Annual Report 2010

LONG SUCCESS
百齡國際

LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code:8017)

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

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

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

This annual report, for which the directors (the "Directors") of Long Success International (Holdings) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this annual 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 annual report misleading; and (3) all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wong Kam Leong *(Chairman)*
Mr. Hu Dongguang *(Chief Executive Officer)*
Ms. Li Jie Yi
Mr. Wu Bingxiang
Dr. Guo Wanda

NON-EXECUTIVE DIRECTOR

Mr. Zhang Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ng Kwok Chu, Winfield
Mr. Ng Chau Tung, Robert
Mr. Tse Ching Leung
Mr. Wang Qingyi

COMPANY SECRETARY

Mr. Yeung Shun Kee

COMPLIANCE OFFICER

Mr. Wong Kam Leong

AUTHORISED REPRESENTATIVES

Mr. Wong Kam Leong
Mr. Hu Dongguang

AUDIT COMMITTEE

Mr. Ng Kwok Chu, Winfield *(Chairman)*
Mr. Ng Chau Tung, Robert
Mr. Tse Ching Leung

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

26/F., EIB Centre, 40-44 Bonham Strand
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AUDITORS

AGCA CPA Limited
9/F., Allied Kajima Building
138 Gloucester Road
Wanchai, Hong Kong

HONG KONG LEGAL ADVISOR

David Lo & Partners
Suite 2101, 9 Queen's Road Central
Hong Kong

BERMUDA LEGAL ADVISOR

Appleby
8/F., Bank of America Tower
12 Harcourt Road
Central, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Wing Hang Bank Limited

BERMUDA PRINCIPAL REGISTRAR

Reid Management Limited
Argyle House, 41A Cedar Avenue
Hamilton HM 12, Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Centre
183 Queen's Road East, Hong Kong

On behalf of the board of directors (the "Board") of the Company and its subsidiaries (collectively, the "Group"), I am pleased to present the annual report of the Group for the financial year ended 31 March 2010.

FINANCIAL PERFORMANCE

The Group's total revenue for the year ended 31 March 2010 was approximately HK$159.43 million, representing an increase of 1,147.5% as compared with that for the year ended 31 March 2009 (2009: HK$12.78 million). The Group's revenue mainly came from a paper manufacturing business acquired during the year, which recorded a revenue of HK$155.42 million for the year ended 31 March 2010. During the year under review, the Group recorded a net loss of HK$45.03 million as against a net loss of HK$37.6 million in 2009. The net loss attributable to the shareholders was mainly due to the impairment for goodwill arising from the gaming and entertainment business; non-cash cost associated with equity-settled share options; interest expenses on convertible notes; promissory notes and bank borrowings; the decline in revenue of IT consulting services and exchange differences on translating foreign operation.

BUSINESS REVIEW

PAPER MANUFACTURING BUSINESS

Completion of acquisition of 51% equity interest in Jining Gangning Paper Co, Ltd. ("Jining Gangning") in Shandong Province in the People's Republic of China ("PRC") took place on 1 July 2009. After which, the Group started to re-engineer and modify the existing production line no.1 to increase production efficiency and to cope with the increasing demand. Such technical upgrade was completed in late March 2010 and production of premium value products Grade A paper board started in April 2010. Owing to the slow recovery in consumption in the western countries in 2009, paper manufacturers faced an extremely sluggish supply of recovered paper, resulting in an increase in raw materials cost. The cessation of production line no.1 and the increase in raw material cost had narrowed Jining Gangning's contribution in terms of revenue and profits to the Group for the year under review.

In 2010, announcements of state policies to boost domestic consumption and enhance environmental protection, as well as the continued growth of PRC's domestic market will bring opportunities to our paper manufacturing business. In order to fully capitalize on these opportunities, the Group will adopt a proactive and flexible approach in its expansion plans by establishing new production facilities as well as re-engineering and modifying the existing production facilities to improve production efficiency and to adjust product mix from time to time in response to market changes. The Group plans to construct two new production lines nos. 3 and 4

to produce high profit margin products (including bond base paper and decorative base paper etc.) this year. The new products will enrich the product mix and increase the average selling price and net profit per ton substantially. For cost control, the Group will actively explore supply of recovered paper in the PRC and from international markets in order to serve its steadily expanding production capacity and mitigate the volatility of recovered paper prices.

GAMING AND ENTERTAINMENT BUSINESS

The revenue contributed from the sharing of profits of Jun Ying VIP Club decreased 76.5% to approximately HK$240,000 for the year under review. For the past few years, the PRC government has tightened policies on individual visits to Macau under the individual visit scheme. The fall in number of visitors to Macau had an adverse effect on the revenue of the Group's gaming and entertainment business. Although the Group moved the Jun Ying VIP Club from Waldo Casino at the Grand Waldo Hotel to VML International Club at the Venetian Macao-Resort Hotel in May 2009, the number of visitors stood below the Group's expectation during the year. Obviously, the keen competition arising from continuous openings of new casinos in Macau has made the operating environment more difficult.

IT CONSULTING BUSINESS

The sale of customized software and related computer equipment and provision of technical support business had still not recovered from the global recession. After the subprime mortgage crisis in the United States transformed into global financial turmoil, certain customers delayed or cancelled to upgrade or install new software system and related computer equipments to save cost in order to cope with further potential financial crisis. The Group recorded a substantial decrease in the revenue of the customized software and related computer equipments business during the year under review.

BIODEGRADABLE MATERIALS MANUFACTURING BUSINESS

On 26 March 2010, Fast Rise Development Limited ("Fast Rise"), a wholly-owned subsidiary of the Group, entered into an acquisition agreement ("Acquisition Agreement") with the vendor (the "Vendor") to acquire the entire equity interest in Ever Stable Holdings Limited ("Ever Stable") at a consideration of HK$280 million ("Acquisition"). Ever Stable is an investment holding company incorporated in the British Virgin Islands with limited liability and owns 60% equity interest in a joint venture company, Dongguan Jiu He Bioplastics Company Limited ("Jiu He"). Pursuant to the Acquisition Agreement, the Vendor shall provide a profit guarantee in favour of Fast Rise that the profit after taxation of Jiu He will not be less than HK$60 million, HK$80 million and HK$100 million for the financial years 2011, 2012 and 2013 respectively. Jiu He is principally engaged in the development, production and sales of biodegradable materials and related products by entering into a patent license agreement with its PRC partner dated 21 February 2010 in relation to the patented technologies. The patented technologies include two patents: (i) registered under PRC patent number ZL200610035466.0 of patent name "a production method for a fully biodegradable plastic resin and its related film products", with a validity period from 16 May 2006 To 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware", with a validity period from 18 December 2001 to 17 December 2020.

Jiu He's new plant is currently under renovation and plant and machinery are to be put into production with on-going recruitment of technicians and other management personnel for the purpose of full operation. It is expected to commence substantive operation in September 2010. When Jiu He comes to full operation, it is expected that not less than 10 production lines will be in active operation to manufacture approximately 20,000 to 30,000 tones of products. Under international demand for environmental protection and the PRC's policy, the use of biodegradable products will be an important and inevitably trend. The potential market demand for biodegradable products will benefit the Group in the long run. The Acquisition is also in line with the business plan of the Group to engage in the environmental protection industry, as processed biodegradable products can be decomposed into soil friendly substances by natural organism after being discarded and the life cycle of these products is a kind of recyclable and low-carbon economy, which will have a positive impact on the improvement of global climate change and social progress of mankind. This shares the same business belief as that in the acquisition of our paper manufacturing company in promoting environmental protection.

The shareholders of the Company will, at the special general meeting ("SGM") to be held on 5 July 2010, vote on the Acquisition Agreement and the transactions contemplated thereunder. Completion of the Acquisition is subject to fulfillment of certain conditions precedent on or before 30 September 2010 (or such later date as the parties to the Acquisition Agreement may agree in writing).

PROSPECTS

In view of the PRC government's strong support for industries related to environmental protection and the stable growth of PRC's domestic consumption, the Group is optimistic on the long-term prospect of the paper manufacturing business and the biodegradable materials manufacturing business. Besides the paper manufacturing business, the biodegradable materials manufacturing business will also be the Group's core business provided that the acquisition of Jiu He is approved by the shareholders at the SGM and completion takes place. In the meantime, the management will continue to optimize the Group's resources in order to capture more business opportunities by focusing on cost control, sales network expansion, production capacity enhancement and products diversification to maximize shareholders' return.

In consistence with the Group's policy in the development of business in the environmental protection industry, the Board intends to de-emphasize the IT consulting services business and the gaming and entertainment business in Macau in the future. At the same time, the Group will continue to seek attractive business opportunities in areas involving environmental protection and recycling in the PRC and globally with a view to generating positive cash flow and earnings for the Group in the long run.

OUR APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the shareholders for their continuous support and confidence in the Group. I would also like to express our appreciation to the management team and all staff member for their dedication, diligence and loyalty. Please be rest assured that we will do our best to consolidate our foundation and seek new business opportunities to reciprocate your continuous support. We look forward to sharing our progress with you in the coming year.

Wong Kam Leong
Chairman

Hong Kong, 29 June 2010

BUSINESS REVIEW

During the year under review, the core businesses of the Group comprise (i) paper manufacturing business; (ii) sharing of profits of a Macau casino junket representative; (iii) money lending services; and (iv) sales of customized software and provision of technical support.

(A) VERY SUBSTANTIAL ACQUISITION

Referring to the announcements dated 12 February 2009 and 31 March 2009 respectively, and the circular dated 14 May 2009, the Board entered into an acquisition agreement whereby the Board proposed to acquire the entire equity interest in Mega Bright Investment Development Limited ("Mega Bright"), which holds 51% equity interest in Jining Gangning Paper Co. Ltd. ("Jining Gangning"), at a consideration of HK$190 million. On 3 June 2009, the shareholders at the special general meeting approved the acquisition agreement and the transactions contemplated thereunder. Completion of the acquisition of Mega Bright took place on 1 July 2009. According to the acquisition agreement, the vendor thereof shall provide profit guarantees of not less than RMB60 million profit after tax of Jining Gangning for 2010 and 2011. Jining Gangning is engaged in the manufacture and sale of various types of kraft paper. Its production facilities comprise 2-paper production lines, a stock or pulp preparation section for making paper products, a waste water treatment plant, various plant utilities, and laboratory, office and material handling equipment. Jining Gangning has a factory complex which comprises two parcels of adjoining land of approximately 82,667 square meters with 31 various major buildings and structures erected thereon. According to the valuation reports as set out in the said circular, the market values of plant and machinery and property were approximately RMB112 million and RMB55 million as at 30 April 2009 respectively.

The payment of the consideration for Mega Bright was satisfied by (i) a cash payment of HK$103.5 million; (ii) the issuance of convertible bonds by the Company in the aggregate principal amount of HK$40 million convertible into 83,333,333 shares of HK$0.04 each; and (iii) the issuance of promissory notes in the principal sum of HK$46.5 million by the Company.

(B) REDEEMABLE CONVERTIBLE NOTE

Referring to the announcement dated 19 June 2009, the Company entered into a subscription agreement with a subscriber to subscribe for a redeemable convertible note in the principal amount of HK$15,000,000 with 36% interest rate per annum and due one year from the date of issue at an initial conversion price of HK$0.13 per conversion share ("Redeemable Convertible Note"). The Redeemable Convertible Note was voluntarily fully redeemed by the Company on 1 December 2009, details of which were set out in the Company's announcement dated 2 December 2009.

(C) SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

Referring to the announcement dated 3 July 2009 and the circular dated 13 July 2009, the Board proposed to implement a share consolidation on the basis that every four issued and unissued shares of HK$0.01 each in the share capital of the Company would be consolidated into one consolidated share of HK$0.04 each ("Share Consolidation"). The Board also proposed to change the board lot size for trading in the shares from 4,000 shares to 10,000 consolidated shares upon the Share Consolidation becoming effective. Details of the Share Consolidation and change of board lot size were set out in the Company's announcement dated 3 July 2009 and the circular dated 13 July 2009. On 11 August 2009, the shareholders at the annual general meeting approved the Share Consolidation and change of board lot size. The Share Consolidation and change of board lot size became effective on 12 August 2009. The conversion prices of the Convertible Bonds and the Redeemable Convertible Note had been adjusted by virtue of the Share Consolidation, details of which were set out in the announcement dated 11 August 2009.

(D) SUBSCRIPTIONS FOR NEW SHARES ("SUBSCRIPTIONS")

Referring to the announcement dated 3 August 2009, the Company entered into a subscription agreement with certain subscribers who subscribed for 260,000,000 new shares of HK$0.01 each in the share capital of the Company at a subscription price of HK$0.04 each. The net proceeds from the subscription were approximately HK$10,300,000 and applied as part payment of the balance of purchase price for the acquisition of Mega Bright. Completion of the subscription took place on 12 August 2009 and the subscribers were issued and allotted 65,000,000 shares at HK$0.04 each by virtue of the Share Consolidation.

Referring to the announcement dated 16 November 2009, the Company entered into a subscription agreement with certain subscribers who subscribed for 154,000,000 new shares of HK$0.04 each in the share capital of the Company at a subscription price of HK$0.20 each. The net proceeds from the subscription were approximately HK$30,300,000, in which HK$26,600,000 applied as part payment of the balance of purchase price for the acquisition of Mega Bright and HK$3,700,000 applied for the redemption of the Redeemable Convertible Note. Completion of the subscription took place on 1 December 2009.

Referring to the announcement dated 16 November 2009 and the circular dated 25 November 2009, the Company entered into a subscription agreement with certain connected persons who subscribed for 70,000,000 new shares of HK$0.04 each in the share capital of the Company at a subscription price of HK$0.20 each. The net proceeds from the subscription were approximately HK$13,700,000, in which HK$11,750,000 applied for the redemption of the Redeemable Convertible Note and HK$1,950,000 applied as working capital. On 11 December 2009, the shareholders at the special general meeting of the Company approved the subscription. Completion of the subscription took place on 16 December 2009.

Referring to the announcement dated 10 February 2010, the Company entered into a subscription agreement with certain subscribers who subscribed for 159,110,000 new shares of HK$0.04 each in the share capital of the Company at a subscription price of HK$0.22 each. The net proceeds from the subscription were approximately HK$34,650,000, in which HK$30,000,000 applied as part payment of the refundable deposit under the acquisition agreement of the entire equity interest in Ever Stable Holdings Limited ("Ever Stable") and HK$4,650,000 applied as working capital. Completion of the subscription took place on 12 April 2010.

Referring to the announcement dated 16 April 2010, the Company entered into a subscription agreement with certain subscribers who subscribed for 104,390,000 new shares of HK$0.04 each in the share capital of the Company at a subscription price of HK$0.22 each. The net proceeds from the subscription were approximately HK$22,200,000 and applied as part payment of the refundable deposit under the acquisition agreement of the entire equity interest in Ever Stable. Completion of the subscription took place on 29 April 2010.

(E) MAJOR ACQUISITION

Referring to the announcement and circular dated 26 March 2010 and 17 June 2010 respectively, the Board proposed to acquire the entire equity interest in Ever Stable Holdings Limited ("Ever Stable"), which holds 60% equity interest in Dongguan Jiu He Bioplastics Company Limited ("Jiu He"), at a consideration of HK$280 million ("Acquisition"). The payment of the consideration is to be satisfied by (i) cash of HK$215 million by three installments; and (ii) the issuance and allotment of 216,000,000 new shares ("Consideration Shares") by the Company in the principal amount of HK$65 million at an issue price of HK$0.3009 per Consideration Share. Pursuant to the agreement for the Acquisition ("Acquisition Agreement"), the vendor thereof shall provide a profit guarantee in favour of the purchaser that the profit after taxation of Jiu He will not be less than HK$60 million, HK$80 million and HK$100 million for the financial years 2011, 2012 and 2013 respectively. Jiu He is principally engaged in the development, production and sales of biodegradable materials and related products by entering into a patent license agreement with its PRC partner dated 21 February 2010 in relation to the patented technologies. The patented technologies include two patents: (i) registered under PRC patent number ZL200610035466.0 of patent name "a production method for a fully biodegradable plastic resin and its related film products", with a validity period from 16 May 2006 To 15 May 2026; and (ii) registered under PRC patent number ZL01144447.9 of patent name "a production method for a starch-based biodegradable material and its related disposable tableware", with a validity period from 18 December 2001 to 17 December 2020. Details of the Acquisition were set out in the Company's announcement dated 26 March 2010 and the circular dated 17 June 2010. The shareholders of the Company will, at the special general meeting to be held on 5 July 2010, vote on the Acquisition Agreement and the transactions contemplated thereunder.

(F) CONTINUING CONNECTED TRANSACTIONS

Referring to the announcement dated 26 May 2010 and circular dated 17 June 2010 respectively, Jiu He, a joint venture company of which the Company will hold 60% equity interest through its proposed acquisition of Ever Stable, entered into an agreement ("Master Agreement") with Guangdong Shangjiu Biodegradable Plastics Company Limited, which holds 40% of Jiu He ("PRC Partner"), in relation to the supply of biodegradable resin and related products ("Products"). Pursuant to the Master Agreement, Jiu He has agreed to supply and the PRC Partner has agreed to purchase the Products for a period of three years and the price for the Products shall be determined in accordance with the relevant prevailing market price at the time purchase order is placed by the PRC Partner. The annual maximum total amount of the transactions contemplated under the Master Agreement for each of the three years is HK$350,000,000, HK$1,000,000,000 and HK$1,000,000,000 respectively. The shareholders of the Company will, at the special general meeting to be held on 5 July 2010, vote on the Master Agreement and the transactions contemplated thereunder.

FINANCIAL REVIEW

REVENUE AND LOSS ATTRIBUTABLE TO SHAREHOLDERS

During the year under review, the Group's revenue was approximately HK$159.43 million, an increase of 1,147.5% as compared to last year (2009: HK$12.78 million). The increase in revenue was mainly due to the newly acquired paper manufacturing business, which recorded a revenue of HK$155.42 million for the year under review. However, the difficult operating environment for the IT consulting services business and the gaming and entertainment business in Macau has narrowed the increase in revenue. Obviously, the PRC government's policies to tighten individual visits to Macau and the keen competition arising from continuous openings of new casinos in Macau had an adverse effect on the gaming and entertainment business. Owing to the slow recovery in consumption in the western countries after the global financial crisis, certain customers delayed or cancelled to upgrade or install new software system and related computer equipments to save cost in order to cope with further potential financial crisis, resulting in a substantial decrease in the revenue of the IT consulting services sector.

For the year under review, the Group recorded a net loss of HK$45.03 million as against a net loss of HK$37.6 million in 2009. The net loss attributable to the shareholders was mainly due to the impairment for goodwill arising from the gaming and entertainment business; non-cash cost associated with equity-settled share options; interest expenses on convertible notes, promissory notes and bank borrowings; and the decline in revenue of IT consulting services.

SEGMENT PERFORMANCE

During the year under review, revenue contributed by the Group's paper manufacturing business, gaming and entertainment sector, provision of money lending services, and IT consulting services was 97.5%; 0.2%; 0.8%; and 1.5% respectively, comparing to 0%; 8.0%; 14.8%; and 77.2% respectively in 2009.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2010, the Group's cash and bank balances, which were principally Renminbi and Hong Kong dollar denominated, amounted to approximately HK$25.23 million (2009: 2.94 million). The Group was not exposed to any substantial risk in foreign exchange fluctuations. In general, the Group mainly used its Renminbi income receipt for operating expenses in the PRC and did not use any financial instruments for hedging purpose.

As at 31 March 2010, the Group had unsecured promissory note of approximately HK$40 million, secured bank loans of approximately HK$26.07 million, and unsecured bank loans of approximately HK$23.07 million. All borrowings were denominated in Renminbi except the promissory note which was denominated in Hong Kong dollars.

As at 31 March 2010, the Group's gearing ratio, measured on the basis of interest-bearing and long term debts (including bank loans, promissory notes and convertible bonds) as a percentage of total shareholder's funds, was approximately 62.7% (2009: Nil). The Group continues to monitor its working capital requirement closely with a view to reducing its total borrowings to lower the finance costs and maintain a healthy gearing ratio of the Group.

During the year under review, the Group financed its operations primarily with internally generated cash flow as well as the funds raised successfully from the Redeemable Convertible Note and the Subscriptions in the amount of approximately HK$14.8 million and HK$88.95 million after expenses respectively. Funds raised from the Redeemable Convertible Note have been applied as part payment of the balance of purchase price under the acquisition for Mega Bright. Funds raised from the Subscriptions have been used (i) as part payment of the balance of purchase price under the acquisition for Mega Bright; (ii) as part payment of the refundable deposit for the possible acquisition of the entire equity interest in Ever Stable; and (iii) for the redemption of the Redeemable Convertible Note.

The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. The Group will need to raise additional funds to finance payment of the balance of the consideration for the acquisition of Ever Stable. In view of the Group's current liquidity position, the Directors expect the Group will be able to raise sufficient funds to meet its operational and investment needs in the foreseeable future.

CHARGE OF GROUP'S ASSETS

As at 31 March 2010, the Group's land use rights and buildings with net carrying values of approximately HK$19.42 million and HK$42.22 million respectively were pledged to secure bank loans of approximately HK$26.07 million (2009: Nil). In addition, the Group had restricted bank deposits of approximately HK$16.15 million and bank acceptance notes receivable of approximately HK$1.43 million held to secure bank acceptance notes payable of approximately HK$23.07 million arising from normal trade.

FOREIGN CURRENCY EXPOSURE

The Group continues to adopt a conservative treasury policy with almost all deposits in Hong Kong dollars and Renminbi, keeping a minimum exposure to foreign exchange risks. As the sales, purchase, expenditures, assets and liabilities are mainly denominated in Hong Kong dollars and Renminbi, the Group has not adopted any hedging policy or entered into any derivative products which are considered not necessary for the Group's treasury management activities.

CONTINGENT LIABILITIES

As at 31 March 2010, the Group had contingent liabilities arising out of an outstanding litigation. A District Court action was commenced by a customer against a subsidiary of the Group in respect of claims for damages of HK$784,320 and a return of service fee of HK$10,080 paid by the customer and interests thereon, by reason of the subsidiary's repudiatory breach of a computer software implementation and maintenance contract and total failure of consideration and/or money had and received. On 3 December 2008, the subsidiary filed a defence and counterclaim for services fee of HK$76,000 and interest thereon.

No settlement has been reached for the action mentioned above and no judgment has yet been made against the subsidiary in respect of such claims. The Directors consider that it is not possible to estimate the eventual outcome of such claims with reasonable certainty at the current stage. The Directors are of the opinion that the subsidiary has valid defence and consider such claims would not have material adverse impact on the financial position of the Group.

EMPLOYEES

As at 31 March 2010, the Group had approximately 105 (2009: 29) employees in Hong Kong and the PRC. The total remuneration to employees, including the executive Directors for the year under review, amounted to approximately HK$29.41 million (2009: HK$11.40 million). Employees in Hong Kong are entitled to provident fund contributions and medical insurance. For employees in the PRC, the Group is required to contribute to state-sponsored retirement plans at certain prescribed rates based on their basic salaries. In addition, the Group provides comprehensive on-the-job trainings to its employees and sponsors employees who participate in job-related training courses to ensure that their qualifications always meet the changing market standards. The remuneration policy and packages are regularly reviewed by the Board. Apart from provident fund scheme, medical insurance and discretionary bonuses, share options are also awarded to employees according to the assessment of individual performance.

FUTURE PLAN OF CAPITAL INVESTMENTS

Going forward, in addition to the continued improvement of the operating performance of the existing businesses, the Group will seek new business collaborations and investment opportunities for diversification.

PROFILE OF DIRECTORS

Profile of the Directors are set out as follows:

EXECUTIVE DIRECTORS

Mr. Wong Kam Leong, aged 46, is the chairman of the Company. Mr. Wong was the chairman of 國家經貿委機關服務局中山銀興（集團）有限公司 (Zhongshan Yinxing (Holdings) Limited, the Internal Service Bureau of the State Economic and Trade Commission), a general manager of 輕工業部北京國輕實業公司 (Beijing National Light Industrial Company limited, the Ministry of Light Industry), the chairman of 中山威力電器集團有限公司 (Zhongshan Weili Electronics Appliances Group Limited) and a director of 中國科技證券有限責任公司 (China Science and Technology Securities Company Limited Liability Company). He has more than 20 years experience in sales and marketing and property trading and development in the PRC. Mr. Wong is responsible for the overall strategic planning, direction and business development of the Company. Mr. Wong is the substantial shareholder of the Company.

Mr. Hu Dongguang, aged 61, has been appointed as an executive Director and the Chief Executive Officer of the Company with effect from 18 January 2010. Mr. Hu is a senior economist in the PRC and holds a Bachelor's Degree in economics from Beijing Economics Institute (now Capital University of Economics and Business) (北京經濟學院(現首都經貿大學)). Mr. Hu has more than 30 years extensive experience in development planning, capital operations, administration management and sales management. Mr. Hu also served as the deputy secretary for Food Industries, the Ministry of Light Industry (輕工業部食品工業司), the managing director of 香港穗華公司, a window company of the Ministry of Light Industry in Hong Kong, the chairman of the Council of China Beverage Industry Association (中國飲料工業協會), a deputy director of Economic and Trade Division, the Ministry of Light Industry of the PRC (中國輕工業部經濟貿易部), the assistant to the head of Light Weaving Office of Ningxia Province (寧夏省輕紡廳), the director of Legal Regulation Office (法規處), the deputy division chief of Survey and Investigations Division (調研處), a consultant in the Sixth Specialist Consultant Team of the People's Government of Beijing (北京人民政府第六屆專家顧問團) and a vice chairman of Chinese Cultural Industries Development Fund (中國文化產業發展基金). Mr. Hu is responsible for administrative aspects and business development of the Group.

Ms. Li Jie Yi, aged 43, has been appointed as an executive Director of the Company with effect from 15 November 2007. Ms. Li has vast experience in the gaming industry in Macau, in particular, in relation to the financial control and management of VIP lounges in casinos. Ms. Li is responsible for administrative aspects and business development of the Group.

Mr. Wu Bingxiang, aged 45, has been appointed as an executive Director of the Company with effect from 1 September 2009. Mr. Wu is also the chairman of Jining Gangning, a 51%-owned subsidiary of the Company. From 2000 to 2008, Mr. Wu was a deputy general manager and an executive director of a building materials company in the PRC and has extensive experience in management, merchandising and marketing in the PRC. Mr. Wu is responsible for administrative aspects and business development of the paper manufacturing business of the Group.

Dr. Guo Wanda, aged 44, has been appointed as an executive Director of the Company with effect from 1 May 2010. Dr. Guo is a vice president of China Development Institute of Shenzhen. He is also the chairman of Shenzhen Association of Management Consultants. Dr. Guo graduated from Nankai University in Tianjin with a Bachelor's Degree and a Master's Degree in economics. He also obtained a Doctor of Philosophy in economics from the same university in 1991. Dr. Guo has extensive experience in China macroeconomics, industrial economy, industrial investment and corporate development strategy. Dr. Guo has been an independent non-executive director of Powerleader Science & Technology Group Limited, which is listed on the GEM of the Stock Exchange, since 2008, and Shenzhen FIYTA Holdings Limited, which is listed on the Shenzhen Stock Exchange, since 2005 respectively. Dr. Guo has been assessed and approved as a researcher by 廣東省職稱評定委員會 (Title Evaluation Committee of Guangdong Province). He has worked with various government departments, corporations and research institutes, namely, as an assistant to the general manager at 深圳廣順股份有限公司 (Shenzhen Guangshun Co., Ltd.), the chairman and general manager of 湖北沙市廣順公司 (Hubei Shashi Guangshun Company), the director of 深圳市政府信息中心宏觀室 (division of macroeconomic of Shenzhen Municipal Government Information Center), the editor-in-chief of 經濟動態 (Economic Dynamic), a committee member of 深圳市委市政府決策諮詢委員會 (advisory committee of Shenzhen municipal government), a member of 深圳市社科聯主席團 (the presidium of Shenzhen Academy of Social Sciences), an expert of 深圳市軟科學專家委員會 (Shenzhen Soft Science Expert Committee), a general manager of 綜合開發研究院所屬腦庫投資管理公司 (Shenzhen ThinkTank Investment & Management Co., Ltd. under China Development Institute of Shenzhen) and a vice president of 深圳市宏觀經濟學會 (Macroeconomic Association of Shenzhen City). Dr. Guo assists the Company in its proposed acquisition of the entire equity interest in Ever Stable.

NON-EXECUTIVE DIRECTOR

Mr. Zhang Chi, aged 44, has been appointed as a non-executive Director of the Company with effect from 18 January 2010. Mr. Zhang has become a qualified lawyer in the PRC since 1987 and is currently working with Zhong Yuan Law Firm in Guangdong Province. Mr. Zhang is also a vice chairman of Guangdong Lawyers Association (廣東省律師協會) and a honorary chairman of Zhongshan Lawyers Association (中山市律師協會). Mr. Zhang specialises in civil and commercial law, environmental law and financial and securities law in the PRC. Mr. Zhang is holding and has held various public offices, including being a member of the Sixth Council of All China Lawyers Association (中華全國律師協會), a member of the Tenth Zhongshan Municipality Committee of the Chinese People's Political Municipal People's Government (政協中山市第十屆委員會), a legal adviser to Zhongshan Municipal People's Government (中山市人民政府), a member of Guangdong Returned Overseas Chinese Adolescent Committee (廣東省僑青委), an arbitrator of Guangzhou Arbitration Commission (廣州仲裁委員會), the PRC legal adviser to Ocean Junior Chamber, Hong Kong (香港浩洋青年商會), and a legal adviser to a number of listed companies and large enterprises in Hong Kong and the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

Mr. Ng Kwok Chu, Winfield, aged 51, has been appointed as an INED and a member of audit committee and remuneration committee of the Company with effect from 3 January 2006. Mr. Ng has more than 20 years consumer and commercial finance experiences in the markets of Hong Kong and the PRC. He is an executive director of Sino Prosper State Gold Resources Holdings Ltd., a company listed on the Main Board of the Stock Exchange, and an executive director of China Metal Resources Holdings Limited, a company listed on the GEM of the Stock Exchange.

Mr. Ng Chau Tung, Robert, aged 54, has been appointed as an INED and a member of audit committee and remuneration committee of the Company with effect from 3 January 2006. Mr. Ng is the chief executive officer of a private company, which mainly involves in financial arrangement for listed companies and small and medium enterprises, and trading of environmental protection or energy saving products. Mr. Ng holds a Bachelor of Business Administration from The Chinese University of Hong Kong. He is a Registered Financial Planner, a member of the Institute of Financial Accountant (U.K.) and a Full Member (Certified Professional Economist) of Hong Kong Society of Economists Limited. Mr. Ng has more than 20 years experience in the banking sector. He was the chairman of the Hong Kong Equipment Leasing Association and an independent non-executive committee member of the Finance House Association and the Hong Kong Deposit Taking Company Association.

Mr. Tse Ching Leung, aged 36, has been appointed as an INED and a member of audit committee and remuneration committee of the Company with effect from 1 September 2009. Mr. Tse holds an accounting degree in the City University of Hong Kong and has more than 15 years experience in professional auditing, accounting and financial management. He is the financial controller and company secretary of Sau San Tong Holdings Limited, a company listed on GEM of the Stock Exchange. Mr. Tse is an associate member of Hong Kong Institute of Certified Public Accountants.

Mr. Wang Qingyi, aged 46, has been appointed as an INED of the Company with effect from 18 January 2010. Mr. Wang is a graduate of the Central Communist Party School (中央黨校) in economics. Mr. Wang is currently a deputy director of Hainan Province Yangpu Economic Development Zone (海南省洋浦經濟開發區) and a deputy secretary general of China Optimization Society of Capital Construction (中國基本建設優化研究會). Mr. Wang has more than 20 years of experience in economics and administration management. Mr. Wang has worked for State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), State Economic and Trade Commission (國家經濟貿易委員會) and Central Committee General Office (中央辦公廳). Mr. Wang was also an independent director of Jonjee Hi-tech Industrial & Commercial Co., Ltd. (中炬高新技術實業（集團）股份有限公司), a company listed in Shanghai, from July 2006 to May 2008.

Report of the Directors

The Directors present their report together with the audited accounts for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES AND OPERATING SEGMENTS

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in note 18 to the accounts. An analysis of the Group's performance for the year by operating segments is set out in note 6 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 31. The Directors do not recommend the payment of a dividend for the year ended 31 March 2010 (2009: Nil).

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in note 38 to the accounts and in the consolidated statement of changes in equity on page 34 respectively.

Details of distributable reserves of the Company as at 31 March 2010 are set out in note 38 to the accounts.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group are set out in note 17 to the accounts.

SHARE CAPITAL

Details of movements in the share capital are set out in note 36 to the accounts.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-Laws although there is no restriction against such rights under the laws of Bermuda.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 100.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CONNECTED TRANSACTIONS

Details of the connected transactions entered into by the Company are set out in note 43 to the accounts.

Details about other related party transactions undertaken in the normal course of business but not constituting discloseable connected transactions as defined under the GEM Listing Rules are set out in note 43 to the accounts.

DIRECTORS

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

Executive Directors

Mr. Wong Kam Leong	
Mr. Hu Dongguang	(Appointed on 18 January 2010)
Ms. Li Jie Yi	
Mr. Wu Bingxiang	(Appointed on 1 September 2009)
Dr. Guo Wanda	(Appointed on 1 May 2010)
Mr. Yip Wai Ki	(Resigned on 18 January 2010)

Non-Executive Director

Mr. Zhang Chi	(Appointed on 18 January 2010)

Independent Non-Executive Directors

Mr. Ng Kwok Chu, Winfield	
Mr. Ng Chau Tung, Robert	
Mr. Tse Ching Leung	(Appointed on 1 September 2009)
Mr. Wang Qingyi	(Appointed on 18 January 2010)
Mr. Cheng Tze Kit, Larry	(Resigned on 1 September 2009)

In accordance with the Bye-Laws of the Company, Ms. Li Jie Yi and Mr. Ng Chau Tung Robert will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("AGM").

Also, in accordance with the Bye-Laws of the Company, Mr. Hu Dongguang, Mr. Wu Bingxiang, Dr. Guo Wanda, Mr. Zhang Chi, Mr. Tse Ching Leung, and Mr. Wang Qingyi being new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

SHARE OPTIONS

A summary of the share option scheme and details of the movements in share options of the Company during the year are set out on pages 81 to 85.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in this report, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries 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 any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2010, the following Directors and chief executive of the Company had or were deemed to have interests in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by the Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules:

Long positions in Shares:

Name	Type of interest	Number of ordinary shares of the Company	Number of underlying shares of the Company	Total	Percentage of Shareholding
Directors					
Wong Kam Leong	Corporate Interest	248,125,000 *(Note 1)*	–	259,375,000	18.55%
	Personal Interest		11,250,000 *(Note 2)*		
Hu Dongguang	Personal Interest	–	11,000,000 *(Note 3)*	11,000,000	0.79%
Wu Bingxiang	Personal Interest	–	10,200,000 *(Note 4)*	10,200,000	0.73%
Zhang Chi	Personal Interest	36,350,000	6,500,000 *(Note 5)*	42,850,000	3.07%
Ng Kwok Chu, Winfield	Personal Interest	–	500,000 *(Note 6)*	500,000	0.04%
Ng Chau Tung, Robert	Personal Interest	–	500,000 *(Note 6)*	500,000	0.04%
Tse Ching Leung	Personal Interest	–	700,000 *(Note 7)*	700,000	0.05%

Notes:

1. The 248,125,000 shares in the Company are beneficially owned by and registered in the name of Wide Fine International Limited ("Wide Fine"), a company incorporated in Hong Kong with limited liability and is wholly-owned by Mr. Wong Kam Leong, an executive Director.

2. As at 31 March 2010, 11,250,000 share options conferring rights to subscribe for 11,250,000 shares.

3. As at 31 March 2010, 11,000,000 share options conferring rights to subscribe for 11,000,000 shares.

4. As at 31 March 2010, 10,200,000 share options conferring rights to subscribe for 10,200,000 shares.

5. As at 31 March 2010, 6,500,000 share options conferring rights to subscribe for 6,500,000 shares.

6. As at 31 March 2010, 500,000 share options conferring rights to subscribe for 500,000 shares.

7. As at 31 March 2010, 700,000 share options conferring rights to subscribe for 700,000 shares.

Save as disclosed above, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable any of the Directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, none of the Directors and chief executive (including their spouse and children under the age of 18) had any interest in, or had been granted, or exercised, any right to subscribe for the shares of the Company and its associated corporations (within the meaning of the SFO).

Save as disclosed above, none of the Directors, chief executive or their associates had any interests or short position in the securities of the Company or any of its associated corporations as defined in Part XV of the SFO which was discloseable for the year ended 31 March 2010.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under section 336 of the SFO shows that as at 31 March 2010, the Company had been notified of the following substantial shareholder's interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and chief executive.

Name	Number of ordinary shares held	Number of underlying shares held	Total	Percentage of shareholding
Wide Fine International Limited *(Note 1)*	248,125,000	–	248,125,000	17.75%

Note:

1. Wide Fine International Limited is beneficially and wholly owned by Mr. Wong Kam Leong, an executive Director.

Save as disclosed above, no other person had registered an interest or short position in the shares and underlying shares of the Company that was required to be reported pursuant to section 336 of the SFO as at 31 March 2010.

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

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

Purchases	
– the largest supplier	54.16%
– five largest suppliers combined	86.12%
Sales	
– the largest customer	11.6%
– five largest customers combined	21.8%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in the Group's five largest suppliers or customers during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2010, the Directors were not aware of any business or interest of each Director, management shareholder (as defined in the GEM Listing Rules) and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on pages 23 to 28 of this report.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield as chairman, Mr. Ng Chau Tung, Robert and Mr. Tse Ching Leung with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 March 2010.

BOARD PRACTICES AND PROCEDURES

Save as disclosed above, throughout the year ended 31 March 2010, the Company has complied with Rule 5.34 of the GEM Listing Rules concerning board practices and procedures.

AUDITORS

The accounts have been audited by AGCA CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Wong Kam Leong
Chairman

Hong Kong, 29 June 2010

The Company is firmly committed to statutory and regulatory corporate governance standards and adheres to the principles of corporate governance emphasizing transparency, independence, accountability, responsibility and fairness.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices ("Code on CG Practices") contained in Appendix 15 of the GEM Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standards of dealings regarding securities transactions by Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specified enquiry with the Directors, all the Directors confirmed that they have complied with the required code of conduct and required standard of dealings.

BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS (THE "BOARD")

As at 31 March 2010, the Board comprised nine Directors, including four executive Directors, one non-executive Directors and four independent non-executive Directors.

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

Executive Directors	
Mr. Wong Kam Leong	
Mr. Hu Dongguang	(Appointed on 18 January 2010)
Ms. Li Jie Yi	
Mr. Wu Bingxiang	(Appointed on 1 September 2009)
Dr. Guo Wanda	(Appointed on 1 May 2010)
Mr. Yip Wai Ki	(Resigned on 18 January 2010)
Non-executive Director	
Mr. Zhang Chi	(Appointed on 18 January 2010)
Independent non-executive Directors	
Mr. Ng Kwok Chu, Winfield	
Mr. Ng Chau Tung, Robert	
Mr. Tse Ching Leung	(Appointed on 1 September 2009)
Mr. Wang Qingyi	(Appointed on 18 January 2010)
Mr. Cheng Tze Kit, Larry	(Resigned on 1 September 2009)

Under the Bye-Laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation save for any Director holding office as Chairman or Managing Director and those Directors appointed by the Board who only hold office until the forthcoming annual general meeting. The retiring Directors shall be eligible for re-election. Hence the independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation. Accordingly, Ms. Li Jie Yi and Mr. Ng Chau Tung, Robert will retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. Mr. Hu Dongguang, Mr. Wu Bingxiang, Dr. Guo Wanda, Mr. Zhang Chi, Mr. Tse Ching Leung, and Mr. Wang Qingyi being new Directors appointed by the Board, shall retire from office at the forthcoming AGM and, being eligible, offer themselves for re-election at the AGM.

Detail of backgrounds and qualifications of the Chairman of the Company and the other Directors are set out in the pages 13 to 15 of the Annual Report. The Board comprises a balanced composition of executive Directors and independent non-executive Directors which possesses a wide spectrum of relevant skills and experience.

ROLE AND FUNCTION OF THE BOARD

The Board supervises the management of the business and affairs of the Group. It has established self-regulatory and monitoring mechanisms to ensure effective corporate governance. The Board oversees the Group's overall strategic plans, approves major funding and investment proposals and reviews the financial performance of the Group.

The Board delegates the day-to-day management, administration and operation of the Company to the management. The delegated functions are reviewed by the Board periodically to ensure they remain appropriate to the needs of the Company. The Board gives clear directions to the management as to the matters that must be approved by the Board before decisions are made on behalf of the Company.

BOARD MEETINGS

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. Thirty-six Board meetings were held during the year under review. Board members are provided with complete, adequate and timely information to allow the Directors to fulfil their duties properly. Details of the attendances of the Board meetings are set out below:

Directors	**Attendance**
Executive Directors	
Mr. Wong Kam Leong	34/36
Mr. Hu Dongguang *(Note 2)*	10/36
Ms. Li Jie Yi	32/36
Mr. Wu Bingxiang *(Note 1)*	11/36
Mr. Yip Wai Ki *(Note 4)*	18/36
Non-Executive Director	
Mr. Zhang Chi *(Note 2)*	6/36
Independent Non-Executive Directors	
Mr. Ng Kwok Chu, Winfield	21/36
Mr. Ng Chau Tong, Robert	21/36
Mr. Tse Ching Leung *(Note 1)*	12/36
Mr. Wang Qingyi *(Note 2)*	7/36
Mr. Cheng Tze Kit, Larry *(Note 3)*	8/36

Notes:

1. Appointed on 1 September 2009.

2. Appointed on 18 January 2010.

3. Resigned on 1 September 2009.

4. Resigned on 18 January 2010.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The role of the Chairman of the Company is separated from that of the Chief Executive Officer. Mr. Wong Kam Leong is the Chairman and Mr. Hu Dongguang is the Chief Executive Officer. Such division of responsibilities allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are persons of high caliber with vast experiences in the fields of accounting, financial and overseas market. They provide strong support to the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

NOMINATION OF DIRECTORS

The Board is responsible for the selection and approval of candidates for appointment and the Company has established a Nomination Committee since 9 May 2006.

In selecting the suitable candidates, the Directors will take into account the qualifications, ability, working experience, leadership and professional ethics of the candidates.

REMUNERATION COMMITTEE

COMPOSITION OF THE REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 9 May 2006 which currently consists of three independent non-executive Directors, namely Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tong, Robert and Mr. Tse Ching Leung.

ROLE AND FUNCTION OF THE REMUNERATION COMMITTEE

The principle responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policy and structure for remuneration of the Directors and senior management of the Company, to determine specific remuneration packages for all executive Directors and senior management of the Company, and to make recommendations to the Board on the remuneration of non-executive Directors. Such remuneration policy is determined based on the expertise, capability, performance and responsibility of the Directors and senior management. The Remuneration Committee also takes into consideration of factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors and senior management, employment conditions elsewhere in the Group and desirability of performance-based remuneration. In addition to salaries, the Company also provides staff benefits such as medical insurance and contributions to staff's mandatory provident scheme.

REMUNERATION COMMITTEE MEETINGS

One Remuneration Committee meeting was held during the year under review. Details of the attendance of the Remuneration Committee meetings are as follows:

Members	**Attendance**
Mr. Ng Kwok Chu, Winfield	1/1
Mr. Ng Chau Tung, Robert	1/1
Mr. Tse Ching Leung *(Note 1)*	1/1
Mr. Cheng Tze Kit, Larry *(Note 2)*	0/1

Notes:

1. Appointed on 1 September 2009.

2. Resigned on 1 September 2009.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial year and to ensure that the financial statements are prepared in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL

The Company has conducted review of its internal control system periodically to ensure an effective and adequate internal control system in place. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors consider that the Company has implemented a series of procedures for safeguarding the Company's assets against unauthorized use or misappropriation, maintaining accounting records properly and ensuring the reliability of financial information.

AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Company 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 and supervise the financial reporting process and internal control system of the Group. During the year ended 31 March 2010, the Audit Committee comprised the following members, namely, Mr. Ng Kwok Chu, Winfield, Mr. Ng Chau Tung, Robert, and Mr. Tse Ching Leung. All of them are independent non-executive Directors. The Chairman of the Audit Committee is Mr. Ng Kwok Chu, Winfield.

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

ROLE AND FUNCTION OF THE AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, Rules 5.28 to 5.33 of the GEM Listing Rules and Code Provision C.3.3 of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group and provide an important link between the Board and the Company's auditors on those matters within the scope of the Group's audit. It also reviews the effectiveness of the external and internal audit and conducts risk evaluation. The Audit Committee is provided with sufficient resources to discharge its responsibilities and is supported by the Finance Department of the Company. The Audit Committee is accountable to the Board.

AUDIT COMMITTEE MEETINGS

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

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

Members	**Attendance**
Mr. Ng Kwok Chu, Winfield	4/4
Mr. Ng Chau Tung, Robert	4/4
Mr. Tse Ching Leung *(Note 1)*	2/4
Mr. Cheng Tze Kit, Larry *(Note 2)*	2/4

Notes:

1. Appointed on 1 September 2009.

2. Resigned on 1 September 2009.

The audited consolidated results of the Group for the year ended 31 March 2010 have been reviewed by the Audit Committee.

There is no disagreement between the Audit Committee and the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

AUDITORS' REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the Auditors' work. For the year ended 31 March 2010, the Auditors of the Company received approximately HK$890,000 for audit services and HK$219,000 for non-audit services comprising consultancy services.

AGCA CPA Limited
正立會計師事務所有限公司

TO THE SHAREHOLDERS OF
LONG SUCCESS INTERNATIONAL (HOLDINGS) LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Long Success International (Holdings) Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 31 to 99, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 the consolidated 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 consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and true and fair presentation of the consolidated 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 consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the states of affairs of the Company and 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.

AGCA CPA Limited
9th Floor, Allied Kajima Building
138 Gloucester Road
Wanchai
Hong Kong

29 June 2010

Pang Fung Ming
Practising Certificate number P03124

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Revenue	6	**159,432**	12,778
Cost of sales		**(145,396)**	(6,578)
Gross profit		**14,036**	6,200
Other income, net	6	**5,748**	3,810
Selling expenses		**(329)**	–
Administrative expenses		**(37,230)**	(29,508)
Finance costs	7	**(9,203)**	(5)
Loss on redemption of convertible redeemable note	31	**(1,066)**	–
Impairment loss on goodwill	16	**(15,800)**	(14,200)
Impairment loss on property, plant and equipment		**–**	(2,465)
Impairment loss on trade receivables		**(125)**	(235)
Impairment loss on loan receivables		**–**	(656)
Loss before tax		**(43,969)**	(37,059)
Income tax expense	8	**(528)**	(334)
LOSS FOR THE YEAR	9	**(44,497)**	(37,393)
Other comprehensive income			
Exchange differences on translating foreign operation		**7,394**	185
TOTAL COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(37,103)**	(37,208)
Loss for the year attributable to:			
Owners of the parent		**(45,026)**	(37,604)
Minority interests		**529**	211
		(44,497)	(37,393)
Total comprehensive loss for the year attributable to:			
Owners of the parent		**(41,509)**	(37,419)
Minority interests		**4,406**	211
		(37,103)	(37,208)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted (HK cents per share)	12	**(4.99)**	(5.47)

The notes on pages 37 to 99 form part of these financial statements.

Statements of Financial Position

As at 31 March 2010

		Group		Company	
	Note	**2010** **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Non-current assets					
Prepaid lease payments	15	**19,421**	–	**–**	–
Goodwill	16	**80,967**	15,890	**–**	–
Property, plant and equipment	17	**171,906**	3,321	**–**	–
Interests in subsidiaries	18	**–**	–	**223,348**	57,980
Available-for-sale financial assets	19	**180**	180	**–**	–
Deposit for acquisition	20	**10,000**	47,500	**10,000**	47,500
Loans receivable	21	**221**	348	**–**	–
Total non-current assets		**282,695**	67,239	**233,348**	105,480
Current assets					
Inventories	22	**13,377**	–	**–**	–
Trade receivables	23	**19,407**	2,746	**–**	–
Loans receivable	21	**5,686**	8,478	**–**	–
Prepayment, deposits and other receivables	24	**107,793**	1,576	**358**	–
Term deposits	25	**29,000**	32,000	**–**	–
Pledged bank deposits	28	**16,149**	–	**–**	–
Cash and cash equivalents	26	**9,081**	2,940	**6,790**	1,136
Total current assets		**200,493**	47,740	**7,148**	1,136
Current liabilities					
Trade payables	27	**23,762**	3,229	**–**	–
Bank acceptable notes payable	28	**23,070**	–	**–**	–
Accruals and other payables		**39,251**	5,679	**2,480**	1,334
Subscription received	29	**15,500**	–	**15,500**	–
Payable for plant and equipment	30	**66,442**	–	**–**	–
Current portion of interest bearing bank loans	32	**30,974**	–	**–**	–
Provision for taxation		**606**	1,033	**–**	–
Total current liabilities		**199,605**	9,941	**17,980**	1,334
Net current assets (liabilities)		**888**	37,799	**(10,832)**	(198)
Total assets less current liabilities		**283,583**	105,038	**222,516**	105,282

	Note	Group 2010 HK$'000	Group 2009 HK$'000	Company 2010 HK$'000	Company 2009 HK$'000
Non current liabilities					
Interest bearing bank loans	32	**18,165**	–	**–**	–
Promissory notes	33	**40,000**	–	**40,000**	–
Convertible bonds	34	**31,489**	–	**31,489**	–
Deferred tax liabilities	35	**1,434**	–	**–**	–
Total non-current liabilities		**91,088**	–	**71,489**	–
NET ASSETS		**192,495**	105,038	**151,027**	105,282
Capital and reserves					
Share capital	36	**45,378**	30,320	**45,378**	30,320
Reserves	38	**105,406**	74,400	**105,649**	74,962
Equity attributable to owners of the parent		**150,784**	104,720	**151,027**	105,282
Minority interests		**41,711**	318	**–**	–
TOTAL EQUITY		**192,495**	105,038	**151,027**	105,282

Wong Kam Leong
Director

Hu Dongguang
Director

The notes on pages 37 to 99 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2010

	Attributable to owners of the parent									
	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000	**Exchange Reserve** HK$'000	**Share option reserve** HK$'000	**Convertible bond equity reserve** HK$'000	**Accumulated Losses** HK$'000	**Total** HK$'000	**Minority interests** HK$'000	**Total** HK$'000
At 1 April 2008	27,273	123,470	(341)	(29)	882	–	(39,313)	111,942	9,117	121,059
Total comprehensive income (loss)	–	–	–	185	–	–	(37,604)	(37,419)	211	(37,208)
Issue of new shares	1,692	9,308	–	–	–	–	–	11,000	–	11,000
Share issue expenses	–	(74)	–	–	–	–	–	(74)	–	(74)
Issue of shares upon exercise of warrants	35	157	–	–	–	–	–	192	–	192
Issue of shares upon exercise of share options	1,320	7,638	–	–	(3,157)	–	–	5,801	–	5,801
Dividend paid to minority shareholder	–	–	–	–	–	–	–	–	(3,600)	(3,600)
Acquisition of minority interests	–	–	–	–	–	–	–	–	(5,410)	(5,410)
Equity-settled share-based payments	–	–	–	–	13,278	–	–	13,278	–	13,278
At 31 March 2009 and 1 April 2009	30,320	140,499	(341)	156	11,003	–	(76,917)	104,720	318	105,038
Total comprehensive income (loss)	–	–	–	3,517	–	–	(45,026)	(41,509)	4,406	(37,103)
Issue of shares upon exercise of share options	3,498	18,632	–	–	(7,116)	–	–	15,014	–	15,014
Issue of new shares	11,560	43,640	–	–	–	–	–	55,200	–	55,200
Share issue expenses	–	(896)	–	–	–	–	–	(896)	–	(896)
Issue of convertible redeemable note	–	–	–	–	–	1,066	–	1,066	–	1,066
Redemption of convertible redeemable note	–	–	–	–	–	(1,066)	1,066	–	–	–
Convertible bonds issued for acquisition (Note 34)	–	–	–	–	–	7,439	–	7,439	–	7,439
Equity-settled share-based payments	–	–	–	–	9,750	–	–	9,750	–	9,750
Acquisition of new subsidiary	–	–	–	–	–	–	–	–	12,773	12,773
Contribution from minority shareholder	–	–	–	–	–	–	–	–	24,214	24,214
At 31 March 2010	**45,378**	**201,875**	**(341)**	**3,673**	**13,637**	**7,439**	**(120,877)**	**150,784**	**41,711**	**192,495**

* The merger reserve represents the difference between the nominal value of the share capital of subsidiaries acquired pursuant to the Group reorganisation in preparation for the listing of the Company's share in August 2000, and the nominal value of the Company's share issued in exchange thereof.

The notes on pages 37 to 99 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Loss before tax		**(43,969)**	(37,059)
Adjustments for:			
Equity-settled share option expense	37	**9,750**	13,278
Finance costs		**9,203**	5
Amortisation of prepaid land leases		**188**	–
Depreciation of property, plant and equipment		**15,411**	411
Impairment loss on trade receivables		**125**	235
Impairment loss on loan receivables		**–**	656
Impairment loss on goodwill	16	**15,800**	14,200
Impairment loss on property, plant and equipment		**–**	2,465
Loss on redemption of convertible redeemable note	31	**1,066**	–
Loss on disposal of property, plant and equipment		**–**	35
Realised loss on trading securities		**–**	64
Interest income, excluding that derived from money lending operation		**(1,642)**	(3,853)
Imputed interest on convertible bonds	34	**2,531**	–
Operating cash flows before working capital changes		**8,463**	(9,563)
Decrease in inventories		**16,997**	–
(Increase) decrease in trade receivables		**(11,560)**	7,650
Decrease (increase) in loans receivable		**2,919**	(755)
(Increase) decrease in prepayments, deposits and other receivables		**(29,795)**	87
Increase (decrease) in trade payables		**9,326**	(268)
Increase in accruals and other payables		**18,108**	1,046
Cash generated from (used in) operations		**14,458**	(1,803)
Interest paid		**(9,203)**	(5)
Income tax paid		**(957)**	(134)
Net cash generated from (used in) operating activities		**4,298**	(1,942)
Investing activities			
Interest received, excluding that derived from money lending operation		**1,642**	3,853
Deposit paid for acquisition		**(10,000)**	(47,500)
Proceeds from disposal of property, plant and equipment		**–**	430
Purchase of property, plant and equipment		**(9,764)**	(5,995)
Sale of trading securities		**–**	3,097
Purchase of trading securities		**–**	(3,161)
Acquisition of minority interest	39	**–**	(5,500)
Acquisition of subsidiaries, net of cash acquired	39	**(102,492)**	–
Decrease in term deposits		**3,000**	27,000
Net cash used in investing activities		**(117,614)**	(27,776)

Consolidated Cash Flow Statement

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
Financing activities			
Repayment of capital elements of finance leases		–	(35)
Proceeds from issue of shares		55,200	11,000
Share issue expenses		(896)	(74)
Proceeds from bank acceptance notes payable		23,167	–
Increase in pledged bank deposits		(16,217)	–
Subscription received	29	15,500	–
Payment of payable for plant and equipment		(45,191)	–
Proceeds from bank borrowings		49,346	–
Proceeds from issue of convertible redeemable notes	31	15,000	–
Redemption of convertible redeemable notes	31	(15,000)	–
Redemption of promissory note	33	(6,500)	–
Proceeds from exercise of share options		15,014	5,801
Proceeds from exercise of warrants		–	192
Dividend paid to minority interests		–	(3,600)
Capital contribution by minority interests		24,214	–
Net cash provided by financing activities		**113,637**	13,284
Net increase (decrease) in cash and cash equivalents		**321**	(16,434)
Cash and cash equivalents at the beginning of the year		2,940	19,189
Effect of foreign exchange rate changes		5,820	185
Cash and cash equivalents at the end of the year	26	**9,081**	2,940

The notes on pages 37 to 99 form part of these financial statements.

1. CORPORATE INFORMATION

Long Success International (Holdings) Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business are Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and 26/F, EIB Centre, 40-44 Bonham Street, Sheung Wan, Hong Kong respectively.

The Company is an investment holding company. During the year, its subsidiaries are principally engaged in the following activities:

(i) Manufacturing and sales of paper products;
(ii) Sales of customised software and related computer equipment, and provision of computer-related technical support and maintenance services;
(iii) Sharing of profits of a junket representative of a VIP lounge in a casino in Macau; and
(iv) Money lending business.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Rules").

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires management to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in Note 5 to the financial statements.

These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise stated.

CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively the "Group") made up to 31 March. The results of the subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. All significant intercompany transactions and balances and any unrealised profits arising from intercompany transactions within the Group are eliminated on consolidation.

3. IMPACT OF NEW AND REVISED HKFRSs

In the current year, the Company has adopted the following new or revised standards, amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 April 2009:

Amendment to HKFRS 1 and HKAS 27	*First-time Adoption of HKFRSs; Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
Amendment to HKFRS 2	*Share-based Payment – Vesting Conditions and Cancellations*
Amendment to HKFRS 7	*Financial instruments: Disclosures – Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 23 (Revised)	*Borrowing Costs*
Amendments to HKAS 32 and HKAS 1	*Financial Instruments: Presentation; Presentation of Financial Instruments – Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC) – Int 13	*Customer Loyalty Programmes*
HK(IFRIC) – Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC) – Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC) – Int 18	*Transfers of Assets from Customers*
Improvements to HKFRSs (2008)	

The adoption of the above new or revised standards, amendments and interpretations did not have a significant impact on the Group's financial statements except as discussed below:

- As a result of the adoption of HKAS 1 (Revised), all changes in equity arising from transactions with owners in their capacity as owners are presented in the statement of changes in equity, separately from non-owner changes in equity (i.e. components of comprehensive income), which are presented in the statement of comprehensive income. Corresponding prior-year amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Company's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Company has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

- HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a management approach, under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The effect of the adoption of HKFRS 8 is discussed in Note 6.

3. IMPACT OF NEW AND REVISED HKFRSs (Continued)

Up to the date of the issuance of these financial statements, the HKICPA has issued a number of new and revised HKFRSs which are not yet effective for the year ended March 31, 2010 and which have not been early adopted by the Company, as follows:

- HKAS 1 (amendment) – Presentation of financial statements[1]
- HKAS 7 (amendment) – Statement of cash flows[1]
- HKAS 17 (amendment) – Leases[1]
- HKAS 24 (revised) – Related party disclosures[4]
- HKAS 27 (revised) – Consolidated and separate financial statements[2]
- HKAS 32 (amendment) – Classification of rights issue[5]
- HKAS 36 (amendment) – Impairment of assets[1]
- HKAS 38 (amendment) – Intangible assets[2]
- HKAS 39 (amendment) – Financial instruments: recognition and measurement[1,2]
- HKFRS 2 (amendment) – Share-based payments[1,2]
- HKFRS 3 (revised) – Business combination[2]
- HKFRS 5 (amendment) – Non-current assets held for sale and discontinued operations[1]
- HKFRS 8 (amendment) – Operating segments[1]
- HKFRS 9 – Financial instruments[3]
- HK(IFRIC) – Int 9 (amendment) – Reassessment of embedded derivatives[2]
- HK(IFRIC) – Int 14 – Prepayments of a minimum funding requirement[4]
- HK(IFRIC) – Int 16 – Hedges of a net investment in a foreign operation[2]
- HK(IFRIC) – Int 17 – Distributions of non-cash assets to owners[2]
- HK(IFRIC) – Int 19 – Extinguishing financial liabilities with equity instruments[6]
- Improvements to HKFRSs 2009[7]
- Improvements to HKFRSs 2010[8]

1 Changes effective for annual periods beginning on or after 1 January 2010.
2 Changes effective for annual periods beginning on or after 1 July 2009.
3 Changes effective for annual periods beginning on or after 1 January 2013.
4 Changes effective for annual periods beginning on or after 1 January 2011.
5 Changes effective for annual periods beginning on or after 1 February 2010.
6 Changes effective for annual periods beginning on or after 1 July 2010.
7 Effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate
8 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

The application of HKFRS 3 (Revised) will 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 Company is in the process of making an assessment of the impact of other new and revised HKFRSs on the Group's financial statements. So far the directors have yet to conclude whether the application of other new or revised HKFRSs will have a material impact on the results and financial position of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies adopted by the Group is set out below:

BUSINESS COMBINATIONS

The acquisition of subsidiaries 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, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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

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

GOODWILL

Goodwill arising on an acquisition of a subsidiary 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 subsidiary or jointly controlled entity at the date of acquisition. Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is tested annually for impairment and is allocated to cash-generating units for the purposes of impairment testing. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relateds. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in any subsequent period.

Gain or loss on disposal of an entity includes the carrying value of goodwill relating to the entity sold.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SUBSIDIARIES AND MINORITY INTERESTS

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests 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 interest 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. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority interests exceed the minority's interest in the equity of a subsidiary, the excess, and any future losses applicable to the minority, are charged against the Group's interest except to the extent that the minority 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 minority's share of losses previously absorbed by the Group has been recovered.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and, where it is probable that the economic benefits will flow to the Group and the revenue and costs incurred or to be incurred in respect of the transaction can be measured reliably, is recognised as follows:

(i) Sales of goods are 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) Service income is recognised when services are provided.

(iii) Revenue from sharing of profits is recognised when the right to receive profit is established.

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

(v) Dividend income from securities and other investments is recognised when the right to receive payment is established.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT

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

Buildings	5%
Plant and machinery	$6^2/_3$% – 10%
Leasehold improvements	50% or over the lease term whichever is shorter
Furniture and fixtures	25%
Computer equipment	25 – $33^1/_3$%
Motor vehicles	25%

Display gemstones which comprise collectable items are considered to have indefinite life and not subject to depreciation.

Major costs incurred in restoring property, plant and equipments to their normal working condition are charged to the income statement. Improvements are capitalized and depreciated over their expected useful lives to the Group.

The gain or loss on disposal of property, plant and equipments is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the statement of comprehensive income.

CASH EQUIVALENTS

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 equivalents include investments and advances denominated in foreign currencies provided that they fulfill the above criteria.

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

FINANCIAL ASSETS

A financial asset is initially measured at the fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, the Group classifies its financial assets into loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised or derecognised on a trade date basis. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL ASSETS (Continued)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, bank deposits and balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Gains or losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as any of the other categories of financial assets. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the statement of comprehensive income.

IMPAIRMENT OF ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL LIABILITIES AND EQUITY

Financial liabilities and equity instruments issued by the Group 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. A financial liability is (i) a contractual obligation to deliver cash or another financial asset to, or exchange financial assets or financial liabilities with another entity, or (ii) a contract that will or may be settled in the entity's own equity instrument.

Financial liabilities (including trade and other payables, amount due to a related party, obligations under finance leases, bank overdrafts, promissory notes, liability component of a compound instrument) are initially recognised at fair value plus directly attributable transaction costs, and subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

CONVERTIBLE BONDS

Convertible bonds issued by the Company that are convertible at the option of the holder into a fixed number of ordinary shares of the Company are accounted for as compound financial instruments. Compound financial instruments contain both a liability and an equity component.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONVERTIBLE BONDS (Continued)

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bond equity reserve until the conversion option is exercised (in which case the balance stated in convertible bond equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bond equity reserve will be released to the retained profits. No gain or loss is recognized in statement of comprehensive income upon conversion or expiration of the option.

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

INVENTORIES

Inventories are carried at the lower of cost and net realizable value. Costs include cost of purchase (including taxes, transport and handling) net of trade discounts received and other costs incurred in bringing the inventories to their present location and condition, and are calculated using the weighted average method. Net realizable value is determined based on estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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 realizable value and all losses of inventories are recognised in profit or loss in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

LEASES

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Company. All other leases are classified as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASES (Continued)

(i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipments, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipments as set out in Note 4, except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(ii) Operating leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. The payments made on acquiring land held under an operating lease are recognised in the balance sheet as lease premium for land.

Contingent rents are charged as an expense in the periods in which they are incurred.

INCOME TAX

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in reserves, in which case they are recognised in reserves.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAX (Continued)

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax law) that have been enacted or substantively enacted at the balance sheet date.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to statement of comprehensive income. Non-monetary items that are measured in the terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and, their statement of comprehensive income are translated into Hong Kong dollars at the exchange rate ruling at the dates of transactions for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

EMPLOYEE BENEFITS

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Company of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Provision is made in respect of paid leave entitlement accumulated during the year, which can be carried forward into future periods for compensated absence or payment in lieu if the employee leaves employment.

The Group operates a number of defined contribution retirement plans, the assets of which are held in separate trustees administered funds. The Group's contributions to the defined contribution retirement plans are expensed when the employees have rendered services entitling them to the contributions.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

EQUITY-SETTLED SHARE-BASED PAYMENTS

The fair value of services received is measured by reference to the fair value of share options granted at the date of grant which is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). The equity amount is recognised in share option reserve until the option is exercised (when it is transferred to share premium account). When the option is forfeited after the vesting date or is not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained profits.

BORROWING COSTS

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds. Borrowing costs are expensed as incurred, except when they are directly attributable to the acquisition, construction or production of assets that necessarily takes a substantial period of time to get ready for their intended use in which case they are capitalized as part of the cost of that asset. Capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and the activities to prepare the asset for its intended use are in progress. Borrowing costs are capitalized at the weighted average cost of the related borrowings until the asset is ready for its intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. All other borrowing cost is charged to the statement of comprehensive income in the year in which they are incurred.

SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments. The Executive Directors of the Company make strategic decisions and, therefore, are considered the chief operating decision maker.

RELATED PARTIES

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the parties are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or corporate entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related of the Group.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the 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 review and future periods in the revision affects both current and future periods.

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

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is 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. Details of the Group's goodwill and its annual impairment test are set out in Note 16.

(ii) Impairment of trade and loans receivables

The policy for impairment assessment for trade and loans receivables of the Group is based on the evaluation of collectability and an aging analysis of the receivables and on the judgment of the management. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer or borrower. As at 31 March 2010, allowance for doubtful loans receivable was HK$656,000 (2009: HK$656,000), whilst allowance for doubtful trade receivables was HK$3,041,000 (2009: HK$2,916,000). If the financial conditions of borrowers or customers of the Group were to deteriorate, resulting in further impairment of their ability to make payments, additional provision may be required.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(iii) Impairment of assets

The Group assesses at least annually whether there is any indication of impairment of the Group's assets, in accordance with the relevant accounting policies. The recoverable amounts of the assets have been determined based on value in use calculations. These calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. For the year ended 31 March 2010, the Group has not recognised an impairment loss on its property, plant and equipment (2009: HK$2,465,000).

(iv) Fair value of convertible bonds

The Directors of the Company use their judgment in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair value of conversion bonds are subject to the limitation of the Binominal model that incorporated market data and involved uncertainty in estimates used by management in the assumptions. Because the Binominal model requires the input of highly subjective assumptions, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate. Details of the assumptions used are disclosed in Note 34.

(v) Recognition of equity-settled share-based payments

The Group's directors and employees have been awarded share options under the Company's share option scheme for their services rendered to the Group. The Company has applied the Black-Scholes options-pricing model to determine the grant-date fair values of the options granted. Significant judgement and estimates are required to determine the assumptions input to the Black-Scholes options-pricing model, including the risk-free interest rate, the expected volatility and the expected life of the options. Changes in these assumptions could have a material effect on the fair values of the options granted, which in turn could result in a material impact on the share option expense recognised for the year. Further details of the Company's share options and share option expense are set out in Note 37.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the Group's turnover and represents the net amount received and receivable for goods and software systems sold and services rendered arising from the principal activities of the Group, net of value-added tax and/or business tax.

	2010 HK$'000	2009 HK$'000
Revenue		
Sales of paper products	**155,417**	–
Sales and implementation of customised software and related computer equipment and computer-related technical support and maintenance service income	**2,446**	9,863
Profits assigned from a junket representative of a casino VIP lounge in Macau	**239**	1,019
Interest income from money lending business	**1,330**	1,896
	159,432	12,778
Other income, net		
Interest income, other than that from money lending business	**1,642**	3,853
Sundry income	**4,106**	21
Realised loss on trading securities	**-**	(64)
	5,748	3,810

On adoption of HKFRS 8 "Operating segments", the Group has identified its operating segments and prepared segment information based on the regular internal financial information reported to the Group's executive directors (being the chief operating decision maker) for their decisions about resources allocation to the Group's components and review of these components' performance.

However, in previous years, segment information was analysed according to the nature of operations of the Group's business units and the risks and returns of the products and services offered by each business unit.

6. REVENUE AND SEGMENT INFORMATION (Continued)

The Group has the following operating segments:

(i) Paper products – manufacturing and sales of paper products;

(ii) Information technology – sales and implementation of customised software and related computer equipment, and provision of computer-related technical support and maintenance services;

(iii) Macau casino junket profit sharing – sharing of profits of a junket representative of a VIP lounge in a casino in Macau, being 0.4% of the rolling turnover generated by that junket representative together with any bonus payable by that casino and/or that VIP lounge to that junket representative; and

(iv) Money lending business.

The adoption of HKFRS 8 has not changed the identified operating segments of the Group compared to the previous years, except that the "sales and implementation of customised software and related computer equipment" and the "provision of computer-related technical support and maintenance services", which were previously identified as two separate business segments, have been combined as one operating segment.

6. REVENUE AND SEGMENT INFORMATION (Continued)

There were no sales or other transactions between the operating segments.

	Paper Products		Information Technology		Macau Casino Junket Profit Sharing		Money Lending		Total	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Segment revenue										
Sales to external customers	155,417	–	2,446	9,863	239	1,019	1,330	1,896	159,432	12,778
Segment results	1,469	–	(1,938)	(2,410)	(19,202)	(35,104)	(283)	(2,994)	(19,954)	(40,508)
Unallocated income									5,748	3,810
Unallocated expenses									(20,560)	(356)
Finance costs									(9,203)	(5)
Loss before tax									(43,969)	(37,059)
Income tax expense									(528)	(334)
Loss for the year									(44,497)	(37,393)
Segment assets	425,917	–	853	3,088	8,957	21,102	37,461	43,289	473,188	67,479
Unallocated assets									10,000	47,500
Total assets									483,188	114,979
Segment liabilities	191,595	–	6,605	7,136	74,258	1,650	695	122	273,153	8,908
Unallocated liabilities									17,540	1,033
Total liabilities									290,693	9,941
Other information										
Depreciation and amortisation	14,606	–	94	142	897	240	2	29	15,599	411
Capital expenditure	9,709	–	10	16	39	1,804	6	4,175	9,764	5,995
Impairment losses on trade receivables	-	–	125	235	-	–	-	–	125	235
Impairment losses on loans receivable	-	–	-	–	-	–	-	656	-	656
Impairment losses on goodwill	-	–	-	–	15,800	14,200	-	–	15,800	14,200
Impairment losses on property, plant and equipment	-	–	-	–	-	–	-	2,465	-	2,465

6. REVENUE AND SEGMENT INFORMATION (Continued)

GEOGRAPHICAL INFORMATION

The following table presents an analysis of the Group's revenue from external customers according to the geographical locations where those customers are located:

	2010 HK$'000	2009 HK$'000
PRC	**156,101**	7,586
Hong Kong	**3,092**	4,173
Macau	**239**	1,019
	159,432	12,778

The following table presents an analysis of the Group's non-current assets (other than financial instruments) according to the geographical areas where those assets are located:

	2010 HK$'000	2009 HK$'000
PRC	**269,842**	112
Hong Kong	**2,853**	3,827
Macau	**–**	15,800
Unallocated – Deposit for acquisition	**10,000**	47,500
	282,695	67,239

MAJOR CUSTOMERS

During the year ended 31 March 2010, one customer accounted for approximately HK$18,494,000, or 11.6% of the Group's revenue, which was attributed to the paper products segment. Save for the aforesaid, no other external customers accounted for 10% or more of the Group's revenue for the years ended 31 March 2010 or 2009.

7. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on bank borrowings wholly repayable with five years	**3,056**	–
Interest element of finance leases	**–**	5
Interest on convertible redeemable note (Note 31)	**2,250**	–
Interest on promissory notes (Note 33)	**1,366**	–
Imputed interest on convertible bonds (Note 34)	**2,531**	–
	9,203	5

8. INCOME TAX EXPENSE

Income tax expense comprised:

	2010 HK$'000	2009 HK$'000
Current tax – provision for current year:		
– Hong Kong	**217**	334
– PRC	**311**	–
	528	334

Hong Kong profits tax is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit arising in Hong Kong for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

A reconciliation of the theoretical tax benefit (expense) calculated using the statutory tax rate to the actual tax benefit (expense) is as follows:

	2010 HK$'000	2009 HK$'000
Loss before tax	**(43,969)**	(37,059)
Tax benefit calculated at Hong Kong profits tax rate of 16.5% (2009 – 16.5%)	**7,255**	6,115
Effect of different tax rates in other jurisdictions	**(147)**	17
Tax effect of income not subject to tax	**692**	490
Tax effect of expenses not deductible for tax	**(8,177)**	(6,051)
Tax effect of temporary differences not recognised	**(137)**	15
Tax effect of utilisation tax losses previously not recognised	**–**	40
Tax effect of tax losses not recognized	**(14)**	(960)
Tax expense for the year	**(528)**	(334)

9. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2010 HK$'000	2009 HK$'000
Auditors' remuneration	**890**	610
Costs of inventories sold included in costs of sales	**143,736**	–
Amortisation of prepaid land leases	**188**	–
Depreciation	**15,411**	411
Impairment losses on:		
– trade receivables	**125**	235
– loans receivable	**–**	656
– goodwill	**15,800**	14,200
– property, plant and equipment	**–**	2,465
Loss on disposal of property, plant and equipment	**–**	35
Minimum lease payments under operating leases in respect of leased premises	**1,775**	1,355
Realised loss from trading securities	**–**	64
Staff costs including directors' emoluments (Note 13)	**29,414**	11,401

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to equity holders of the parent dealt with in the financial statements of the Company for the year ended 31 March 2010 was HK$41,828,000 (2009: HK$31,539,000).

11. DIVIDENDS

No dividend has been paid, declared or recommended for payment by the directors of the Company during the year or since the end of the reporting period (2009: nil).

12. LOSS PER SHARE

	2010 HK cent	2009 HK cent
Basic and diluted loss per share	**(4.99)**	(5.47)

12. LOSS PER SHARE (Continued)

The calculations of basic and diluted loss per share are based on:

	2010 HK$'000	2009 HK$'000
Loss attributable to ordinary equity holders of the parent	**(45,026)**	(37,604)

	2010 '000	2009 '000
Weighted average number of ordinary shares in issue	**902,556**	687,556

The weighted average number of ordinary shares for the year ended 31 March 2009 was adjusted retrospectively to reflect the Share Consolidation effected on 12 August 2009 (see Note 36).

The basic and diluted losses per share are the same for the years ended 31 March 2010 and 2009 respectively, as the Company recorded losses attributable to equity holders of the parent. Hence, the effect of any incremental shares from the assumed exercises of share options and warrants outstanding as at 31 March 2010 and 2009 would be anti-dilutive and was not included in the calculation of diluted loss per share. Details of the warrants and share options are set out in Notes 36 and 37 respectively.

13. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS

	2010 HK$'000	2009 HK$'000
Salaries and benefits	**27,416**	11,248
Contributions to defined contribution retirement schemes	**1,998**	153
	29,414	11,401

The Group has participated in defined contribution retirement schemes established under Mandatory Provident Fund Ordinance ("MPF Schemes") for its employees in Hong Kong. The assets of the MPF Schemes are held separately from those of the Group in funds under the control of independent trustees. Under the rules of the MPF Schemes, each of the employer and its employees are generally required to make contributions to the schemes at 5% of the employee's relevant monthly income, up to a maximum of HK$1,000 per month.

13. STAFF COSTS INCLUDING DIRECTORS' EMOLUMENTS (Continued)

The employees of PRC subsidiaries of the Group are members of state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

No forfeited contributions were recognised during the year and there were no material forfeitures available to reduce the Group's future contributions at 31 March 2010 and 2009.

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(I) DIRECTORS' EMOLUMENTS

The aggregate amounts of emoluments payable to the directors of the Company are as follows:

	2010 **HK$'000**	2009 HK$'000
Fees	**1,053**	840
Salaries, allowance and benefits	**213**	50
Performance related bonus	**3,500**	–
Employee share option benefits	**3,878**	2,331
	8,644	3,221

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(I) DIRECTORS' EMOLUMENTS (Continued)

The remuneration of each individual director is set out below:

2010	Fees HK$'000	Salaries, allowance and benefits HK$'000	Performance related bonus HK$'000	Employee share option benefits HK$'000	Total HK$'000
Executive directors					
Wong Kam Leong	**240**	**213**	**3,500**	**626**	**4,579**
Li Jie Yi	**240**	**-**	**-**	**120**	**360**
Wu Bingxiang (appointed on 1 September 2009)	**140**	**-**	**-**	**1,242**	**1,382**
Hu Dongguang (appointed on 18 January 2010)	**72**	**-**	**-**	**1,628**	**1,700**
Zhang Chi (appointed on 18 January 2010)	**21**	**-**	**-**	**-**	**21**
Yip Wai Ki (appointed on 30 June 2008 and resigned on 18 January 2010)	**100**	**-**	**-**	**182**	**282**
Independent non-executive directors					
Ng Kwok Chu, Winfield	**80**	**-**	**-**	**-**	**80**
Ng Chau Tung, Robert	**80**	**-**	**-**	**-**	**80**
Tse Ching Leung (appointed on 1 September 2009)	**47**	**-**	**-**	**80**	**127**
Wang Qingyi (appointed on 18 January 2010)	**-**	**-**	**-**	**-**	**-**
Cheng Tse Kit Larry (appointed on 30 June 2008 and resigned on 1 September 2009)	**33**	**-**	**-**	**-**	**33**
	1,053	**213**	**3,500**	**3,878**	**8,644**

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(I) DIRECTORS' EMOLUMENTS (Continued)

2009	Fees HK$'000	Salaries, allowance and benefits HK$'000	Performance related bonus HK$'000	Employee share option benefits HK$'000	Total HK$'000
Executive directors					
Wong Kam Leong	240	50	–	783	1,073
Li Jie Yi	240	–	–	783	1,023
Yip Wai Ki (appointed on 30 June 2008)	90	–	–	593	683
Hui Siu Lun (resigned on 30 June 2008)	30	–	–	–	30
Independent non-executive directors					
Ng Kwok Chu, Winfield	80	–	–	32	112
Ng Chau Tung, Robert	80	–	–	32	112
Cheng Tse Kit Larry (appointed on 30 June 2008)	80	–	–	108	188
Leung Kar Loon Stanley (resigned on 30 June 2008)	–	–	–	–	–
	840	50	–	2,331	3,221

(II) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include three (2009: two) directors whose emoluments are reflected in the analysis presented above.

The emoluments paid and payable to the remaining two individuals (2009: three) for the year ended 31 March 2010 are as follows:

	2010 HK$'000	2009 HK$'000
Salaries, bonus and allowances	**–**	1,235
Employee share options benefits	**1,846**	1,715
Retirement scheme contributions	**–**	82
	1,846	3,032

14. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(II) FIVE HIGHEST PAID INDIVIDUALS (Continued)

The emoluments of the non-director highest paid individuals fell within the following band:

	Number of individuals	
	2010	2009
Nil to HK$1,000,000	**2**	1
HK$1,000,000 – HK$1,500,000	**–**	2
	2	3

15. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments represent land use rights in the PRC under medium-term leases.

As at 31 March 2010, all of the Group's the land use rights were pledged as security against bank loans (Note 32).

16. GOODWILL

	Group	
	2010 HK$'000	2009 HK$'000
Carrying amount at beginning of year	**15,890**	30,000
Acquisition (Note 39)	**80,877**	90
Impairment loss recognized	**(15,800)**	(14,200)
Carrying amount at end of year	**80,967**	15,890
At 31 March:		
Cost	**144,343**	63,466
Less: Accumulated impairment	**(63,376)**	(47,576)
Net carrying amount	**80,967**	15,890

16. GOODWILL (Continued)

IMPAIRMENT TESTS FOR GOODWILL

Goodwill has been allocated to the Group's cash-generating units (CGU) identified according to the Group's operating segments as follows:

	2010 HK$'000	2009 HK$'000
Sharing of profits of a Macau casino junket representative	**–**	15,800
Money lending business (Note 39)	**90**	90
Manufacturing and sales of paper products (Note 39)	**80,877**	–
Net carrying amount	**80,967**	15,890

The recoverable amount of the CGU is determined based on value-in-use calculations and with reference to valuation reports prepared by LCH (Asia-Pacific) Surveyors Limited, an independent qualified professional valuer. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period, using key assumptions as follows:

	Macau casino junket profit sharing segment		**Paper products segment**	
	2010	2009	**2010**	2009
Estimated growth rate	**3%**	3%	**2.69%**	N/A
Discount rate	**12.25%**	16.66%	**23.90%**	N/A

Capital Asset Pricing Model has been adopted to estimate the discount rates using market data of other listed companies with a similar business. The estimated growth rate for the Macau casino junket profit sharing segment is based on the growth of similar companies, the industry, Macau and the global economy as a whole. The estimated growth rate for the paper products segment is based on the historical Consumer Price Index of the PRC.

The market conditions of the gaming and entertainment industry in Macau have remained unfavorable and the results of the Macau casino junket profit sharing segment have continued to be unsatisfactory. The directors, by estimating the recoverable amount of the CGU of sharing of profits of a Macau casino junket representative, have considered the goodwill allocated to this segment fully impaired as at 31 March 2010, and therefore recognised an impairment loss of HK$15,800,000 for the year ended 31 March 2010 (2009: HK$14,200,000).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Display gemstones HK$'000	Total HK$'000
Cost								
At 1 April 2008	–	–	638	1,112	2,627	320	–	4,697
Additions	–	–	1,743	46	30	180	3,996	5,995
Disposals	–	–	–	–	–	(500)	–	(500)
At 31 March 2009 and 1 April 2009	–	–	2,381	1,158	2,657	–	3,996	10,192
Acquisition of subsidiaries	43,762	128,654	–	–	–	–	–	172,416
Additions	–	8,967	355	162	30	250	–	9,764
Exchange realignment	371	1,045	–	–	–	–	–	1,416
At 31 March 2010	**44,133**	**138,666**	**2,736**	**1,320**	**2,687**	**250**	**3,996**	**193,788**
Accumulated depreciation and impairment								
At 1 April 2008	–	–	565	1,095	2,363	7	–	4,030
Charges for the year	–	–	217	10	156	28	–	411
Impairment loss recognised	–	–	–	–	–	–	2,465	2,465
Write-back on disposals	–	–	–	–	–	(35)	–	(35)
At 31 March 2009 and 1 April 2009	–	–	782	1,105	2,519	–	2,465	6,871
Charges for the year	1,957	12,421	888	28	103	14	–	15,411
Exchange realignment	(48)	(352)	–	–	–	–	–	(400)
At 31 March 2010	**1,909**	**12,069**	**1,670**	**1,133**	**2,622**	**14**	**2,465**	**21,882**
Carrying amount								
At 31 March 2010	**42,224**	**126,597**	**1,066**	**187**	**65**	**236**	**1,531**	**171,906**
At 31 March 2009	–	–	1,599	53	138	–	1,531	3,321

As at 31 March 2010, the Group's buildings with carrying amount of HK$42,224,000 (2009: nil) are pledged as security against the Group's bank loans (see Note 32).

During the year ended 31 March 2009, the Group recognised an impairment loss of HK$2,465,000 on display gemstones to write down their carrying amount to their estimated recoverable amount.

18. INTERESTS IN SUBSIDIARIES

	Company 2010 HK$'000	2009 HK$'000
Unlisted shares, at cost	**63,795**	63,795
Due from subsidiaries	**264,878**	75,804
Due to subsidiaries	**(12,323)**	(4,417)
	316,350	135,182
Less: Accumulated impairment losses	**(93,002)**	(77,202)
	223,348	57,980

The amounts due from and to subsidiaries are unsecured, non-interest bearing and have no fixed repayment term.

The following is a list of principal subsidiaries as of 31 March 2010:

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Indirectly	Principal Activities
Cherry Oasis (Far East) Limited	Hong Kong	1 ordinary share of HK$1 each	100%	–	Investment holding
Right Gateway Limited	British Virgin Islands	100 ordinary shares of US$1 each	100%	–	Investment holding
Right Idea Investments Limited	British Virgin Islands	100 ordinary shares of US$1 each	–	70%	Sharing of profits of a junket representative of a Macau casino VIP lounge
Success Finance Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Money lending business
Glory Smile Enterprises Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding

18. INTERESTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and operation	Particulars of issued share capital/ registered capital	Effective equity interest attributable to the Company Directly	Indirectly	Principal Activities
Mega Bright Investment Development Limited	Hong Kong	10,000 ordinary shares of HK$1 each	–	100%	Investment holding
Jining Gangning Paper Company Limited	People's Republic of China ("PRC")	US$10,000,000	–	51%	Manufacturing, processing and sales of package and other paper products
Far Rise Development Limited	British Virgin Islands	1 ordinary share of US$1 each	100%	–	Investment holding
Magic Business Solutions Limited	Hong Kong	250,000 ordinary shares of HK$1 each	–	100%	Investment holding
CyberM Information Technology Limited	Hong Kong	700,000 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment
Magic Information Technology Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment
MagicPlus Solutions Limited	Hong Kong	750,000 ordinary shares of HK$1 each	–	60%	Lease of software licences, trading of hardware equipment and provision of consultancy services
Mcmanners Management Limited	British Virgin Islands	10,000 ordinary shares of US$1 each	100%	–	Investment holding
CyberM (Guangzhou) Information Technology Limited	PRC	HK$1,750,000	–	100%	Sale and implementation of software and hardware equipment
SchoolPlus Limited	Hong Kong	2 ordinary shares of HK$1 each	–	100%	Sale and implementation of software and hardware equipment
Unlimited Solutions Limited	Hong Kong	1 ordinary share of HK$1 each	–	100%	Sale and implementation of software and hardware equipment

18. INTERESTS IN SUBSIDIARIES (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group	
	2010	2009
	HK$'000	HK$'000
Non-current		
Club membership, at cost	**180**	180

The club membership does not have a quoted market price in an active market and hence, its fair value cannot be determined reliably and it is measured at cost.

20. DEPOSIT FOR ACQUISITION

Deposit of HK$10,000,000 as at 31 March 2010 represented the refundable deposit paid by the Company under a conditional share transfer agreement dated 26 March 2010 entered into by Far Rise Development Limited ("Far Rise"), a wholly-owned subsidiary of the Group, and an unrelated seller. See Note 42(I) "Ever Stable Acquisition" for details.

Deposit of HK$47,500,000 as at 31 March 2009 represented the refundable deposit paid by the Company under an acquisition agreement dated 10 February 2009 and a supplemental agreement dated 30 March 2009 entered into by Glory Smile Enterprises Limited ("Glory Smile"), a wholly-owned subsidiary of the Group, and an unrelated seller. The acquisition was completed in 1 July 2009. See Note 39(I) "Mega Bright Acquisition" for details.

21. LOANS RECEIVABLE

Loans receivable have arisen from the Group's money lending operations during the year. Interest rates and credit periods are offered based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends.

	Group	
	2010	2009
	HK$'000	HK$'000
Secured loans receivable	**1,290**	858
Unsecured loans receivable	**5,273**	8,624
	6,563	9,482
Less: Allowance for individual impairments	**(656)**	(656)
	5,907	8,826

Loans receivable of HK$656,000 that are determined to be individually impaired as at March 31, 2010 (2009: HK$656,000) relate to several independent borrowers who have defaulted payments.

Movements in the allowance for impairments are as follows:

	2010	2009
	HK$'000	HK$'000
At beginning of year	**656**	–
Impairment losses recognized	**–**	656
At end of year	**656**	656

Impairment losses in respect of loans receivable are recorded using an allowance account unless the Company considers that the recovery of an amount is remote, in which case, an impairment loss is recognised by directly writing down the carrying amount of the loans receivable.

The Group holds the second charge on certain properties with an estimated fair value of HK$8,180,000 as at 31 March 2010 (2009: HK$3,880,000) and certain motor vehicles as collaterals over the secured loans receivable.

21. LOANS RECEIVABLE (Continued)

The loans receivable at the end of the reporting period carry interest at fixed rates and are analysed by the remaining periods to their contractual maturity dates as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Repayable:		
— On demand	**3,377**	724
— Within three months	**724**	3,431
— In three to six months	**1,302**	3,495
— In six months to one year	**283**	828
— In one to two years	**221**	348
Total	**5,907**	8,826
Amount classified as current assets	**5,686**	8,478
Amount classified as non-current assets	**221**	348

The ageing analysis of past due but not impaired loans receivable is as follows:

	2010 HK$'000	2009 HK$'000
Past due but not impaired:		
– Less than three months past due	**2,166**	270
– Over three months but within six months past due	**35**	454
– Over six months past due	**820**	–
– Over 1 year past due	**355**	–
	3,376	724
Neither past due nor impaired	**2,531**	8,102
	5,907	8,826

The past due but not impaired loans receivable as at 31 March 2010 and 2009 relate to several borrowers. The directors have assessed that no allowance was required for these loans based on the Group's review of the borrowers' creditworthiness and their settlement status subsequent to the end of the reporting period.

22. INVENTORIES

	Group 2010 HK$'000	2009 HK$'000
Raw materials	**8,298**	–
Work-in-progress	**2,705**	–
Finished goods	**2,374**	–
	13,377	–

23. TRADE RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Accounts receivable	**19,967**	5,662
Bank acceptance notes receivable	**2,481**	–
Less: Allowance for individual impairments	**(3,041)**	(2,916)
	19,407	2,746

As at March 31, 2010, approximately HK$1,432,000 of bank acceptance notes receivable was pledged as security against the bank acceptable note payables (see Note 28).

The ageing analysis of trade receivables, net of allowance, is as follows:

	Group 2010 HK$'000	2009 HK$'000
Within three months	**9,768**	731
Over three months but within six months	**4,235**	165
Over six months but within one year	**5,366**	1,185
Over one year but within two years	**38**	665
	19,407	2,746

23. TRADE RECEIVABLES (Continued)

Movements in the allowance for impairments are as follows:

	Group	
	2010 **HK$'000**	2009 HK$'000
At beginning of year	**2,916**	2,686
Impairment losses recognized	**125**	235
Amount written off as uncollectible	**–**	(5)
At end of year	**3,041**	2,916

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group considers that the recovery of an amount is remote, in which case, an impairment loss is recognised by directly writing down the carrying amount of the trade receivables. Trade receivables that are determined to be individually impaired at 31 March 2010 and 2009 relate to a number of customers who have delayed payments.

Included in the Group's trade receivables as at 31 March 2010 are debtors with an aggregate carrying amount of HK$11,335,000 (2009: HK$1,849,000) which are past due but not impaired at the balance sheet date, as the directors have assessed that these debtors will be recovered based on their settlement records. The Group does not hold any collateral over these balances.

The ageing analysis of the receivables that are past due but not impaired, along with receivables that are neither past due nor impaired, is as follows:

	2010 **HK$'000**	2009 HK$'000
Past due but not impaired:		
– Less than three months past due	**2,365**	218
– Over three months but within six months past due	**5,254**	470
– Over six months but within one year past due	**3,678**	1,161
– Over one year past due	**38**	–
	11,335	1,849
Neither past due nor impaired	**8,072**	897
	19,407	2,746

Trade receivables that are neither past due nor impaired related to a number of independent customers who have no recent history of default. The Group does not hold any collaterals over these balances.

23. TRADE RECEIVABLES (Continued)

The Group normally grants its customers credit periods as follows:

(i) 1 to 3 months for sales of goods;

(ii) payment terms as stipulated in respective contracts for development of customised software, sales of related computer equipment, sales and lease of packaged software, the provision of technical support and maintenance services; and

(iii) 6 months for profits assigned from a junket representative of a casino VIP lounge in Macau

24. PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Prepayment, deposits and other receivables (i)	**36,189**	1,576	**358**	–
Receivable from vendor of Mega Bright Acquisition (ii)	**71,604**	–	**-**	–
	107,793	1,576	**358**	–

Notes:

(i) Prepayment, deposits and other receivables are expected to be recovered or recognized as expense within one year. None of these assets is either past due or impaired. Other receivables related to debtors with no recent history of defaults.

(ii) As discussed in Note 39, receivable from the vendor of the Mega Bright Acquisition has arisen from the vendor's undertaking to inject additional capital into Jining Gangning up to an amount in proportion to Mega Bright's 51% share of the proposed registered capital of Jining Gangning of US$28 million. As at 31 March 2010, Jining Gangning had a paid-up registered capital of US$10 million. Accordingly, the vendor is committed to injecting an additional amount of US$9,180,000 to the capital of Jining Gangning. The promissory notes (Note 33) and the convertible bonds (Note 34) are held in escrow by the legal adviser of the Company until such capital injection into Jining Gangning is completed.

25. TERM DEPOSITS

The term deposits have maturity of four months and carry fixed-rate interests at 5% or 8% per annum. Full principal amount will be repaid on maturity dates, subject to renewal at the Group's request. For the year ended 31 March 2010, the Group recorded total interest income of HK$1,487,000 (2009: HK$3,699,000) derived from the term deposits.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**9,081**	2,940	**6,790**	1,136

27. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Within three months	**12,501**	214
Over three months but within six months	**4,520**	512
Over six months but within one year	**5,098**	345
Over one year but within two years	**1,643**	2,158
	23,762	3,229

28. PLEDGED BANK DEPOSITS AND BANK ACCEPTANCE NOTES PAYABLE

The bank acceptance notes generally mature in periods ranging from three to six months and bear bank charges calculated as 0.05% of the face value of the notes. As security against the bank acceptance notes payable, the Company has placed deposits equal to 70% to 100% of the note amounts and bank acceptance notes receivable (see Note 23) with the banks.

29. SUBSCRIPTION RECEIVED

As at 31 March 2010, subscription received represented the amounts received from the subscribers pursuant to the placing agreements dated 10 February 2010 whereby the Company conditionally agreed to issue and allot to the subscribers 159,110,000 new ordinary shares of HK$0.04 each of the Company ("Placing Shares") at a subscription price of HK$0.22 per share, for aggregate gross proceeds of approximately HK$35,004,000. The placing agreements were conditional upon (i) the GEM Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares; (ii) the approval of the shareholders of the Company in general meeting; (iii) the execution of a sale and purchase agreement for the Ever Stable Acquisition, details of which are set out in Note 42(I); and (iv) all approvals and consents required for the placing. The placing agreements and the allotment of the Placing Shares were subsequently completed on 12 April 2010.

30. PAYABLE FOR PLANT AND EQUIPMENT

Payable for plant and equipment represents the balance of the purchase price payable by the Group for the acquisition of certain production facilities for its paper products segment pursuant to an assets transfer agreement dated 16 January 2009 entered into by Jining Gangning prior to the Mega Bright Acquisition as discussed in Note 39(I). This payable is unsecured, non-interest bearing and repayable on or before the expiry of an 18-month period from 16 January 2009.

31. CONVERTIBLE REDEEMABLE NOTE

In July 2009, the Company issued to an independent subscriber a convertible redeemable note ("Convertible Redeemable Note") in the principal amount of HK$15,000,000 for cash pursuant to a subscription agreement dated 19 June 2009. The Convertible Redeemable Note had a maturity of one year from the date of issuance, was convertible into the Company's ordinary shares of HK$0.04 each at a conversion price of HK$0.52 (as adjusted due to the Share Consolidation discussed in Note 36) per share, bore interest at 36% per annum and was redeemable at face value at the option of the Company. On 1 December 2009, the Convertible Redeemable Note was fully redeemed by the Company in cash.

The Convertible Redeemable Note contained two components: liability and equity elements. On initial recognition, the liability component (including the embedded derivative arising from the redemption option) was estimated to have a fair value of approximately HK$13,934,000 based on the present value of the contractual stream of cash flows calculated using the effective interest method and the fair value of the redemption option estimated using the Binomial option pricing model. The equity component was assigned the residual amount of approximately HK$1,066,000 and credited to the convertible bond equity reserve in equity. On redemption, the difference between the carrying value of the liability component and the amount paid was charged as expense to the statement of comprehensive income, whereas the convertible bond equity reserve was released directly to accumulated losses.

32. INTEREST BEARING BANK LOANS

		Group	
	Effective interest rate %	**2010 HK$'000**	2009 HK$'000
Unsecured bank loan	10.73%	**23,070**	–
Secured bank loans (i)	1.58%	**26,069**	–
		49,139	–
Interest bearing bank loans repayable:			
– within 1 year		**30,974**	–
– after 1 year but within 5 years		**18,165**	–
Total		**49,139**	–
Amount classified as current liabilities		**30,974**	–
Amount classified as non-current liabilities		**18,165**	–

(i) The bank loans are secured by legal charges over the Company's land use rights with carrying value of HK$19,421,000 and buildings with an aggregate carrying value of HK$42,224,000 at 31 March 2010.

33. PROMISSORY NOTES

Pursuant to the completion of the Mega Bright Acquisition (see Note 39), on 1 September 2009, the Company issued HK$46,500,000 36-month unsecured promissory notes for settlement of part of the consideration of the Mega Bright Acquisition. The promissory notes bear interests at 1% plus prime rate as quoted by The Hongkong and Shanghai Banking Corporation Limited. During the year ended 31 March 2010, the Company redeemed HK$6,500,000 of the promissory notes in cash. As discussed in Notes 24 and 39, the promissory notes are held in escrow by the legal adviser of the Company until the vendor's undertaking to inject additional capital into Jining Gangning is fulfilled.

The movement of the promissory notes for the year is set out below:

	HK$'000
Fair value on initial recognition	46,500
Redemption during the year	(6,500)
At 31 March 2010	40,000

34. CONVERTIBLE BONDS

Pursuant to the completion of the Mega Bright Acquisition (see Note 39), on 30 September 2009, the Company issued HK$40,000,000 unsecured zero coupon convertible bonds at an initial conversion price of HK$0.48 per share (as adjusted due to the Share Consolidation discussed in Note 36 and subject to anti-dilution adjustments) for settlement of part of the consideration of the Mega Bright Acquisition. The convertible bonds have a maturity of 2 years from the date of issuance.

The holders of the convertible bonds have the right to convert the whole or part of the outstanding principal amount of the convertible bonds into shares of HK$0.04 each in the share capital of the Company at any time between 30 September 2009 and 29 September 2011.

The convertible bonds contain two components: liability and equity elements. The equity element is presented in equity under the heading of "convertible bond equity reserve". The liability element is classified as non-current liabilities and carried at amortised cost using the effective interest method.

The fair value of the convertible bonds as a whole on initial recognition was estimated to be approximately HK$36,397,000 using the Binomial model. The inputs into the model were as follows:

Share price:	HK$0.216*
Conversion price:	HK$0.480*
Risk-free rate:	0.63%
Expected dividend yield:	0%
Annualised volatility:	126.65%

* As adjusted due to the Share Consolidation discussed in Note 36.

34. CONVERTIBLE BONDS (Continued)

The liability component of the convertible bonds on initial recognition was estimated based on the present value of the contractual stream of cash flows using the effective interest rate of 17.53%. The equity component was assigned the residual amount of approximately HK$7,439,000 after deducting the liability component of approximately HK$28,958,000 from the fair value of the convertible bonds as a whole.

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

	HK$'000
Fair value of the liability component on initial recognition	28,958
Imputed interest expense charged for the year	2,531
At 31 March 2010	**31,489**

As discussed in Notes 24 and 39(I), the convertible bonds are held in escrow by the legal adviser of the Company until the vendor's undertaking to inject additional capital into Jining Gangning is fulfilled.

35. DEFERRED TAX

The components of deferred tax liabilities recognised at 31 March 2010 and the movements during the years are as follows:

	Note	**Fair value adjustment arising from acquisition of subsidiaries** HK$'000	**Total** HK$'000
At 1 April 2008		–	–
At 31 March 2009 and 1 April 2009		–	–
Acquisition of subsidiaries	39	1,434	1,434
At 31 March 2010		**1,434**	**1,434**

35. DEFERRED TAX (Continued)

The Group has not recognised deferred tax asset (liabilities) in respect of the following temporary differences:

	Group	
	2010 **HK$'000**	2009 HK$'000
Tax losses that may be carried forward indefinitely	**5,443**	4,924
Accelerated tax depreciation	**(136)**	(38)
Allowance for impairment of trade receivables	**481**	481
	5,788	5,367

The net deferred tax assets have not been recognised in respect of the above temporary differences because it is uncertain that there would be sufficient future taxable profits to utilise the tax benefits from them.

36. SHARE CAPITAL

ORDINARY SHARES

	2010 **HK$'000**	2009 HK$'000
Authorised		
2,500,000,000 shares of HK$0.04 each (2009: 10,000,000,000 shares of HK$0.01 each)	**100,000**	100,000
Issued and fully paid		
1,134,445,000 shares of HK$0.04 each (2009: 3,031,982,028 shares of HK$0.01 each)	**45,378**	30,320

Pursuant to an ordinary resolution passed by the shareholders on 11 August 2009, every four issued and unissued shares of HK$0.01 each in the share capital of the Company were consolidated into one share of HK$0.04 each with effect from 12 August 2009 ("Share Consolidation").

36. SHARE CAPITAL (Continued)

ORDINARY SHARES (Continued)

A summary of the movements of the Company's issued share capital is as follows:

	Number of shares	Issued share capital HK$'000	Share premium HK$'000
At 1 April 2008	2,727,270,684	27,273	123,470
Issue of shares (i)	169,232,000	1,692	9,308
Share issue expenses	–	–	(74)
Exercise of share options (ii)	132,000,000	1,320	4,481
Transfer from share option reserve (ii)	–	–	3,157
Exercise of warrants	3,479,344	35	157
At 31 March 2009 and 1 April 2009	3,031,982,028	30,320	140,499
Exercise of share options (iii)	65,797,972	658	2,257
Transfer from share option reserve (iii)	–	–	1,580
Share Consolidation	(2,323,335,000)	–	–
Exercise of share options (iv)	71,000,000	2,840	9,259
Transfer from share option reserve (iv)	–	–	5,536
Issue of shares (v)	65,000,000	2,600	7,800
Issue of shares (vi)	224,000,000	8,960	35,840
Share issue expenses	–	–	(896)
At 31 March 2010	**1,134,445,000**	**45,378**	**201,875**

Notes:

(i) Pursuant to a subscription agreement dated 24 February 2009, the Company issued and allotted 169,232,000 new ordinary shares of HK$0.01 each at a subscription price of HK$0.065 per share for cash.

(ii) In 2009, options were exercised to subscribe for 132,000,000 ordinary shares in the Company for cash of approximately HK$5,801,000 of which HK$1,320,000 was credited to share capital and the balance of HK$4,481,000 was credited to the share premium account. In addition, approximately HK$3,157,000 was transferred from share option reserve to share premium.

(iii) During the period after 1 April 2009 but before the Share Consolidation, options were exercised to subscribe for 65,797,972 ordinary shares in the Company for cash of approximately HK$2,915,000 of which HK$658,000 was credited to share capital and the balance of HK$2,257,000 was credited to the share premium account. In addition, approximately HK$1,580,000 was transferred from share option reserve to share premium.

36. SHARE CAPITAL (Continued)

ORDINARY SHARES (Continued)

(iv) Subsequent to the Share Consolidation but before 31 March 2010, options were exercised to subscribe for 71,000,000 ordinary shares in the Company for cash of approximately HK$12,099,000 of which HK$2,840,000 was credited to share capital and the balance of HK$9,259,000 was credited to the share premium account. In addition, approximately HK$5,536,000 was transferred from share option reserve to share premium.

(v) Pursuant to a subscription agreement dated 3 August 2009, the Company issued and allotted 65,000,000 new ordinary shares of HK$0.04 each at a subscription price of HK$0.16 per share for cash.

(vi) Pursuant to a subscription agreement dated 16 November 2009, the Company issued and allotted 224,000,000 new ordinary shares of HK$0.04 each at a subscription price of HK$0.20 per share for cash.

WARRANTS

Pursuant to the approval of the Company's shareholders at a special general meeting held on 4 January 2008, the Company made a bonus issue of warrants to the shareholders whose names appeared on the register of members of the Company on 20 December 2007 ("Record Date") on the basis of two warrants for every ten existing shares held on the Record Date, resulting in 181,818,000 warrants having been issued. Each warrant entitled the holder thereof to subscribe for one ordinary share of HK$0.01 each immediately following the Share Subdivision at a subscription price of HK$0.055 per share, payable in cash and subject to adjustment, from 31 January 2008 to 31 January 2009 (both days inclusive).

During the year ended 31 March 2009, 3,479,344 warrants were exercised at a subscription price of HK$0.055 per share, resulting in the issue of 3,479,344 ordinary shares of HK$0.01 each. The remaining 178,337,972 warrants expired on 31 January 2009. As a result, there was no warrant outstanding as at 31 March 2010 and 2009 respectively.

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS

A share option scheme (the "Scheme") was approved and adopted by the shareholders of the Company at an annual general meeting held on 21 August 2006 and has a term of 10 years.

The purpose of the Scheme is to enable the Group to provide its participants with incentives or rewards for their contribution to the Group. Under the Scheme, the directors of the Company are authorised to grant options to the participants of the Group including any employee, Director, adviser, consultant, licensors, distributors, suppliers, agents, customers, joint venture partners, strategic partners and services providers to or of any member of the Group whom the Board considers in its sole discretion to subscribe for shares of the Company.

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

The maximum aggregate number of shares permitted to be issued upon exercise of all outstanding options to be granted under the Scheme is 77,444,500 (as adjusted due to the Share Consolidation as discussed in Note 36) representing 10% of the total number of issued shares of the Company at 11 August 2009, being the date of approval of the refreshment of the maximum limit under the Scheme. As at 31 March 2010, a total of 110,150,507 shares were issuable upon exercise of all share options granted under the Scheme, which represented 9.7% of the Company's issued share capital at that date.

The maximum number of shares issued and to be issued upon exercise of options granted under the Scheme to any one participant may not exceed 1% of the shares of the Company in issue from time to time in a 12-month period.

The board of the Company may at its absolute discretion determine the period during which an option may be exercised, such period to expire not later than 10 years after the date of the grant of the option. The Scheme does not specify a minimum period for which an option must be held. However, the board may stipulate that an option would be subject to a minimum holding period and/or a participant may have to achieve a performance target before the option and/or any other terms can be exercised in whole or in part. An offer of a grant of an option may be accepted within 14 days from the date of grant and upon payment of HK$1.

The exercise price of an option is determined by the board of the Company at its absolute discretion and will be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of the Company's shares.

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

Movements in the share options outstanding and their related weighted average exercise prices were as follows:

	2010		2009	
	Weighted average exercise price HK$	**Shares underlying the options '000**	Weighted average exercise price HK$	Shares underlying the options '000
Outstanding at beginning of year	**0.192**	**94,700**	0.244	4,500
Granted during the year	**0.185**	**109,150**	0.188	123,200
Cancelled/lapsed during the year	**0.192**	**(6,250)**	–	–
Exercised during the year	**0.172**	**(87,449)**	0.176	(33,000)
Outstanding at end of year	**0.202**	**110,151**	0.192	94,700
Exercisable at end of year	**0.202**	**110,151**	0.192	94,700

The number and exercise price of the options granted before the Share Consolidation were retrospectively adjusted due to the Share Consolidation effected on 12 August 2009 (see Note 36).

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

Details of the share options outstanding under the Scheme are as follows:

Grantee	As at 1 April 2009*	Granted during the year*	Cancelled/ lapsed during the year*	Exercised during the year*	As at 31 March 2010	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price* HK$
Directors								
Cheng Tze Kit, Larry	1,200,000	–	–	1,200,000	**-**	07/07/08	07/07/08 to 06/07/18	0.144
Hu Dongguang	–	11,000,000	–	–	**11,000,000**	30/03/10	30/03/10 to 29/03/20	0.286
Hui Siu Lun#	500,000	–	–	–	**500,000**	22/02/08	22/02/08 to 21/02/18	0.248
Leung Kar Loon Stanley#	500,000	–	–	–	**500,000**	20/02/08	20/02/08 to 19/02/18	0.244
Li Jie Yi	6,750,000	–	–	6,750,000	**-**	09/05/08	09/05/08 to 08/05/18	0.192
Li Jie Yi	–	750,000	–	750,000	**-**	18/05/09	18/05/09 to 17/05/19	0.168
Li Jie Yi	–	750,000	–	750,000	**-**	01/09/09	01/09/09 to 31/08/19	0.160
Ng Kwok Chu, Winfield	250,000	–	–	–	**250,000**	20/02/08	20/02/08 to 19/02/18	0.244
Ng Kwok Chu, Winfield	250,000	–	–	–	**250,000**	02/05/08	02/05/08 to 01/05/18	0.196
Ng Chau Tung, Robert	250,000	–	–	–	**250,000**	20/02/08	20/02/08 to 19/02/18	0.244
Ng Chau Tung, Robert	250,000	–	–	–	**250,000**	02/05/08	02/05/08 to 01/05/18	0.196
Tse Ching Leung	–	700,000	–	–	**700,000**	01/09/09	01/09/09 to 31/08/19	0.160
Wong Kam Leong	6,750,000	–	–	–	**6,750,000**	09/05/08	09/05/08 to 08/05/18	0.192
Wong Kam Leong	–	750,000	–	–	**750,000**	18/05/09	18/05/09 to 17/05/19	0.168
Wong Kam Leong	–	750,000	–	–	**750,000**	01/09/09	01/09/09 to 31/08/19	0.160
Wong Kam Leong	–	3,000,000	–	–	**3,000,000**	30/03/10	30/03/10 to 29/03/20	0.286
Wu Bing Xiang	–	8,200,000	–	–	**8,200,000**	01/09/09	01/09/09 to 31/08/19	0.160
Wu Bing Xiang	–	2,000,000	–	–	**2,000,000**	30/03/10	30/03/10 to 29/03/20	0.286
Yip Wai Kai#	–	750,000	–	–	**750,000**	18/05/09	18/05/09 to 17/05/19	0.168
Yip Wai Kai#	–	750,000	–	–	**750,000**	01/09/09	01/09/09 to 31/08/19	0.160
Sub-total	16,700,000	29,400,000	–	9,450,000	**36,650,000**			

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

Grantee	As at 1 April 2009*	Granted during the year*	Cancelled/ lapsed during the year*	Exercised during the year*	As at 31 March 2010	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price* HK$
Employees and consultants								
In aggregate	3,000,000	–	–	–	**3,000,000**	20/02/08	20/02/08 to 19/02/18	0.244
In aggregate	4,500,000	–	–	–	**4,500,000**	02/05/08	02/05/08 to 01/05/18	0.196
In aggregate	37,500,000	–	6,250,000	6,249,493	**25,000,507**	09/05/08	09/05/08 to 08/05/18	0.192
In aggregate	26,500,000	–	–	13,000,000	**13,500,000**	17/09/08	17/09/08 to 16/09/18	0.2024
In aggregate	6,500,000	–	–	–	**6,500,000**	31/12/08	30/12/08 to 30/12/18	0.140
In aggregate	–	8,500,000	–	8,500,000	**-**	18/05/09	18/05/09 to 17/05/19	0.168
In aggregate	–	66,250,000	–	50,250,000	**16,000,000**	01/09/09	01/09/09 to 31/08/19	0.160
In aggregate	–	5,000,000	–	–	**5,000,000**	30/03/10	30/03/10 to 29/03/20	0.286
Sub-total	78,000,000	79,750,000	6,250,000	77,999,493	**73,500,507**			
Total	94,700,000	109,150,000	6,250,000	87,449,493	**110,150,507**			

* The number and exercise prices of the share options outstanding on or before 12 August 2009, being the date of effectiveness of the Share Consolidation, have been adjusted retrospectively due to the Share Consolidation, details of which are set out in Note 36.

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

Grantee	As at 1 April 2008*	Granted during the year*	Exercised during The year*	As at 31 March 2009*	Date of grant (dd/mm/yy)	Exercise period (dd/mm/yy)	Exercise price* HK$
Directors							
Cheng Tze Kit, Larry	–	1,200,000	–	1,200,000	07/07/08	07/07/08 to 06/07/18	0.144
Hui Siu Lun#	500,000	–	–	500,000	22/02/08	22/02/08 to 21/02/18	0.248
Leung Kar Loon Stanley#	500,000	–	–	500,000	20/02/08	20/02/08 to 19/02/18	0.244
Li Jie Yi	–	6,750,000	–	6,750,000	09/05/08	09/05/08 to 08/05/18	0.192
Ng Kwok Chu, Winfield	250,000	–	–	250,000	20/02/08	20/02/08 to 19/02/18	0.244
Ng Kwok Chu, Winfield	–	250,000	–	250,000	02/05/08	02/05/08 to 01/05/18	0.196
Ng Chau Tung, Robert	250,000	–	–	250,000	20/02/08	20/02/08 to 19/02/18	0.244
Ng Chau Tung, Robert	–	250,000	–	250,000	02/05/08	02/05/08 to 01/05/18	0.196
Wong Kam Leong	–	6,750,000	–	6,750,000	09/05/08	09/05/08 to 08/05/18	0.192
Yip Wai Ki#	–	6,500,000	6,500,000	–	07/07/08	07/07/08 to 06/07/18	0.144
Sub-total	1,500,000	21,700,000	6,500,000	16,700,000			
Employees and consultants							
In aggregate	3,000,000	–	–	3,000,000	20/02/08	20/02/08 to 19/02/18	0.244
In aggregate	–	4,500,000	–	4,500,000	02/05/08	02/05/08 to 01/05/18	0.196
In aggregate	–	37,500,000	–	37,500,000	09/05/08	09/05/08 to 08/05/18	0.192
In aggregate	–	40,000,000	13,500,000	26,500,000	17/09/08	17/09/08 to 16/09/18	0.202
In aggregate	–	13,000,000	13,000,000	–	30/09/08	30/09/08 to 29/09/18	0.164
In aggregate	–	6,500,000	–	6,500,000	31/12/08	30/12/08 to 30/12/18	0.140
Sub-total	3,000,000	101,500,000	26,500,000	78,000,000			
Total	4,500,000	123,200,000	33,000,000	94,700,000			

* The number and exercise prices of the options during the year ended 31 March 2009 have been retrospectively adjusted due to the Share Consolidation as discussed in Note 36.

37. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS AND SHARE OPTIONS (Continued)

Mr. Hui Siu Lun and Mr. Leung Kar Loon both resigned as a director of the Company on 30 June 2008 and Mr. Yip Wai Kai resigned as director of the Company on 18 January 2010. However, all of them have become employees to the Group and continue to be entitled to the share options after their resignation as a director of the Company.

The aggregate fair value of the share options granted during the year ended 31 March 2010 amounted to approximately HK$9,750,000 (2009: HK$13,278,000), which has fully been recognised as share option expense for the year. The fair values of the share options were estimated as at the date of grant by using the Black-Scholes options-pricing model, taking into account the terms and conditions upon which the options were granted. The significant weighted-average assumptions and inputs used in the valuation model are as follows:

Date of grant:	02/05/08	09/05/08	07/07/08	17/09/08	30/09/08	31/12/08	18/05/09	01/09/09	30/03/10
Closing share price at date of grant (HK$)	0.048	0.047	0.034	0.042	0.033	0.035	0.042	0.157	0.260
Exercise price (HK$)	0.049	0.048	0.036	0.0506	0.041	0.035	0.042	0.160	0.286
Risk-free interest rate per annum	2.368%	2.373%	3.317%	2.389%	2.568%	1.194%	0.83%	1.1694%	1.233%
Expected life of option (years)	5	5	5	5	5	5	3	3	2
Expected volatility	83%	83%	84%	88%	89%	97%	119%	103%	115%
Expected dividend per annum	0%	0%	0%	0%	0%	0%	0%	0%	0%
Estimated fair value per share option (HK$)	0.0318	0.0290	0.0228	0.0263	0.0220	0.0256	0.0229	0.0825	0.1476

Notes:

(i) The risk-free rate was the yield of Hong Kong Monetary Authority exchange fund notes with similar time-to-maturity to the expected term of the share options.

(ii) The expected life of share option is based on management's best estimates for the effects of non-transferability, exercise restriction and behavioral consideration. It is not necessarily indicative of the actual exercise patterns that may occur.

(iii) The expected volatility is based on the Company's historical share prices before the date of grant.

38. RESERVES

GROUP

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

COMPANY

	Share premium HK$'000	Accumulated Losses HK$'000	Share option reserve HK$'000	Convertible bond equity reserve HK$'000	Total HK$'000
At 1 April 2008	123,470	(45,001)	882	–	79,351
Issue of shares	9,308	–	–	–	9,308
Share issuance expenses	(74)	–	–	–	(74)
Exercise of warrants	157	–	–	–	157
Exercise of share options	7,638	–	(3,157)	–	4,481
Equity-settled share-based payment	–	–	13,278	–	13,278
Loss for the year	–	(31,539)	–	–	(31,539)
At 31 March 2009 and 1 April 2009	140,499	(76,540)	11,003	–	74,962
Issue of shares	43,640	–	–	–	43,640
Share issuance expenses	(896)	–	–	–	(896)
Exercise of share options	18,632	–	(7,116)	–	11,516
Equity-settled share-based payment	–	–	9,750	–	9,750
Issue of convertible redeemable note	–	–	–	1,066	1,066
Redemption of convertible redeemable note	–	1,066	–	(1,066)	–
Issue of convertible bonds	–	–	–	7,439	7,439
Loss for the year	–	(41,828)	–	–	(41,828)
At 31 March 2010	201,875	(117,302)	13,637	7,439	105,649

39. BUSINESS COMBINATIONS

(I) MEGA BRIGHT ACQUISITION

On 1 July 2009, the Group completed the acquisition of the entire interest in Mega Bright Investment Development Limited (a company incorporated in Hong Kong with limited liability, "Mega Bright") for a purchase consideration ("Mega Bright Acquisition"), payable as follows:

- HK$103,500,000 in cash;
- HK$46,500,000 36-month interest bearing, unsecured promissory notes, details of which are set out in Note 33.
- 2-year zero coupon, unsecured convertible bonds with aggregate face value of HK$40,000,0000, details of which are set out in Note 34; and

As a result, the Group has held 100% equity interest in Mega Bright, which in turn holds 51% equity interest in Jining Gangning Paper Co., Ltd. (a sino-foreign joint venture company established in the PRC with limited liability, "Jining Gangning"). Details of Mega Bright Acquisition, which constituted a very substantial transaction of the Company, were disclosed in the Company's circular dated 14 May 2009. The Mega Bright Acquisition was approved by the Company's shareholders at a special general meeting held on 3 June 2009 and completed on 1 July 2009 as disclosed in the Company's announcement dated 2 July 2009.

Mega Bright is an investment holding company whereas Jining Gangning is principally engaged in paper products manufacturing and sales in the PRC.

The vendor of the Mega Bright Acquisition has undertaken to inject additional capital into Jining Gangning up to an amount in proportion to Mega Bright's 51% share of the proposed registered capital of Jining Gangning of US$28 million. As at 31 March 2010, Jining Gangning had a paid-up registered capital of US$10 million. Accordingly, the vendor is committed to injecting an additional amount of US$9,180,000 to the capital of Jining Gangning. The convertible bonds and the promissory notes are held in escrow by the legal adviser of the Company until such capital injection into Jining Gangning is completed.

39. BUSINESS COMBINATIONS (Continued)

(I) MEGA BRIGHT ACQUISITION (Continued)

The vendor of the Mega Bright Acquisition has provided the Company with profit guarantees that Jining Gangning shall have profit after tax of not less than RMB60 million for each of the two years ended 31 December 2011. The accounting standard to be adopted for calculating the profit guarantee of RMB60 million shall be based on generally accepted accounting principles in the PRC. If Jining Gangning fails to meet the aforesaid profit guarantees for any of the two years ended 31 December 2011, the vendor shall pay the Group a compensation equivalent to the shortfall of the aforesaid profit guarantee for that year in proportion to 51% equity interest in Jining Gangning. If Jining Gangning records a loss for any of the two years ended 31 December 2011, the vendor shall pay the Group a compensation equivalent to the loss in proportion to 51% equity interest in Jining Gangning for that year plus RMB30.6 million (being the compensation for 51% of the shortfall of the profit guarantee) for that year. The profit guarantees and the compensation will be settled on a dollar to dollar basis. The Group has the right to choose the way of settlement of compensation by the convertible bonds, the promissory notes or cash.

39. BUSINESS COMBINATIONS (Continued)

(I) MEGA BRIGHT ACQUISITION (Continued)

The net assets acquired and the goodwill arising from the Mega Bright Acquisition are as follows:

	Pre-acquisition carrying amounts HK$'000	Fair value adjustment HK$'000	Recognised values on acquisition HK$'000
Property, plant and equipment	166,957	5,459	172,416
Prepaid lease payments	19,212	279	19,491
Cash and cash equivalents	2,226	–	2,226
Other current assets	113,283	–	113,283
Tax payable	(11,250)	–	(11,250)
Other current liabilities	(175,221)	–	(175,221)
Deferred tax liabilities	–	(1,434)	(1,434)
Fair value of net assets	115,207	4,304	119,511
Minority interest			(12,773)
Goodwill arising on acquisition (Note 16)			80,877
Total costs of business combination			187,615
Satisfied by:			
Cash			103,500
Promissory notes (Note 33)			46,500
Convertible bonds (Note 34)			36,397
Transaction costs			1,218
			187,615
Costs of business combination settled in cash			(104,718)
Cash and cash equivalents in subsidiaries acquired			2,226
Net cash outflow on acquisition			(102,492)

39. BUSINESS COMBINATIONS (Continued)

(I) MEGA BRIGHT ACQUISITION (Continued)

If the Mega Bright Acquisition had been completed on 1 April 2009, the Group's revenue would have been HK$191,141,000 and loss attributable to owners of the parent for the year ended 31 March 2010 would have been HK$44,161,000. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group for the year ended 31 March 2010 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.

(II) SUCCESS FINANCE ACQUISITION

On 16 March 2009, the Group completed the acquisition of 10% of the issued share capital of its 90%-owned subsidiary, Success Finance Limited ("Success Finance") from the minority shareholders (the "Sellers") for a cash consideration of HK$5,500,000 ("Success Finance Acquisition"). As a result, Success Finance has become a wholly-owned subsidiary of the Group.

The Sellers, being directors of Success Finance, were connected persons of the Company and hence, the Acquisition constituted a connected transaction of the Company under the GEM Rules. Further details of the Acquisition were disclosed in the Company's announcement dated 9 March 2009.

The directors of the Company, including the independent non-executive directors, are of the view that the terms of the Success Finance Acquisition are fair and reasonable, on normal commercial terms, and in the ordinary and usual course of business of the Group and the Success Finance Acquisition is in the interests of the Group and shareholders of the Company as a whole.

39. BUSINESS COMBINATIONS (Continued)

(II) SUCCESS FINANCE ACQUISITION (Continued)

The net assets acquired and the goodwill arising from the Success Finance Acquisition are as follows:

	Pre-acquisition carrying amounts HK$'000	Fair value adjustment HK$'000	Recognised values on acquisition HK$'000
10% of net assets of Success Finance:			
Property, plant and equipment	400	(247)	153
Available-for-sale financial assets	3,200	–	3,200
Cash and cash equivalents	40	–	40
Loans receivable	936	–	936
Other current assets	1,109	–	1,109
Tax payable	(22)	–	(22)
Other current liabilities	(6)	–	(6)
Net identifiable assets and liabilities	5,657	(247)	5,410
Goodwill			90
Total consideration satisfied by cash			5,500

40. COMMITMENTS UNDER OPERATING LEASES

As of 31 March, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2010 HK$'000	2009 HK$'000
Within the first year	**1,959**	1,488
In the second to fifth years inclusive	**1,661**	666
After the fifth year	**7**	–
	3,627	2,154

41. CONTINGENT LIABILITIES

As at 31 March 2010, the Group had contingent liabilities arising out of an outstanding litigation. A District Court action was commenced by a customer against a subsidiary of the Group in respect of claims for damages of HK$784,320 and a return of service price of HK$10,080 paid by the customer, and interests thereon, by reason of that subsidiary's repudiatory breach of a certain computer software implementation and maintenance contract and total failure of consideration and/or money had and received. On 3 December 2008, the subsidiary of the Group filed a defence and counterclaim for services provided of HK$76,000 and interest thereon.

No settlement has been reached for the above actions mentioned above up to the date of approval of these financial statements and no judgment has yet been made against the above-mentioned subsidiary of Group in respect of these claims. As of the Latest Practicable Date, it is not possible to estimate the eventual outcome of these claims with reasonable certainty at the current stage. The Directors are of the opinion that the above-mentioned subsidiary of the Group has valid defence and consider the claims mentioned above would not have material adverse impact on the financial position of the Group.

42. POST BALANCE SHEET EVENTS

(I) EVER STABLE ACQUISITION

On 26 March 2010, Far Rise Development Limited ("Far Rise"), a wholly-owned subsidiary of the Company, entered into a conditional share transfer agreement dated 26 March 2010 ("Acquisition Agreement") with an independent person for the acquisition ("Ever Stable Acquisition") of the entire equity interest in Ever Stable Holdings Limited ("Ever Stable"), which in turn holds 60% equity interest in Dongguan Jiu He Bioplastics Company Limited ("Jiu He"), a sino-foreign equity joint venture established in the PRC for a consideration, payable as follows:

- HK$80 million in cash as a refundable deposit payable within 2 months from the signing of the Acquisition Agreement;
- HK$80 million in cash payable within 2 months after the approval of the Acquisition Agreement and the transactions contemplated thereunder at a special general meeting to be held by the Company;
- HK$55 million in cash payable within 2 months from the completion of the Acquisition Agreement ("Completion") and
- Issue and allotment of 216,000,000 shares of the Company ("Consideration Shares") to the vendor or his nominee(s) within 2 months from the Completion.

Pursuant to the Acquisition Agreement, the vendor has the obligations to increase the registered capital of Jiu He to not less than US$17,000,000 and has agreed to guarantee and procure the paid-up capital of Jiu He to be not less than US$17,000,000.

42. POST BALANCE SHEET EVENTS (Continued)

(I) EVER STABLE ACQUISITION (Continued)

Pursuant to the Acquisition Agreement, the vendor shall provide a profit guarantee that the profit after taxation of Jiu He will not be less than HK$60 million, HK$80 million and HK$100 million for the financial years ending 31 December 2011, 2012 and 2013 respectively. If Jiu He fails to meet the aforesaid profit guarantees in any of the three years, the vendor shall pay Far Rise a compensation equivalent to the shortfall of HK$36 million, HK$48 million and HK$60 million respectively for 2011, 2012 and 2013 respectively (being the guaranteed profit attributable to the 60% equity interest in Jiu He). If Jiu He records a loss in any of the three years, the vendor shall pay Far Rise a compensation equivalent to the loss attributable to the 60% equity interest in Jiu He for that year plus the shortfall of the aforesaid guaranteed profit for that year.

Completion of the Ever Stable Acquisition is subject to the fulfillment of various conditions precedent, which include, among others, the approval of the Company's shareholders at a special general meeting to be held on 5 July 2010 on all transactions contemplated under the Ever Stable Acquisition, the GEM Listing Committee of the Stock Exchange of Hong Kong Limited having granted or agreeing to grant the listing of, and permission to deal in, the Consideration Shares, the Company being reasonably satisfied with the results of the due diligence review on Ever Stable and Jiu He and the Company obtaining sufficient funding to discharge its obligation under the Acquisition Agreement.

Ever Stable is an investment holding company whereas Jiu He is principally engaged in the development, production and sales of biodegradable resin and related products.

Ever Stable Acquisition constitutes a major transaction of the Company under GEM Listing Rules and details of this transaction are set out in the Company's circular dated 17 June 2010.

(II) PLACING OF NEW SHARES

As discussed in Note 29, the Company entered into the placing agreements dated 10 February 2010 whereby the Company conditionally agreed to issue and allot to the subscribers 159,110,000 new ordinary shares of HK$0.04 each of the Company at a subscription price of HK$0.22 per share, for aggregate gross proceeds of approximately HK$35,004,000. The placing agreements and the allotment of the 159,110,000 new shares were subsequently completed on 12 April 2010.

Further on 16 April 2010, the Company and several independent subscribers entered into the placing agreements whereby the Company conditionally agreed to issue and allot to the subscribers 104,390,000 new ordinary shares of HK$0.04 each ("Placing Shares") of the Company at a subscription price of HK$0.22 per share for aggregate gross proceeds of approximately HK$22,965,800. Completion of the placing agreements was conditional upon (i) the GEM Listing Committee of the Stock Exchange agreeing to grant the listing of, and permission to deal in, the Placing Shares; and (ii) all approvals and consents required for the placing. The placing agreements and the allotment of the 104,390,000 new shares were completed on 26 April 2010.

42. POST BALANCE SHEET EVENTS (Continued)

(II) PLACING OF NEW SHARES (Continued)

Following the completion of the placing agreements dated 10 February 2010 and 16 April 2010 as discussed above, the Company has had a total of 1,397,945,000 ordinary shares in issue. The pro forma effect of the issue of new shares under these placing agreements is not presented as the Group recorded a loss for the year ended 31 March 2010 and hence, the issue of new shares would have an anti-dilutive effect.

43. RELATED PARTY TRANSACTIONS

(I) SUCCESS FINANCE ACQUISITION

As discussed in Note 39, on 16 March 2009, the Group acquired the remaining 10% of the issued share capital of its 90%-owned subsidiary, Success Finance, from two minority shareholders, who being directors of Success Finance are connected persons of the Company, for a total cash consideration of HK$5,500,000.

(II) KEY MANAGEMENT COMPENSATION

The Company considers that all members of key management consist of directors of the Company. Details of the compensation of directors of the Company are included in Note 14 to the financial statements.

The emoluments of directors are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

CAPITAL MANAGEMENT

The primary objective of the Company's capital management policy is to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The directors of the Company review the capital structure on a periodical basis. As a part of this view, the directors of the Company consider the cost of capital and the risks associated with each class of capital, to balance its overall capital structure through new share issues as well as raising new debts or repayment of existing debts.

The Group monitors capital using a gearing ratio derived from the consolidated balance sheets. The following table analyses the Group's capital structure as at 31 March 2010:

	2010 **HK$'000**	2009 HK$'000
Total interest bearing and long-term debts, including bank loans, promissory notes and convertible bonds	**120,628**	–
Total equity	**192,495**	105,038
Gearing ratio	**62.7%**	0%

FINANCIAL RISK FACTORS

The Group is exposed to credit, liquidity, interest rate and currency risks arising in the normal course of its businesses.

Theses risks are regularly monitored by the management and limited by the Group's financial management policies and practices described below.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK FACTORS (Continued)

(i) Credit risk

The Group's credit risk is primarily attributable to bank balances, term deposits placed with other entities, trade and loans receivables. Bank balances are deposited with banks of high credit ratings such that the risk of bank failure is minimised. The credit quality of the counterparties regarding term deposits has been assessed with reference to external credit ratings (if available) or historical information about the counterparty default rates. The existing counterparties do not have defaults in the past. As regards trade and other receivable, the management continuously evaluates the credit worthiness and payment patterns of each borrower or customer and these credit risks are closely monitored on an ongoing basis. At each balance sheet date, the Group reviews the recoverable amount of each individual debt to ensure that adequate impairment losses are made for irrecoverable amounts. Normally the Group does not obtain collateral from customers against trade receivables. In addition, as at 31 March 2010, 80% (2009: 91%) of the loans receivable are unsecured.

The Group has certain concentration risk. As at 31 March 2010, funds in the total sum of HK$29,000,000 (2009: HK$32,000,000) that are not needed for immediate use have been placed as term deposits with a VIP lounge of a casino in Macau. In addition, approximately 23% (2009: 61%) and 59% (2009: 90%) of its trade receivables as at 31 March 2010 was attributable to one single customer and five customers respectively. Furthermore, approximately 34% (2009: 23%) and 67% (2009: 63%) of the Group's loans receivable as at 31 March 2010 was attributable to one single borrower and five borrowers respectively. The management will monitor the level of exposure to ensure that follow-up actions and/or corrective actions will be taken promptly to lower exposure.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK FACTORS (Continued)

(ii) Liquidity risk

The management regularly monitors current and expected liquidity requirements, to ensure that the Group maintains sufficient reserves of cash meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of reporting period of the Group'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 rates current at the balance sheet date) and the earliest date of the Group can be required to pay:

At 31 March 2010	**Less than 1 year or on demand HK$'000**	**Between 1 and 2 years HK$'000**	**Between 2 to 5 years HK$'000**	**Over 5 years HK$'000**	**Total HK$'000**
Trade and other payables	**23,762**	**-**	**-**	**-**	**23,762**
Bank acceptance notes payable	**23,070**	**-**	**-**	**-**	**23,070**
Payable for plant and equipment	**66,442**	**-**	**-**	**-**	**66,442**
Bank borrowings	**37,908**	**20,206**	**-**	**-**	**58,114**
Convertible bonds	**-**	**40,000**	**-**	**-**	**40,000**
Promissory notes	**-**	**-**	**47,200**	**-**	**47,200**
	151,182	**60,206**	**47,200**	**-**	**258,588**

At 31 March 2009	Less than 1 year or on demand HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and other payables	3,229	–	–	–	3,229
	3,229	–	–	–	3,229

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK FACTORS (Continued)

(iii) Cash flow and fair value interest rate risk

As at 31 March 2010, except for the loans receivable of HK$5,907,000 (2009: HK$8,826,000) held at average effective interest rate of 23% per annum (2009: 22%), and term deposits of HK$29,000,000 (2009: HK$32,000,000) held at average effective interest rate of 5% per annum (2009: 5%), the Group had no significant interest bearing assets.

As at 31 March 2010, the Group was primarily exposed to cash flow interest rate risks arising from bank borrowings and promissory notes, which are on floating interest rates calculated with reference to market rates. In addition, the zero coupon convertible bonds expose the Group to fair value interest rate risks. As at 31 March 2009, the Group did not have significant interest bearing liabilities. The Company has not entered into any hedging arrangements. However, management monitors regularly the interest rate risks and will consider hedging significant interest rate exposure should the need arise.

As at 31 March 2010, it is estimated that an increase/decrease of 50 basis points in interest rates, with all other variables held constant, would cause the Group's net loss and accumulated losses to widen/narrow by approximately HK$446,000, arising as a result of higher/lower interest expenses. There would be no impact on other components of the Group's equity.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance date. For the purposes of the analysis, it is assumed that the amounts of variable-rate borrowings outstanding at the balance sheet date were outstanding throughout the whole year. The 50 basis point increase or decrease represents management assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. No sensitivity analysis has been performed for the year ended 31 March 2009 as the Company was not exposed to significant interest rate risk at 31 March 2009.

(iv) Foreign currency risk

During the year, the Group had insignificant exposure to foreign currency risk as its business transactions, assets and liabilities were primarily conducted and recorded in the functional currency of the respective entities to which they relate. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. However, the management continuously monitors foreign exchange exposure and will consider making use of appropriate hedging measures when the need arises.

As at 31 March 2010 and 2009, the Group did not have significant forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

FINANCIAL RISK FACTORS (Continued)

(v) Fair value of financial instruments

Effective 1 April 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Level 2: inputs are quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data; and

Level 3: inputs are not based on observable market data (unobservable inputs).

As at 31 March 2010, there were no financial instruments which are measured at fair value in the Group's consolidated statement of financial position.

The directors consider the fair value of cash and bank deposits, trade and other receivables, trade and other payables are not materially different from their carrying amounts because of immediate or short-term maturity of these financial instruments. The directors also consider the carrying amounts of loans receivables and promissory notes, which carry interest rates with reference to the market rates and the specific risks applicable to the borrowers, approximate their fair values.

45. APPROVAL OF ACCOUNTS

These financial statements were approved and authorised for issue by the Company's board of directors on 29 June 2010.

Five-Year Financial Summary

RESULTS

	For the year ended 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue/Turnover	**159,432**	12,778	25,424	35,432	47,498
(Loss)/profit attributable to shareholders	**(45,026)**	(37,604)	(43,710)	(5,992)	2,849

ASSETS AND LIABILITIES

	As of 31 March				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**483,188**	114,979	130,057	74,312	16,522
Total liabilities	**(290,693)**	(9,941)	(8,998)	(44,653)	(11,084)
Minority interests	**(41,711)**	(318)	(9,117)	(1,730)	–
Net assets	**150,784**	104,720	111,942	27,929	5,438