'000	2008 HK$'000 (Restated)	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES					
Total assets	**394,956**	48,343	101,650	83,871	56,564
Total liabilities	**(307,986)**	(45,066)	(64,026)	(71,386)	(37,335)
Non-controlling interests	**(242)**	232	(121)	–	–