Chinese Energy Holdings Limited

(Incorporated in Hong Kong with limited liability)

Stock Code : 8009

Annual Report 2013

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Yanmin *(Chairman)*
Mr. Yau Yan Ming Raymond
Mr. Zha Jian Ping *(Chief Executive Officer)*
Mr. Ji Peng

Non Executive Directors

Ms. Qi Yue
Mr. Wang Chuntian

Independent Non-executive Directors

Mr. Lam Tze Chung
Mr. Wu Ka Ho Stanley
Mr. Yue Laiqun

COMPANY SECRETARY

Mr. Yau Yan Ming Raymond

COMPLIANCE OFFICER

Mr. Yau Yan Ming Raymond

AUTHORISED REPRESENTATIVES

Mr. Yau Yan Ming Raymond
Mr. Zha Jian Ping

AUDIT COMMITTEE

Mr. Lam Tze Chung *(Chairman)*
Mr. Wu Ka Ho Stanley
Mr. Yue Laiqun

NOMINATION COMMITTEE

Mr. Yue Laiqun *(Chairman)*
Mr. Lam Tze Chung
Mr. Wu Ka Ho Stanley
Mr. Zha Jian Ping

REMUNERATION COMMITTEE

Mr. Wu Ka Ho Stanley *(Chairman)*
Mr. Lam Tze Chung
Mr. Yue Laiqun
Mr. Yau Yan Ming Raymond

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

Room 2306B-07, 23/F., West Tower,
Shun Tak Centre,
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

INDEPENDENT AUDITOR

HLM CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Ltd
Chiyu Banking Corporation Ltd.

STOCK CODE

08009

WEBSITE

http://www.chinese-energy.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of Chinese Energy Holdings Limited ("**Chinese Energy**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2013.

The Group made strategic shifts as the first step to penetrate into the energy sector during the year. In addition to the appointment of new board members including me, the most crucial moves should be the change of company name effective from 12 September 2012, and the memorandum of understanding in relation to the proposed acquisition of entire interest in Careall International Energy Holding Company Limited ("**Careall International**") which was announced in February 2013.

Careall International is engaged in exploring, developing, producing and acquiring natural oil and gas properties in the Republic of Kazakhstan ("**Kazakhstan**"). It has entered into an agreement with an independent third party to acquire 60% equity interest in a project company registered in Kazakhstan which holds the necessary rights to exploit an oil field with an exploration permit granted by a decree of local justice authorities. Most of exploration work has been completed within the block of the oil field with an area of 137 square kilometres, including two drilled oil wells which have not less than 6 million barrels of recoverable reserve of oil (C1+C2) as registered with the Oil Ministry of Kazakhstan. The total recoverable reserve of oil within the oil field is estimated to be not less than 40 million barrels. No definitive agreement has been entered into in connection with the proposed acquisition as at the date hereof.

To enhance its financial position to develop new opportunities in the energy and resource industry, the Group entered into conditional placing agreements respectively on 7 August 2012 and 27 December 2012, under which the placing agent will use its best efforts to place up to 145,590,000 and 150,000,000 placing shares respectively to not less than six placees. Based on the respective placing prices of HK$0.11 and HK$0.171 per placing share, the net proceeds amounted to approximately HK$41,320,000 in total which will be utilised to enhance capital base and financial flexibility of the Group.

I would like to take this opportunity to extend sincere gratitude to our shareholders, board members, senior management and staff for their efforts and dedication during the year. On behalf of the Board, I would also like to express appreciation to all customers, stakeholders and business partners for their constant support and trust. As a navigator of the Group, I am determined to continue to steer the Company into new business fields. We aim to pool our efforts to open a new chapter in the future.

Shi Yanmin
Chairman
24 June 2013

BUSINESS REVIEW

Management Contract

The turnover for the Group during the year ended 31 March 2013 came solely from the management fee under the management agreement between Supreme Luck International Limited ("**Supreme Luck**") and Shenzhen Careall Capital Investment Co., Ltd. ("**Shenzhen Careall**") ("**Management Agreement**"). During third relevant period of the Management Agreement, Shenzhen Careall was not able to reach the Guaranteed Profit. Only one of the investments in portfolio has successfully listed during the period due to China tight control on all IPO listings. The management of the Company has made an impairment of approximately HK$233,465,000 on the related intangible asset to reflect the appraisal value after the impairment test performed by independent qualified valuer. The trade receivables from Shenzhen Careall amounting to HK$251,026,000 have become past due but are considered as no impaired. The Company, Shenzhen Careall and its guarantor has came up with a new repayment schedule ("**New Repayment Schedule**"). The New Repayment Schedule promised that HK$92,000,000 will be received on or before September 2013. The remaining balance of HK$159,422,000 was promised to be received on or before 31 March 2014. At May 2013, the Company has received approximately HK$80,998,000 from the guarantor of the Management Agreement. Such amount completely settles the entire outstanding management fee for the second relevant period and partial management fee of HK$1,216,000 for the third relevant period. The management fee chargeable for the third relevant period is to be approximately HK$162,011,000, based on the audited results for the period after deducting the related taxation and expenses which such amount was backed by the guarantee profit of RMB140,000,000. The independent non-executive Directors are satisfied with the current repayment schedule.

Convertible Bonds

On 23 October 2009, the Company issued zero-coupon convertible bonds with an aggregate principal amount of HK$200,000,000 as a partial consideration for the acquisition of an intangible asset through acquisition of a subsidiary. During the year ended 31 March 2013, the Company had redeemed the remaining part of the convertible bonds amounted to HK$8,000,000. As at 31 March 2013, no convertible bonds were outstanding.

MAJOR EVENTS DURING THE YEAR UNDER REVIEW

Capital Reorganisation and Increase in Authorised Capital

The Shareholders had approved the resolutions proposed by the Directors at extraordinary general meeting (the "**EGM**") of the Company held on 12 December 2011 to effect the capital reorganisation of the Company which will involve:

(a) the Capital Reduction pursuant to the Companies Ordinance under which the authorised share capital of the Company will be reduced (1) from HK$1,200,000,000 divided into 30,000,000,000 ordinary Shares of HK$0.04 each to HK$120,000,000 divided into 30,000,000,000 ordinary Reduced Shares of HK$0.004 each and (2) from HK$800,000,000 divided into 20,000,000,000 preference Shares of HK$0.04 each to HK$80,000,000 divided into 20,000,000,000 preference Reduced Shares of HK$0.004 each and that such reduction be effected by cancelling HK$0.036 of the paid up capital on each issued Share of HK$0.04 and reducing the nominal value of each issued or unissued share in the capital of the Company from HK$0.04 per Share to HK$0.004 per Reduced Share;

(b) the Share Consolidation under which every twenty-five (25) Reduced Shares of HK$0.004 each will be combined into one Adjusted Share of HK$0.1 each immediately upon the Capital Reduction becoming effective;

(c) the board lot size for trading in the Shares will be changed from 25,000 Shares to 10,000 Adjusted Shares immediately upon the Capital Reorganisation becoming effective;

(d) Immediately upon the Capital Reduction becoming effective, the authorised share capital of the Company will be increased (1) from HK$120,000,000 divided into 1,200,000,000 ordinary Adjusted Shares to HK$1,000,000,000 divided into 10,000,000,000 ordinary Adjusted Shares by the creation of an additional 8,800,000,000 ordinary Adjusted Shares of par value HK$0.1 each and (2) from HK$80,000,000 divided into 800,000,000 preference Adjusted Shares to HK$500,000,000 divided into 5,000,000,000 preference Adjusted Shares by the creation of an additional 4,200,000,000 preference Adjusted Shares of par value HK$0.1 each; and

(e) corresponding amendments to the Memorandum and Articles of Association.

On 29 May 2012, the Board of Directors announced that the Capital Reduction was approved by the Court on that date and it will take effect upon completion of registration with the Companies Registry on 26 June 2012. The increase in the authorised capital and change in board lot size were effective on 12 July 2012 and 26 July 2012 respectively.

For details and the meanings of the capitalised terms used in this section please refer to the announcement of the Company dated 9 November 2011, the circular of the Company dated 17 November 2011 and the announcement dated 12 December 2011.

Change of Company Name

The change of the English name of the Company from "iMerchants Limited" to "Chinese Energy Holdings Limited" and the adoption of the new Chinese name "華夏能源控股有限公司" for replacement of its existing Chinese name "菱控有限公司" has become effective on 12 September 2012.

The Shares will be traded on the Stock Exchange under the new name. The English and Chinese stock short names of the Company will also be changed from "IMERCHANTS" to "CHI ENGY HOLD" and "菱控有限公司" to "華夏能源控股" respectively with effect from 25 September 2012. The website of the Company will be changed to www.chinese-energy.com with effect from 25 September 2012 to reflect the change of the Company name. Details and capitalised terms used in this sections were set out in the Announcement and Circular dated 18 July, 10 August and 21 September 2012.

Placing of New Shares under General Mandate

The Company has entered into a conditional placing agreement with the Placing Agent on 27 December 2012 (after trading hours), under which the Placing Agent placed up to 150,000,000 Placing Shares to not fewer than six Placees who are Independent Third Parties. Details and capitalised terms used in this sections were set out in the Announcement dated 27 December 2012.

The Company has also entered into a conditional placing agreement with the Placing Agent on 7 August 2012, under which the Placing Agent placed up to 145,590,000 Placing Shares to not less than six Placees who are Independent Third Parties. Details and capitalised terms used in this sections were set out in the Announcement dated 7 August 2012.

Disposal of 100% Equity Interest of Plenty One Limited ("Plenty One")

On 9 December 2011, the Vendor, Shine Gain Holdings Limited, a company incorporated in the British Virgin Islands which is a direct wholly owned subsidiary of the Company entered into the Sale and Purchase Agreement with the Purchaser and in relation to the disposal of 100% equity interest of Plenty One at the consideration of HK$6,500,000. The conditions precedent of the Sale and Purchase Agreement having been fulfilled, as agreed between the parties to the Sale and Purchase Agreement in writing, the Completion of the Disposal took place on 14 August 2012. Upon Completion, the Consideration of HK$6,500,000 has been received by the Vendor. Details and capitalized terms used in this sections were set out in the Announcement dated 9 December 2011 and 14 August 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had cash and cash equivalents of approximately HK$16,100,000 as at 31 March 2013 (2012: HK$4,018,000) and maintain a sturdy financial situation with current assets totaling approximately HK$288,486,000 for the year ended 31 March 2013 (2012: HK$100,235,000). The Group had HK$Nil of borrowings (2012: HK$8,800,000). The gearing ratio (being net debt over total equity) is 26.8% at 31 March 2013 (2012: 14.8%). The increase in the ratio is mainly due to the decrease in total equity.

Investment

As at 31 March 2013, the Group did not have any financial investment for both 2013 and 2012. The management will take a cautious and prudent approach in implementing our strategies in the future.

Revenue, Gross Profit and Administrative Expenses

For the year ended 31 March 2013, the Group's turnover was approximately HK$162,011,000 which was comprised of revenue from management fee income as compared to approximately HK$118,292,000 for the year ended 31 March 2012. The gross profit for the group was approximately HK$129,298,000 (2012: HK$74,486,000). The Group generated a net loss attributable to owners of the Company of approximately HK$143,440,000 for the year ended 31 March 2013, compared to a net loss attributable to owners of the Company of approximately HK$125,487,000 for the year ended 31 March 2012. The loss was majorly raised from impairment loss on intangible assets with an amount of approximately HK$233,465,000 (2012: approximately HK$175,799,000). Cost of sale incurred by the Group for the year ended 31 March 2013 amounted to approximately HK$32,713,000 (2012: approximately HK$43,806,000), which represents the amortisation of an intangible asset. Administrative expenses for the year ended 31 March 2013 was approximately HK$11,197,000 (2012: approximately HK$23,179,000). This included rental expenses of approximately HK$2,919,000 (2012: approximately HK$1,857,000).

Segment information

The segment information of the Group is covered in note 8 to the consolidated financial statements.

CAPITAL STRUCTURE

Movements in capital structure of the Company during the year are set out in note 30 to the consolidated financial statement. The capital of the Company comprises only ordinary shares.

BUSINESS OUTLOOK

Memorandum of Understanding In Relation To The Proposed Acquisition of The Entire Interest in Careall International Energy Holding Company Limited (the "MOU")

On 26 February 2013, the Company and the Proposed Vendors entered into the MOU in relation to the Proposed Acquisition. Pursuant to the MOU, it is proposed that the Proposed Purchaser, will acquire, and the Proposed Vendors, will sell, the entire issued share capital of the Target.

The Target is a company incorporated in the British Virgin Islands with limited liability. The Target and its subsidiaries carry on the business of exploring, developing, producing and acquiring natural oil and gas properties in the Republic of Kazakhstan. The Target has entered into an agreement with an independent third party to acquire a 60% equity of the share capital and associated voting rights of a company ("**Project Company**") which is registered under the laws of the Republic of Kazakhstan (the "**Acquisition of the Project Company**"). The registered office of the Project Company is located in Almaty, the Republic of Kazakhstan. The Project Company holds the necessary rights to exploit the oil field with an exploration permit granted by the Decree of the Ministry of Justice of the Republic of Kazakhstan (the "**Exploration Permit**"). The Exploration Permit covers Block XXXVII-12 (Shalva Zhaloganoi) with size of 137 square kilometres (the "**Block**") and most of the exploration work has been substantially done within the Block including two drilled oil wells of which have not less than 6 million barrels of recoverable reserve of oil (C1+C2) registered with the Oil Ministry of the Republic of Kazakhstan. The total recoverable reserve of oil within the Block is estimated to be not less than 40 million barrels.

The proposed aggregate purchase price for the Proposed Acquisition shall be US$19,800,000 ("**Consideration**"). The Consideration is subject to adjustment which shall be determined with reference to a valuation to be determined and reported by a competent and authorised valuer/evaluation company recognised by the Government of the Republic of Kazakhstan appointed by the Target and approved by the Government of the Republic of Kazakhstan in relation to further recoverable reserve of oil to be assented and registered with the Oil Ministry of the Republic of Kazakhstan (the "**Adjustment**"). The Consideration together with the Adjustment shall in no circumstances exceed the amount of US$96,000,000.

The MOU may or may not lead to the entering into of the Definitive Agreement and the transactions contemplated there under may or may not be consummated.

Further details of the MOU are set out in the announcement of the Company dated 26 February and 24 May 2013.

Disposal of 100% Equity Interest of Supreme Luck

The board of directors announced that on 19 June 2013, the Management Agreement was terminated and a new management agreement was entered into between Careall Capital and another wholly-owned subsidiary of the Company on substantially the same terms and conditions as the Management Agreement for the remaining term of the Management Agreement. As a result, the Group continues to provide the management service substantially and therefore maintains the same principal business activities as before.

On 20 June 2013, the Company also entered into the sales and purchase agreement with the independent third party (the "**Purchaser**") pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire issued and paid up share capital of Supreme Luck, which includes the trade receivables of HK$159,422,000 and income tax payables and other tax payables of HK$91,026,000 at the consideration of HK$68,000,000.

Further details of the Disposal are set out in the announcement of the Company dated 20 June 2013.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the end of the reporting year.

EXPOSURE TO FOREIGN EXCHANGE RISK AND INTEREST RATE RISK

The Group's business transactions are mainly denominated in Hong Kong dollars and Renminbi. Most of interest bearing bank borrowings of the Group are on floating rate basis. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2013, the Group had an aggregate of 11 employees (2012: 9). The total staff cost for the year ended 31 March 2013 was approximately $3,675,000 (2012: HK$4,555,000) The employee's remuneration package includes salary, bonus and share options. Pursuant to the Group's remuneration policy, employees are rewarded on the basis of merit and market conditions and in accordance with the statutory requirements of the respective jurisdiction where the employees located. The Group has not granted any share option to the employees under its existing share option schemes during the year ended 31 March 2013 (2012: Nil).

DIVIDEND

The Directors do not recommend the payment of a final dividend for year ended 31 March 2013 (2012: Nil).

CAPITAL COMMITMENTS

As at 31 March 2013, the Group has no capital commitment (2012: Nil).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Shi Yanmin, aged 61, graduated from Peking University, Department of Geology, earthquake geology professional. Later he received a doctorate in China University of Petroleum (Beijing). He has over 40 years experience in petroleum geology, exploration and development of oil and gas fields, comprehensive utilization of oil and gas, and project management. He served as vice general manager and chief geologist at PetroChina Dagang Oilfield Group Company, deputy general manager of China National Oil and Gas Exploration and Development Corporation and the general manager of CNPC South China Exploration and Development Company. He is currently the President and Director of China Natural Gas Corporation Limited. He has made contributions for the Chinese oil exploration and development at home and abroad by discovering multiple oil fields at Dagang; including the first Sino-foreign cooperation in China's onshore million tons commercial oil field; discovered Hainan Fushan Oilfield in China and built an oil and gas production base with an annual output of 40 million tons; vigorously promoted gas comprehensive utilization in more than 10 provinces and autonomous regions in China and made outstanding contributions in a wide range of applications for clean energy. Meanwhile he provide technical support to a number of overseas oil projects, and trained a number of key talents. He has won numerous awards, including the Meritorious Entrepreneur of the Year in Hainan, China Youth Science and Technology Award, the China Geological Association Youth Science and Technology Award "Jin Chui Award", the Chinese Ministry of Petroleum Industry, Science and Technology Progress Award of China Oil Industry Ministry and enjoys special allowance remuneration from the State Council.

Mr. Zha Jian Ping, aged 42, graduated from the Shanghai University of Finance and Economics majoring in accounting (Bachelor Degree in Economics), the Chinese Academy of Social Sciences as a postgraduate and the University of Wisconsin in the United States with a Master degree in Business Administration. He is a senior accountant in the People's Republic of China (the "**PRC**").

Mr. Zha worked in various large enterprise groups such as Nam Kwong (Group) Company Limited in Macau, Jinbei Vehicle Manufacturing Co., Ltd (a listed company in the PRC) and Brilliance China Automotive Holdings Limited (a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1114) and in the United States). For years, he acted as various senior positions such as director, vice president and chief financial officer and led several departments including finance, commerce, information and logistics departments of the corporates.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yau Yan Ming Raymond, aged 45, has over 17 years of work experience in auditing, accounting, taxation, company secretarial, corporate finance and financial management, in both private and listed companies. Mr. Yau is an associate member of both the Hong Kong Institute of Certified Public Accountants and American Institute of Certified Public Accountants. Mr. Yau is also a fellow member of the Taxation Institute of Hong Kong. He is currently an independent non-executive director of Willie International Holdings Limited (stock code: 273), Chanceton Financial Group Limited (stock code: 8020), and Tack Fiori International Group Limited (stock code: 928), and Chief Executive Officer of Capital VC Limited (stock code: 2324), all of which are listed on the Stock Exchange of Hong Kong. He was an independent non-executive director of Birmingham International Holdings Limited (stock code: 2309). Mr. Yau holds a master degree in Science majoring in Japanese business studies and bachelor degree in Business Administration majoring in accounting in the United States of America. He also acts as the company secretary of the Company.

Mr. Ji Peng, aged 36, graduated at Guangdong Science and Technology Learning Institute and major in finance. He holds a bachelor degree and a Chinese Professional Manager Diploma and participated in professional training in the projects and investment. Currently, he further his studies in specializing in investment and finance Management at Zhongnan University of Economics and Law. Mr. Ji is currently a director of one of the subsidiaries of the Company and he had held positions as deputy project director and deputy investment director in several new technology, green energy companies as well as venture capital firms in the People's Republic of China ("**PRC**"). He has extensive experience in supply chain, production, operations and risk management and capital operations in the development, exploration, operation, share capital and listing of environmental-friendly energy, coal resource and recycle energy.

NON-EXECUTIVE DIRECTORS

Ms. Qi Yue, aged 49, graduated from the Henan University of Finance and Economics majoring in accounting (Bachelor Degree in Economics). She has China accountant qualification. Ms. Qi worked in banking and finance for a long period. She was a member of internal control expert advisory team of auditing department and a research leader of financial management audit institution at the head office of China Construction Bank. She has rich professional experience in risk management and audit of financial products area.

Mr. Wang Chuntian, aged 44, graduated from Chengdu College of Geology with a bachelor's degree in geology and received a master's degree in engineering of petroleum geology from Ocean University of China as well as a master's degree in EMBA program from Tsinghua University. He has extensive experience in development, investment and merger, and operation of oversea petroleum and natural gas projects. Mr. Wang has received on-site training in ROC in Australia and SOCO in the United States and accumulated enormous experience in operation and management of international oilfield and natural gas projects. He has held various key positions with Dongsheng Petroleum Group (東勝石油集團), including geologist of the Institute of Geology Science and Gaoqing Petroleum Development Co., Ltd (高青石油開發公司), chief director of the Division of the Development of Petroleum and Natural Gas, general manager of the Mongolian Petroleum Operation and general manager of Shenglin Petroleum Development Co., Ltd (勝臨石油開發有限責任公司). He currently serves as director of the Division of Production Management in Dongsheng Petroleum Group which is controlled by Sinopec and placed under trusteeship of Shengli Oilfield. Mr. Wang has been awarded second and third class prizes for technological improvements. He has published numerous articles in the core academic journals of China and received the "Award for Excellent Master Degree Papers in China".

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Tze Chung, aged 41, has over 10 years of working experience in accounting field. He holds a Bachelor of Arts in Accountancy from The Hong Kong Polytechnic University. Mr. Lam is an associate member of Hong Kong Institute of Certified Public Accountants and an associate member of Association of Chartered Certified Accountants.

Mr. Wu Ka Ho Stanley, aged 47, holds a master degree in Business Administration in International Management from the University of London and a bachelor degree in Accounting from the University of Hull, the United Kingdom. He is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. Mr. Wu is also a member of Hong Kong Institute of Certified Public Accountants and a certified tax advisor in Hong Kong. He served as auditor for a sizable international accounting firm and held senior management positions in several private enterprises. Mr. Wu has extensive work experience in finance and auditing. He is currently a member of the Mainland Business Interest Group under the Association of Chartered Certified Accountants.

Mr. Yue Laiqun, aged 54, holds a doctoral degree in Science from the China University of Geosciences and a master degree in Science from Chinese Academy of Geological Sciences. He is a professor-level senior engineer and a qualified researcher for mining economics. Mr. Yue was the chief engineer of Fujian No. 4 Geological Party of Ministry of Geology and Mineral Resources of the People's Republic of China, an assistant researcher of the Department of Geology and Mineral Resources of the People's Republic of China of Fujian Bureau of Geology and Mineral Resources under the Ministry of Geology and Mineral Resources and deputy director of Science and Technology Division of Fujian Provincial Bureau of Geology and Mineral Exploration of the People's Republic of China. He currently acts as the deputy chief engineer of Oil and Gas Resources Strategic Research Center of the Ministry of Land and Resources of the People's Republic of China. Mr. Yue has extensive experience in exploration of geological and mineral resources and strategic planning for oil and gas resources. He has published several papers on geological exploration, oil and gas resources economics and strategic research on energy and resources.

SENIOR MANAGEMENT

Chief Geologist

Mr. Luo Chuanrong, aged 50, graduated from Geophysical Exploration Department of Wuhan Institute of Geology (currently known as China University of Geosciences (Wuhan)) with a bachelor's degree in geophysical exploration of petroleum and received a master's degree in survey and exploration of coal and petroleum from Energy Department of China University of Geosciences (Beijing). He has conducted in-depth research on analysis of oil and gas basins and evolution of plate tectonics with rich experience in estimation of complex reserve layers, geology of oil and gas basins and venture exploration. He served as head and vice chief engineer of the Institute of Tectonics under Jingzhou Academy of Exploration of Sinopec Star Petroleum Co., Ltd and chief geologist of China Era Energy Power Investment (Hong Kong) Limited. Currently, he acts as vice general manager of Beijing Wobang Energy Investment Consultancy Co., Ltd. He has received numerous awards for his research achievements, including second class prize for technological improvements from Ministry of Geology and Mineral Resources and Jiangsu Province, third class prize for technological improvements from Sinopec and the prize for excellent research achievements jointly issued by, among others, the Ministry of Science and Technology, the Ministry of Foreign Economic Relations and Trade, the Ministry of Land and Resources and National Development and Reform Commission.

REPORT OF THE DIRECTORS

The Directors present their annual report and the consolidated financial statements for the year ended 31 March 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group is principally engaged in provision of management service, investment in financial and investment products.

SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2013 are set out in note 22 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2013 are set out in the consolidated statement of comprehensive income on page 29 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year (2012: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2013, the aggregate amount of turnover attribute to the Group's five largest customers was less than 100% (2012: 100%) of the total value of the Group's turnover.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 19 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 33 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 30 to the consolidated financial statements.

REPORT OF THE DIRECTORS

RESERVES AND DISTRIBUTABLE RESERVES

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares during the year ended 31 March 2013.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 88 of the annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

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

Executive Directors:

Mr. Shi Yanmin ("**Mr. Shi**") (Appointed on 4 February 2013)
Mr. Zha Jian Ping ("**Mr. Zha**")
Mr. Yau Yan Ming Raymond ("**Mr. Yau**")
Mr. Ji Peng ("**Mr. Ji**") (Appointed on 10 September 2012)
Ms. Qi Yue ("**Ms. Qi**") (Re-designation on 10 September 2012)
Mr. Wong Ka Chun Carson ("**Mr. Wong**") (Resigned on 4 February 2013)

Non-executive Directors:

Ms. Qi Yue ("**Ms. Qi**") (Re-designation on 10 September 2012)
Mr. Wang Chuntian ("**Mr. Wang**") (Appointed on 20 February 2013)

Independent Non-executive Directors:

Mr. Lam Tze Chung ("**Mr. Lam**")
Mr. Wu Ka Ho Stanley ("**Mr. Wu**")
Mr. Yue Laiqun ("**Mr. Yue**")

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

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

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

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

At 31 March 2013, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long Positions in Ordinary Shares of HK$0.1 each of the Company ("Shares")

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

Long Positions in Underlying Shares – Share Options Granted by the Company

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

Long Positions in Debentures

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

Long Positions in the Shares of Associated Corporation

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

Short Positions in the Shares

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

Short Positions in Underlying Shares

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

Short Positions in Debentures

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

Save as disclosed above, at 31 March 2013, none of the Directors or chief executive of the Company had any interests in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

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

At 31 March 2013, the following persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long Positions in the Shares

Name of Substantial Shareholder	Capacity/ Nature of interest	Number of ordinary shares in the Company held	Percentage of issued share capital of the Company
Liang Ying Shu *(Note 1)*	Beneficial owner	74,244,700	7.01% *(Note 2)*
Wang Jiao *(Note 1)*	Beneficial owner	74,244,700	7.01% *(Note 2)*

Note:

1. These shares are registered under a joinly owned account. By virtue of the SFO, both parties were deemed to be interested in the Shares.

2. The percentage is based on 1,058,840,000 issued Shares as at 31 March 2013.

Long Positions in Underlying Shares

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

Short Positions in the Shares

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

Short Positions in Underlying Shares

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

Save as disclosed above, at 31 March 2013, the Directors were not aware of any persons or companies (other than the Directors or chief executive of the Company) had an interest or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations" above and in the share option scheme disclosures in note 35 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Detailed disclosures relating to the Company's share option schemes are set out in note 35 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

CONNECTED TRANSACTIONS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. As of the date of this annual report, the audit committee comprises three members, Mr. Lam Tze Chung, Mr. Wu Ka Ho Stanley and Mr. Yue Laiqun, all are independent non-executive Directors. The audit committee held four meetings during the year. The Group's annual consolidated results for the year ended 31 March 2013 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

REPORT OF THE DIRECTORS

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set out by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 35 to the consolidated financial statements.

Details of the remuneration of the Directors and the five highest paid employees in the Group are set out in note 15 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of the annual report, the Company has maintained the prescribed public float under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintain a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 20 to 26 of the annual report.

PRE-EMPTIVE RIGHTS

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

The Company has adopted share option schemes as an incentive to Directors and eligible employees, details of the schemes are set out in note 35 to the consolidated financial statements.

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

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

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in note 39 to the consolidated financial statements.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 March 2011 were audited by SHINEWING (HK) CPA Limited ("SHINEWING"). During 2011, SHINEWING resigned as the auditor of the Company and Messrs. HLM & Co. was appointed as the auditor of the Company on 1 November 2011. The consolidated financial statements of the Group for the year ended 31 March 2012 were audited by Messrs. HLM & Co..

On 25 January 2013, Messrs. HLM & Co. resigned as the auditor of the Company and Messrs. HLM CPA Limited was appointed by the directors to fill the casual vacancy. The consolidated financial statements of the Group for the year ended 31 March 2013 have been audited by Messrs. HLM CPA Limited. A resolution for their reappointment as auditor of the Company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Shi Yanmin
Chairman

Hong Kong
24 June 2013

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

Throughout the year ended 31 March 2013, except for the deviation from the code provision A.4.1. of the Corporate Governance Code (the "**CG Code**"), the Company complied with all CG Code under Appendix 15 of the Growth Enterprise Market of the Rules Governing the Listing of Securities (the "**GEM Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") covering the period from 1 April 2012.

APPOINTMENT TERM OF NON-EXECUTIVE DIRECTORS

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

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

The Board of Directors (the "**Board**") of the Company is committed to maintaining high standards of corporate governance and integrity, and to ensuring transparent and adequate levels of disclosure. The Board will continue to review and recommend such step as appropriate in a timely manner in order to comply with the requirement of the CG Code.

BOARD OF DIRECTORS

Composition

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

Executive Directors

Mr. Shi Yanmin *(Chairman)* (Appointed on 4 February 2013)
Mr. Yau Yan Ming Raymond
Mr. Wong Ka Chun Carson (Resigned on 4 February 2013)
Mr. Zha Jian Ping
Ms. Qi Yue (Re-designated to Non-executive Director on 10 September 2012)
Mr. Ji Peng (Appointed on 10 September 2012)

Non-executive Directors

Ms. Qi Yue (Re-designated from Executive Director on 10 September 2012)
Mr. Wang Chuntian (Appointed on 20 February 2013)

Independent non-executive Directors

Mr. Lam Tze Chung
Mr. Wu Ka Ho Stanley
Mr. Yue Laiqun

BOARD'S PRACTICES AND CONDUCT OF MEETINGS

The Board is responsible for overseeing the overall business strategy, management planning and control of the Company. The management is responsible for day-to-day management of the Company and its subsidiaries (collectively the "**Group**"). All Directors have accumulated sufficient and valuable experience to carry out their duties in an efficient and effective manner.

All Directors of the Company have acted in good faith for the best interests of the Company and the stakeholders of the Company. Other than the Statutory duties imposed on each of them, all of the Directors have exercised due care in monitoring the corporate matters of the Company and have closed concern, sufficient time and attention to the significant issues and affairs of the Group.

The executive Directors and senior management meet every week to review company business matters and escalate the matters to the Board meeting for further discussion whenever necessary. Save for the regular board meetings held during the financial year, meeting of the Directors were held to discuss and transact other special businesses. The Board members are provided with appropriate and sufficient information in a timely manner to keep abreast of the Group's latest developments. All businesses transacted at the board meeting are properly documented and recorded.

The Board and each Director also have separate and independent access to the senior management whenever necessary. Moreover, they have access to the Company Secretary who is responsible for ensuring that Board procedures are complied with and who advises the Board on corporate governance and compliance matters. The Company Secretary have participated in no less than 15 hours of relevant professional training to develop and refresh their knowledge and skills during the financial year pursuant to Rules 5.15 of the GEM Listing Rules and provided their training records for the Company.

The independent non-executive Directors were appointed by reference to their respective qualification and experience to ensure that they are competent to perform their duties and to protect the interests of the stakeholders. Each independent non-executive Directors has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

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

CORPORATE GOVERNANCE REPORT

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

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

During the year ended 31 March 2013, fourteen board meetings, four audit committee meetings, four nomination committee meetings and four remuneration committee meetings were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of Meetings			
Name of Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**
Executive Director				
Mr. Shi Yanmin *(Chairman)* (Appointed on 4 February 2013)	2/14	0/4	N/A	N/A
Mr. Yau Yan Ming Raymond	14/14	4/4	N/A	4/4
Mr. Wong Ka Chun Carson (Resigned on 4 February 2013)	10/14	3/4	N/A	N/A
Mr. Zha Jian Ping	14/14	N/A	4/4	N/A
Ms. Qi Yue (Re-designated to Non-executive Director on 10 September 2012)	1/14	N/A	N/A	N/A
Mr. Ji Peng (Appointed on 10 September 2012)	8/14	N/A	N/A	N/A
Non-executive Directors				
Ms. Qi Yue (Re-designated from Executive Director on 10 September 2012)	0/14	N/A	N/A	N/A
Mr. Wang Chuntian (Appointed on 20 February 2013)	1/14	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Lam Tze Chung	4/14	4/4	4/4	4/4
Mr. Wu Ka Ho Stanley	2/14	4/4	4/4	4/4
Mr. Yue Laiqun	2/14	2/4	4/4	4/4

TRAINING FOR DIRECTORS

Each newly appointed Directors receives a comprehensive and formal induction to ensure that he/she has an appropriate understanding of (i) the business and operations of the Group; (ii) his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements; (iii) the Corporate Governance code of the Company and (iv) the Model Code for the Securities Transactions by Directors of Listed Issuers.

Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. Continuing briefing and professional development for directors will be arranged at the expenses of the Company whenever necessary. The Directors are committed to complying with Code Provision A.6.5 of the new CG Code on Directors' training effective from 1 April 2012. All Directors have participated in continuous professional development to develop and refresh their knowledge and skills and provided their training records for the financial year to the Company.

AUDIT COMMITTEE

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

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

EXTERNAL AUDITOR

The Audit Committee is responsible for consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and the terms of engagement of the external auditor; and any questions of resignation or dismissal.

The remuneration of the external auditor of the Company in respect of audit services for the year ended 31 March 2013 amounted to HK$350,000.

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

REMUNERATION COMMITTEE

The Remuneration Committee comprises four members, namely, Mr. Wu Ka Ho Stanley ("**Mr. Wu**"), Mr. Lam Tze Chung, Mr. Yue Laiqun and Mr. Yau Yan Ming Raymond. The committee is chaired by Mr. Wu and other members are independent non-executive and one executive Directors.

The Company formulated written terms of reference for the Remuneration Committee and the adopted terms of reference are in compliance with the Code Provision in the CG Code.

The primary duties of the Remuneration Committee, among others, are (i) to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management for the board's final determination; and (ii) to review the special remuneration packages of all executive Directors by reference to the corporate goals and objectives resolved by the Board from time to time. During the year, the Remuneration Committee had reviewed the remuneration package for the Directors, senior management and general staff of the Group.

NOMINATION COMMITTEE

The Company formulated written terms of reference for the Nomination Committee and the adopted terms of reference are in compliance with the Code Provision in the CG Code.

The Nomination Committee currently consists of three INEDs, namely, Mr. Yue Laiqun ("**Mr. Yue**"), Mr. Lam Tze Chung and Mr. Wu Ka Ho Stanley, and one executive Director of the Company, namely Mr. Zha Jian Ping. The committee is chaired by Mr. Yue. The principal duties of the Nomination Committee include, among other things:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and chief executive of the Company.

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

During the year under review, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 March 2013, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the state of the Group's affairs and of its accounts of the Company for the year ended 31 March 2013.

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

INTERNAL CONTROLS

It is the responsibility of the Board to ensure that the Group maintains a sound and effective system of internal controls. The Company has formulated and adopted a Compliance Manual and Accounting Procedures to enhance better internal control and such Compliance Manual and Accounting Procedures would be reviewed by the Company from time to time. The Company has also implemented practical and effective control systems with reporting lines, reporting, responsibilities and proper procedures. The Board, through the Audit Committee and appointed independent professional third party, to assesses the effectiveness of the Group's internal control system which covers all material controls, including financial, operational and compliance control.

GOING CONCERN

The Directors confirm that, to the best of their knowledge, information and belief and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cause significant doubt upon the Company's ability to continue as a going concern. The Board therefore continues to adopt the going concern approach in preparing the consolidated financial statements for the financial year.

COMMUNICATIONS WITH SHAREHOLDERS

The Company has established different communication channels with shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, quarter report, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules, and shareholders can choose (or are deemed to have consented) to receive such documents using electronic means through the Company's website; (ii) the annual general meeting provides a forum for shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website (http://www.chinese-energy.com) offers a communication channel between the Company and its shareholders and stakeholders; (v) the Company's Share Registrar deals with shareholders for share registration and related matters; and (vi) the Company Secretary of the Company handles enquiries from shareholders and investors generally. In compliance with the Corporate Governance Code under Appendix 15 of the GEM Listing Rules, the Company has established a shareholders communication policy in April 2012 which is subject to review on a regular basis to ensure its effectiveness. This policy is available on the Company's website (http://www.chinese-energy.com). Individual resolution has been proposed by the Chairman in the general meetings for each substantial issue. At the annual general meeting as well as the extraordinary general meeting of the Company held in the Financial year, the Chairman of the Company and/or the members of the Board (including Independent Non-executive Directors) were available to answer questions raised by shareholders.

During the year, the Company changed its English name from "iMerchants Limited" to "Chinese Energy Holdings Limited" and the adoption of the new Chinese name "華夏能源控股有限公司" for replacement of its existing Chinese name "菱控有限公司" effected on 12 September 2012. The Shares will be traded on the Stock Exchange under the new name. The English and Chinese stock short names of the Company had also be changed from "IMERCHANTS" to "CHI ENGY HOLD" and "菱控有限公司" to "華夏能源控股" respectively effected from 25 September 2012. The website of the Company changed to (http://www.chinese-energy.com) effected from 25 September 2012 to reflect the change of the Company name.

SHAREHOLDERS' RIGHTS

Pursuant to Article 73 of the Articles of Association of the Company and Section 113 of the Companies Ordinance, shareholder(s) of the Company holding not less than one-twentieth of the paid-up capital of the Company may request the Board of Directors of the Company to convene an extraordinary general meeting by way of depositing a written requisition at the registered office of the Company (Room 2306B-07, 23/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong). The objects of the meeting must be stated in the related requisition signed by the requisitionist(s).

Under Section 115A of the Companies Ordinance, shareholder(s) holding not less than one-fortieth of the total voting rights or not less than 50 shareholders (holding shares on which there has been paid up an average sum of not less than HK$2,000 per shareholder) may at their expense propose any resolution at any general meeting by way of depositing a written notice signed by the requisitionist(s) at the registered office of the Company (Room 2306B-07, 23/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong) not less than six weeks before the meeting. The notice shall contain a description of the proposed resolution desired to be put forward at the meeting, the reasons for such proposal and any material interest of the proposing shareholder(s) in such proposal.

Shareholders may put enquiries to the Board or put forward proposals relating to the operations, strategy and/or management of the Group to be discussed at shareholders' meetings. Shareholders' enquiries or proposals can be directed in writing to the Board or the Company Secretary at Room 2306B-07, 23/F., West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong or by email to info@chinese-energy.com.

VOTING BY POLL

All resolutions put forward at the general meetings of the Company were voted by way of poll and the announcements on the poll vote results were made by the Company after the respective general meetings in the manner prescribed under Rule 17.47(5) of the GEM Listing Rules.

恒健會計師行有限公司
HLM CPA LIMITED
Certified Public Accountants

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TO THE MEMBERS OF CHINESE ENERGY HOLDINGS LIMITED
(FORMERLY KNOWN AS "iMERCHANTS LIMITED")
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Chinese Energy Holdings Limited, formerly known as "iMerchants Limited" (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 87, which comprise the consolidated and Company's statements of financial position as at 31 March 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 judgement, 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 internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2013, and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 6 to the consolidated financial statements. As at 31 March 2013, Shenzhen Careall Capital Investment Co., Ltd. ("Shenzhen Careall") is the Group's sole customer who is principally engaged in venture capital investment and to whom the Group provided management services. The Group's exposures to operational risk and credit risk are primarily attributable to the Group dependency on this sole customer.

As at 31 March 2013, the trade receivables from Shenzhen Careall amounting to HK$251,026,000 have become past due but are considered by the management as no impaired. Approximately HK$80,998,000 of these trade receivables has been subsequently settled. Moreover, subsequent to the year end date, the Company had entered into an agreement to dispose of the balance of these trade receivables amounting to HK$159,422,000 together with the income tax payable to an independent party (the "Disposal Agreement"). The recoverability of these trade receivables is considered dependent upon completion of the Disposal Agreement. The management expects the transaction to be completed on or before October 2013. Should the transaction could not be completed, the fair value of the trade receivables of the Group will be adversely affected and an impairment of these trade receivables may therefore be necessary.

HLM CPA Limited
Certified Public Accountants
HO PAK TAT
Practising Certificate Number: P05215
Hong Kong
24 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	7	**162,011**	118,292
Cost of sale		**(32,713)**	(43,806)
Gross profit		**129,298**	74,486
Other income	9	**100**	1,614
Other gains and losses	10	**(232,271)**	(149,429)
Administrative expenses		**(11,197)**	(23,179)
Finance costs	12	**(161)**	(7,073)
Loss before taxation		**(114,231)**	(103,581)
Income tax expense	13	**(42,910)**	(13,954)
Loss for the year from continuing operations	14	**(157,141)**	(117,535)
Discontinued operations			
Profit (loss) for the year from discontinued operations	16	**13,701**	(8,002)
Loss for the year		**(143,440)**	(125,537)
Other comprehensive income for the year, net of income tax			
Exchange difference arising on translation		**8,345**	18,394
Reclassification adjustments relating to foreign operations disposed of during the year		**117**	–
		8,462	18,394
Total comprehensive expense for the year		**(134,978)**	(107,143)
Loss attributable to:			
Owners of the Company		**(143,440)**	(125,487)
Non-controlling interests		**–**	(50)
		(143,440)	(125,537)
Total comprehensive expense attributable to:			
Owners of the Company		**(134,978)**	(107,093)
Non-controlling interests		**–**	(50)
		(134,978)	(107,143)
Loss per share (HK cents)	18		
From continuing and discontinued operations			
Basic		**(16.55)**	(18.65)
Diluted		**(16.55)**	(18.65)
From continuing operations			
Basic		**(18.13)**	(17.47)
Diluted		**(18.13)**	(17.47)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	19	**406**	988
Intangible asset	20	**144,764**	402,650
		145,170	403,638
Current assets			
Trade and other receivables	23	**269,498**	89,434
Loan receivables	24	**2,888**	3,683
Bank balances and cash	25	**16,100**	4,018
		288,486	97,135
Assets classified as held for sale	26	**–**	3,100
		288,486	100,235
Current liabilities			
Other payables	27	**17,356**	8,135
Income tax payables	28	**74,343**	31,433
		91,699	39,568
Liabilities directly associated with assets classified as held for sale	26	**–**	10,439
		91,699	50,007
Net current assets		**196,787**	50,228
Total assets less current liabilities		**341,957**	453,866
Non-current liabilities			
Borrowings	29	**–**	8,800
Convertible bonds	33	**–**	6,084
		–	14,884
Total assets less liabilities		**341,957**	438,982
Capital and reserves			
Share capital	30	**105,884**	763,251
Reserves		**236,073**	(324,264)
Equity attributable to owners of the Company		**341,957**	438,987
Non-controlling interests		**–**	(5)
Total equity		**341,957**	438,982

The consolidated financial statements on pages 29 to 87 were approved and authorised for issue by the Board of Directors on 24 June 2013 and are signed on its behalf by:

Director *Director*

The accompanying notes are an integral part of these consolidated financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 March 2013

	Notes	2013 HK$'000	2012 HK$'000
Non-current asset			
Investments in subsidiaries	22	**447,062**	573,406
Current assets			
Other receivables	23	**16,258**	8
Loan receivables	24	**2,800**	–
Amounts due from subsidiaries	22	**15,178**	4,497
Bank balances	25	**22**	147
		34,258	4,652
Current liability			
Other payables	27	**353**	522
Net current assets		**33,905**	4,130
Total assets less current liabilities		**480,967**	577,536
Non-current liabilities			
Amounts due to subsidiaries	22	**149,301**	132,001
Borrowings	29	**–**	8,800
Convertible bonds	33	**–**	6,084
		149,301	146,885
Total assets less liabilities		**331,666**	430,651
Capital and reserves			
Share capital	30	**105,884**	763,251
Reserves	34	**225,782**	(332,600)
Total equity		**331,666**	430,651

The consolidated financial statements on pages 29 to 87 were approved and authorised for issue by the Board of Directors on 24 June 2013 and are signed on its behalf by:

Director　　　　　　*Director*

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2013

	Equity attributable to owners of the Company											
	Share capital HK$'000	**Non-redeemable convertible preference shares** HK$'000	**Share premium** HK$'000	**Capital redemption reserve** HK$'000	**Merger reserve** HK$'000	**Special capital reserve** HK$'000	**Translation reserve** HK$'000	**Equity component of convertible bonds** HK$'000	**Accumulated losses** HK$'000	**Sub-total** HK$'000	**Non-controlling interests** HK$'000	**Total** HK$'000
At 1 April 2011	477,403	285,848	40,095	3,297	45,918	50,587	40,258	63,034	(400,688)	605,752	27	605,779
Exchange differences on translation of foreign operations	–	–	–	–	–	–	18,394	–	–	18,394	–	18,394
Loss for the year	–	–	–	–	–	–	–	–	(125,487)	(125,487)	(50)	(125,537)
Profit (loss) for the year and total comprehensive income (expense) for the year	–	–	–	–	–	–	18,394	–	(125,487)	(107,093)	(50)	(107,143)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	13	13
Non-controlling interests arising from incorporation of a new subsidiary	–	–	–	–	–	–	–	–	–	–	5	5
Issuance of shares upon conversion of non-redeemable convertible preference shares	285,848	(285,848)	(10,005)	–	–	10,005	–	–	–	–	–	–
Redemption of convertible bonds	–	–	–	–	–	–	–	(59,672)	–	(59,672)	–	(59,672)
At 31 March 2012 and 1 April 2012	763,251	–	30,090	3,297	45,918	60,592	58,652	3,362	(526,175)	438,987	(5)	438,982
Exchange differences on translation of foreign operations	–	–	–	–	–	–	8,345	–	–	8,345	–	8,345
Reclassified adjustments relating to foreign operations disposed of during the year	–	–	–	–	–	–	117	–	–	117	–	117
Loss for the year	–	–	–	–	–	–	–	–	(143,440)	(143,440)	–	(143,440)
Profit (loss) for the year and total comprehensive income (expense) for the year	–	–	–	–	–	–	8,462	–	(143,440)	(134,978)	–	(134,978)
Transfer to share premium *(Note)*	(686,926)	–	686,926	–	–	–	–	–	–	–	–	–
Elimination of accumulated losses as at 31 March 2011 against share premium *(Note)*	–	–	(347,644)	–	–	–	–	–	347,644	–	–	–
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	(10)	(10)	5	(5)
Issue of shares by placing	29,559	–	12,106	–	–	–	–	–	–	41,665	–	41,665
Transaction costs attributable to issue of shares by placing	–	–	(345)	–	–	–	–	–	–	(345)	–	(345)
Redemption of convertible bonds	–	–	–	–	–	–	–	(3,362)	–	(3,362)	–	(3,362)
At 31 March 2013	105,884	–	381,133	3,297	45,918	60,592	67,114	–	(321,981)	341,957	–	341,957

Note: Pursuant to a special resolution passed at an extraordinary general meeting of the Company held on 12 December 2011 and the subsequent order of the High Court made on 29 May 2012, the amount of approximately HK$686,926,000 then standing to the credit of the share capital accounts of the Company was reduced in accordance with the provisions of the Hong Kong Companies Ordinance (the "Capital Reorganisation") with effect from 26 June 2012. Out of the credit arising from the Capital Reorganisation, approximately HK$347,644,000 was applied to eliminate the accumulated losses of the Company as at 31 March 2011 and the remaining balance of approximately HK$339,282,000 of the credit arising from the Capital Reorganisation was credited to share premium in the accounting records of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

	2013 HK$'000	2012 HK$'000
Operating activities		
Loss for the year	**(143,440)**	(125,537)
Adjustments for:		
Income tax expense	**42,910**	13,954
Finance costs	**161**	7,520
Exchange gain	**–**	(7,492)
Amortisation of intangible asset	**32,713**	43,806
Depreciation of property, plant and equipment	**582**	510
Amortisation of prepaid lease payments	**–**	65
Impairment loss on property, plant and equipment	**–**	5,654
Impairment loss on trade and other receivables	**396**	1,457
Impairment loss on goodwill	**–**	13
Impairment loss on intangible asset	**233,465**	175,799
Impairment loss on loan receivables	**–**	1,585
Interest income	**(96)**	(1,611)
Gain on redemption of convertible bonds	**(1,590)**	(20,480)
(Gain) loss on disposal of subsidiaries	**(13,705)**	9
Operating cash flows before movements in working capital	**151,396**	95,252
(Increase) decrease in trade and other receivables	**(164,210)**	34,200
Decrease in cash held at non-bank financial institutions	**–**	598
Increase in trade and other payables	**9,219**	1,797
Cash (used in) generated from operating activities	**(3,595)**	131,847
Income tax paid	**–**	(10,918)
Net cash (used in) generated from operating activities	**(3,595)**	120,929
Investing activities		
(Payment for) refund of deposits for potential investment projects	**(16,250)**	18,095
Decrease (increase) in loan receivables	**883**	(2,983)
Interest received	**8**	26
Net cash outflow on additional acquisition of subsidiary	**(5)**	–
Net cash inflow on disposal of subsidiaries	**6,500**	–
Purchases of property, plant and equipment	**–**	(1,251)
Net cash (used in) generated from investing activities	**(8,864)**	13,887
Financing activities		
Interest paid	**(17)**	(274)
Increase in funding from non-controlling interests	**–**	5
Redemption of convertible bonds	**(8,000)**	(142,000)
Loans from non-financial institutions	**3,000**	11,000
Repayments to non-financial institutions	**(11,800)**	(2,200)
Proceeds from placing of shares	**41,665**	–
Payment for transaction costs attributable to placing of shares	**(345)**	–
Net cash generated from (used in) financing activities	**24,503**	(133,469)
Net increase in cash and cash equivalents	**12,044**	1,347
Cash and cash equivalents at beginning of the year	**4,018**	343
Effect of foreign exchange rate changes	**38**	2,328
Cash and cash equivalents at the end of the year	**16,100**	4,018
Analysis of the balances of cash and cash equivalents:		
Represented by bank balances and cash	**16,100**	4,018

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information Section to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 22.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 April 2012.

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Asset

The application of the new and revised HKFRSs in the current year has no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 1	Government loans[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HK(IFRIC) – INT 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

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

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK (SIC) – Int 12 Consolidation – Special Purpose Entities. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors of the Company anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and the application of these five standards may have no significant impact on the results and financial position of the Group. However, the application of HKFRS 12 may result in more extensive disclosures in the consolidated financial statements.

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

HKFRS 13 "Fair value measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and may have no significant impact on the results.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Basis of consolidation

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

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date (see the accounting policy below); and

– 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 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as appropriate, with the corresponding gain or loss being recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interest in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Discontinued operations

A discontinued operation is a component of the Group, which comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group, and has been disposed of, or is classified as held for sale, and either (a) represents a separate major line of business or geographical area of operations, (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or (c) is a subsidiary acquired exclusively with a view of resale.

Revenue recognition

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

Management fee income including that from operating service provided under the management agreement is recognised when services are provided and the management fee income can be measured reliably.

Sales of securities investments are recognised on a trade date basis.

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

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

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of assets (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Leasing

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

The Group as lessee

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

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivables, amounts due from subsidiaries and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment loss of financial assets

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

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment loss of financial assets (continued)

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue cost.

Convertible bonds containing liability and equity components

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

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

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in equity component of convertible bonds until the embedded option is exercised (in which case the balance stated in equity component of convertible bonds will be transferred to share premium).

Where the option remains unexercised at the expiry date, the balance stated in equity component of convertible bonds will be released to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments *(continued)*

Non-redeemable convertible preference shares

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

Other financial liabilities

Other financial liabilities (including trade and other payables, borrowings and amounts due to subsidiaries) are 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to accumulated losses.

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash as defined above.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

In preparing the consolidated financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange difference accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

Borrowing costs

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

Retirement benefits costs

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Useful lives and impairment assessment of property, plant and equipment

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

As at 31 March 2013, the carrying amount of property, plant and equipment was approximately HK$406,000 (2012: HK$988,000).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Key sources of estimation uncertainty *(continued)*

Impairment loss recognised in respect of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customers' current credit-worthiness, as determined by review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

As at 31 March 2013, the carrying amount of trade receivables was approximately HK$251,026,000 (2012: HK$88,375,000) (net of accumulated impairment loss of trade receivables of approximately HK$396,000 (2012: HK$Nil)).

Impairment loss recognised in respect of other receivables, loan receivables and investment deposits

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 March 2013, the carrying amounts of other receivables, investment deposits and loan receivables are approximately HK$8,000 (2012: HK$24,000), HK$16,250,000 (2012: HK$Nil) and HK$2,888,000 (2012: HK$3,683,000) respectively.

Impairment loss recognised in respect of intangible asset

The Group determines whether an asset is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the asset is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. A change in the estimated future cash flows and/or the discount rate applied will result in an adjustment to the estimated impairment provision previously made.

As at 31 March 2013, the carrying amount of intangible asset was approximately HK$144,764,000 (2012: HK$402,650,000) (net of accumulated impairment loss of approximately HK$680,432,000 (2012: HK$446,967,000)).

5. CAPITAL RISK MANAGEMENT

The Group and the Company manage the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remained unchanged from prior year.

The capital structure of the Group consists of borrowings and convertible bonds disclosed in notes 29 and 33, respectively, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider cost of capital and the risks associated with each class of capital. Based on the recommendation of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	The Group	
	2013	2012
	HK$'000	HK$'000
Financial assets		
Loans and receivables		
– Trade receivables	**251,026**	88,375
– Other receivables	**8**	24
– Loan receivables	**2,888**	3,683
– Bank balances and cash	**16,100**	4,018
	270,022	96,100
Financial liabilities		
At amortised cost		
– Other payables	**17,356**	8,135
– Borrowings	**–**	8,800
– Convertible bonds	**–**	6,084
– Liabilities directly associated with assets classified as held for sale (excluding income tax payable)	**–**	10,047
	17,356	33,066

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies

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

Foreign currency risk

The Group's foreign currency assets, liabilities and transactions are principally denominated in Renminbi ("RMB"). This currency is not the functional currencies of the Group entities to which these balances relate.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**1,831**	93,794	**16,811**	14,374

The Group currently does not have a foreign currency hedging policy. However, the management will closely monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Foreign currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in RMB.

The following table details the Group's sensitivity to a 5% (2012: 5%) increase or decrease in HKD against RMB. 5% (2012: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate. A positive number below indicates an increase in post-tax loss with a 5% weakening of HKD (2012: 5%) against RMB. For a 5% (2012: 5%) strengthening of HKD against RMB, there would be an equal and opposite impact on the post-tax loss, and the balances below would be negative.

	2013 **HK$'000**	2012 HK$'000
Loss for the year	**749**	(3,971)

The exposure of foreign currency risk was reduced during the current year mainly due to the change of settlement currency in trade receivables from RMB to HKD in 2013.

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

Interest rate risk

The Group was exposed to fair value interest rate risk in relation to fixed-rate loan receivables and borrowings. Details of the loan receivables and borrowings are disclosed in notes 24 and 29 and respectively. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

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

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

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

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

The Company reviews the recoverable amount of amounts due from subsidiaries at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk of approximately 100% (2012: 100%) of the total revenue, being fees income from providing management services, was due from the Group's sole customer in the PRC, Shenzhen Careall.

The Group's concentration of credit risk by geographical locations is in the PRC, which accounted for 100% (2012: 100%) of the total trade receivables as at 31 March 2013.

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

Operational risk

The Group's exposure to operational risk is primarily attributable to heavy dependency on Shenzhen Careall, the sole customer of the Group in the PRC, to whom management services were provided.

The Group's total services provided to Shenzhen Careall amounted to approximately HK$162,011,000 (2012: approximately HK$118,292,000) which accounted for approximately 100% (2012: 100%) of the Group's total turnover for the year ended 31 March 2013. The directors are closely monitoring the performance and financial position of Shenzhen Careall and are planning to expand its management services to other customers to reduce the concentration of the operational risk.

Liquidity risk

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

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

Liquidity risk tables

The Group

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2013							
Non-derivative financial liabilities							
Other payables	**–**	**17,356**	**–**	**–**	**–**	**17,356**	**17,356**
		17,356	**–**	**–**	**–**	**17,356**	**17,356**

	Weighted average effective interest rate	Less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	More than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2012							
Non-derivative financial liabilities							
Other payables	–	8,135	–	–	–	8,135	8,135
Borrowings	1.00%	–	–	–	8,910	8,910	8,800
Convertible bonds	11.52%	–	–	–	8,000	8,000	6,084
		8,135	–	–	16,910	25,045	23,019

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair values

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

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

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

7. TURNOVER

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

	2013	2012
	HK$'000	HK$'000
Management fee income	**171,640**	125,734
Less: PRC business tax and levies	**(9,629)**	(7,442)
	162,011	118,292

According to the management agreement and in the event that the guaranteed profit during the first relevant period, the second relevant period or the third relevant period is not met, the Shenzhen Careall undertakes to pay to the Group for the shortfall amount of the management fee receivable during the first relevant period, the second relevant period or the third relevant period.

Included in the management fee income, the shortfall amount undertakes by the Shenzhen Careall was approximately HK$171,640,000 (2012: approximately HK$83,629,000) for the year ended 31 March 2013.

8. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the board of directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

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

(a) Provision of management services

(b) Investment in financial and investment products

Segment of the manufacture and trading of ceramic sewage materials was discontinued in the previous year. The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 16.

8. SEGMENT INFORMATION *(continued)*

Segment revenue and results

The followings is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 March

	Provision of management services		Investment in financial and investment products		Total	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
SEGMENT REVENUE:						
External sales	**162,011**	118,292	**–**	–	**162,011**	118,292
Investment income	**–**	–	**–**	–	**–**	–
	162,011	118,292	**–**	–	**162,011**	118,292
SEGMENT RESULTS	**(104,577)**	(102,499)	**–**	–	**(104,577)**	(102,499)
Unallocated corporate income					**1,690**	22,099
Unallocated corporate expenses					**(11,183)**	(16,108)
Finance costs					**(161)**	(7,073)
Loss before taxation (continuing operations)					**(114,231)**	(103,581)

Segment revenue reported above represents revenue generated from external customer. There were no inter-segment sales in the current year (2012: Nil).

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

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

As at 31 March

	Provision of management services		Investment in financial and investment products		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS						
Segment assets	**395,789**	491,025	**–**	–	**395,789**	491,025
Assets relating to ceramic sewage materials operation (now discontinued)					**–**	3,100
Unallocated segment assets					**37,867**	9,748
Consolidated assets					**433,656**	503,873
LIABILITIES						
Segment liabilities	**16,682**	7,054	**–**	–	**16,682**	7,054
Liabilities relating to ceramic sewage materials operation (now discontinued)					**–**	10,439
Unallocated segment liabilities					**75,017**	47,398
Consolidated liabilities					**91,699**	64,891

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

- all assets are allocated to reportable segments, other than bank balances and cash, loan receivables and certain other receivables which are not able to be allocated into reportable segments.

- all liabilities are allocated to reportable segments, other than income tax payables and certain other payables which are not able to be allocated into reportable segments.

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 March

	Provision of management services		Investment in financial and investment products		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
OTHER SEGMENT INFORMATION:						
Amounts included in the measure of segment profit or loss or segment asset:						
Amortisation of intangible asset	**32,713**	43,806	**–**	–	**32,713**	43,806
Impairment loss on intangible asset	**233,465**	175,799	**–**	–	**233,465**	175,799
Impairment loss on trade receivables	**396**	–	**–**	–	**396**	–
Amounts regularly provided to the chief operation decision maker but not included in measurement of segment profit or loss or segment assets:						
Impairment loss on loan receivables	**–**	–	**–**	1,585	**–**	1,585
Interest income	**–**	–	**(96)**	(1,611)	**(96)**	(1,611)
Finance costs	**161**	7,073	**–**	–	**161**	7,073
Income tax expense	**42,910**	13,954	**–**	–	**42,910**	13,954

Geographical information

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

	Revenue from external customer		Non-current assets*	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
The PRC	**162,011**	118,292	**144,764**	402,650
Hong Kong	**–**	–	**406**	988
	162,011	118,292	**145,170**	403,638

* *Non-current assets excluding those relating to ceramic sewage materials operation.*

Information on major customer

Revenue arising from provision of management services of approximately HK$162,011,000 (2012: HK$118,292,000) arose from services to the Group's sole customer. No other customers contributed to the Group's revenue from continuing business for both 2013 and 2012.

9. OTHER INCOME

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest income	**96**	1,611
Sundries	**4**	3
	100	1,614

10. OTHER GAINS AND LOSSES

	Notes	2013 HK$'000	2012 HK$'000
Continuing operations			
Gain on redemption of convertible bonds	*11*	**1,590**	20,480
Impairment loss on intangible asset	*20*	**(233,465)**	(175,799)
Impairment loss on goodwill		**–**	(13)
Impairment loss on trade receivables	23(a)	**(396)**	–
Impairment loss on loan receivables		**–**	(1,585)
Loss on disposal of subsidiaries	*31*	**–**	(9)
Net exchange gain		**–**	7,497
		(232,271)	(149,429)

11. GAIN ON REDEMPTION OF CONVERTIBLE BONDS

During the year ended 31 March 2013, the Company had redeemed the remaining part of the convertible bonds amounted to HK$8,000,000 (2012: HK$142,000,000). The total consideration paid to redeem the convertible bonds is allocated to liability and equity components at the date of redemption. The difference between the consideration allocated to the liability component and its carrying value at the date of redemption is recognised in profit or loss. The amount of consideration allocated to the equity component is recognised in equity.

The redemption results in gain of approximately HK$1,590,000 (2012: HK$20,480,000) and a decrease of HK$3,362,000 (2012: HK$59,672,000) in the equity component of convertible bonds.

12. FINANCE COSTS

	2013 **HK$'000**	2012 HK$'000
Continuing operations		
Imputed interest expenses on convertible bonds *(Note 33)*	**144**	7,073
Interest on borrowings	**17**	–
	161	7,073

13. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

	2013 **HK$'000**	2012 HK$'000
PRC Enterprise Income Tax ("EIT")		
– Current	**42,910**	31,433
– Over provision in prior years	**–**	(17,479)
	42,910	13,954

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years. No provision for Hong Kong Profits Tax had been made as the Group did not generate any assessable profits in Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% for both years.

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

13. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS) *(continued)*

	2013 **HK$'000**	2012 HK$'000
Loss before taxation (from continuing operations)	**(114,231)**	(103,581)
Taxation at domestic income tax rate of 25% (2012: 25%)	**(28,558)**	(25,895)
Tax effect of expenses not deductible for tax purpose	**72,655**	64,680
Tax effect of income not taxable for tax purpose	**(1,294)**	(7,397)
Tax effect of deductible temporary differences not recognised	**126**	(11)
Utilisation of tax losses previously not recognised	**(29)**	–
Tax effect of tax losses not recognised	**10**	56
Over provision in prior years	**–**	(17,479)
Tax expense for the year	**42,910**	13,954

At 31 March 2013, the Group had unused estimated tax losses of approximately HK$108,537,000 (2012: HK$122,057,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The estimated tax losses may be carried forward indefinitely.

14. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2013 **HK$'000**	2012 HK$'000
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs (including directors' emoluments)		
Salaries and allowances	**3,623**	4,485
Retirement benefits scheme contributions	**52**	70
	3,675	4,555
Amortisation of intangible asset (included in cost of sale)	**32,713**	43,806
Auditor's remuneration	**350**	350
Depreciation of property, plant and equipment	**582**	318
Operating lease charges in respect of rented premises	**2,919**	1,857
Net exchange gain	**–**	(7,497)

15. EMOLUMENTS FOR DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2012: twelve) directors, were as follows:

For the year ended 31 March 2013

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Yau Yan Ming Raymond	–	650	15	665
Mr. Wong Ka Chun Carson[1]	–	360	13	373
Mr. Zha Jian Ping[9]	–	636	–	636
Mr. Ji Peng[2]	–	201	–	201
Mr. Shi Yanmin[3]	–	94	–	94
Non-executive directors:				
Ms. Qi Yue[4]	–	268	–	268
Mr. Wang Chuntian[5]	–	16	–	16
Independent non-executive directors:				
Mr. Lam Tze Chung	144	–	–	144
Mr. Wu Ka Ho Stanley[11]	144	–	–	144
Mr. Yue Laiqun[11]	144	–	–	144
	432	2,225	28	2,685

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

(a) Directors' emoluments *(continued)*

For the year ended 31 March 2012

Name of Directors	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors:				
Mr. Chan Wai Keung[6]	–	310	6	316
Mr. Yau Yan Ming Raymond	–	748	12	760
Mr. Yang Bin[7]	–	405	6	411
Mr. Li Wen Jun[8]	–	364	6	370
Mr. Wong Ka Chun Carson[1]	–	476	12	488
Mr. Zha Jian Ping[9]	–	371	–	371
Ms. Qi Yue[4]	–	301	–	301
Independent non-executive directors:				
Mr. Wu Tak Lung[10]	92	–	–	92
Mr. Chang Kin Man[8]	56	–	–	56
Mr. Lam Tze Chung	144	–	–	144
Mr. Wu Ka Ho Stanley[11]	52	–	–	52
Mr. Yue Laiqun[11]	52	–	–	52
	396	2,975	42	3,413

1. Resigned on 4 February 2013
2. Appointed on 10 September 2012
3. Appointed on 4 February 2013
4. Appointed as executive director on 26 August 2011 and re-designed as non-executive director on 10 September 2012
5. Appointed on 20 February 2013
6. Resigned on 26 August 2011
7. Retired on 16 September 2011
8. Resigned on 19 September 2011
9. Appointed on 26 August 2011
10. Resigned on 22 November 2011
11. Appointed on 22 November 2011

There was no arrangement under which directors waived or agreed to waive any emoluments during both years.

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

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

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, four (2012: four) were directors of the Company whose emoluments are included in the disclosures in note 15(a) above. The emoluments of the remaining one (2012: one) individual were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**364**	427
Retirement benefits scheme contributions	**15**	12
	379	439

The emoluments were within the following bands:

	Number of employees	
	2013 HK$'000	2012 HK$'000
Nil to HK$1,000,000	**1**	1

No emoluments have been paid by the Group to the directors of the Company or the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2013 and 2012.

16. DISCONTINUED OPERATIONS

Disposal of ceramic sewage materials manufacturing and trading operations

On 9 December 2011, the Board of Directors announced that the Group entered into the sale and purchase agreement to dispose of 100% equity interest of Plenty One Limited and its subsidiary, which engaged in ceramic sewage materials manufacturing and trading operations, to an independent third party at the consideration of HK$6,500,000. The disposal was completed on 14 August 2012, on which date control of ceramic sewage materials manufacturing and trading operations passed to the acquirer.

(a) Analysis of profit (loss) for the year from discontinued operations

The combined results up to the date of disposal from the discontinued operations (i.e. ceramic sewage materials business) included in the consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

Profit (loss) for the year from discontinued operations

	2013 HK$'000	2012 HK$'000
Turnover	**–**	–
Cost of sales	**–**	–
Administrative expenses	**(4)**	(7,555)
Finance cost	**–**	(447)
	(4)	(8,002)
Gain on disposal of subsidiaries *(see note 16(c))*	**13,705**	–
	13,701	(8,002)
Loss attributable to non-controlling interests	**–**	40
Profit (loss) for the year from discontinued operations (attributable to owners of the Company)	**13,701**	(7,962)
Profit (loss) for the year from discontinued operations included the following:		
Depreciation and amortisation	**–**	257
Impairment loss on property, plant and equipment	**–**	5,654
Impairment loss on trade receivables	**–**	708
Impairment loss on other receivables	**–**	604
Impairment loss on deposits and prepayments	**–**	145
Cash flows from discontinued operations		
Net cash inflows from operating activities	**–**	219
Net cash outflows from financing activities	**–**	(273)
Effect of foreign exchange rate changes	**–**	54
Net cash outflows	**–**	–

16. DISCONTINUED OPERATIONS *(continued)*

Disposal of ceramic sewage materials manufacturing and trading operations *(continued)*

(b) Analysis of asset and liabilities over which control was lost

	HK$'000
Assets	
Property, plant and equipment	391
Prepaid lease payments	2,701
	3,092
Liabilities	
Trade and other payables	5,737
Income tax payable	391
Borrowings	4,286
	10,414
Net liabilities disposed of	(7,322)

(c) Gain on disposal of subsidiaries

	HK$'000
Consideration received	6,500
Net liabilities disposal of	7,322
Cumulative exchange differences in respect of the net liabilities of subsidiaries reclassified from equity to profit or loss on loss of control of subsidiaries	(117)
	13,705

(d) Net cash inflow on disposal of subsidiaries

	HK$'000
Total cash consideration received	6,500
Less: cash and cash equivalent balances disposed of	–
	6,500

17. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2013, nor has any dividend been proposed since the end of the reporting period (2012: Nil).

18. LOSS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to owners of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Loss		
Loss for the purpose of basic loss per share (Loss for the year attributable to owners of the Company)	**(143,440)**	(125,487)
Number of shares	**'000**	'000 (restated)*
Weighted average number of ordinary shares for the purpose of basic loss per share	**866,584**	672,796
Effect of dilutive potential ordinary shares:		
Convertible bonds	**–**	8,000
	866,584	680,796

* *being adjusted to reflect the effect of share consolidation in July 2012.*

The diluted loss per share for the continuing and discontinued operations is same as the basic loss per share for the continuing and discontinued operations as no potential ordinary shares outstanding in year 2013 and the dilutive potential ordinary shares were anti-dilutive in year 2012.

From continuing operations

The calculation of the basic loss per share from continuing operations attributable to owners of the Company is based on the following data:

Loss figures are calculated as follows:

	2013 HK$'000	2012 HK$'000
Loss for the year attributable to owners of the Company	**(143,440)**	(125,487)
Less: (Profit) loss for the year from discontinued operations	**(13,701)**	7,962
Loss for the purpose of basic loss per share from continuing operations	**(157,141)**	(117,525)

The denominators used are the same as those detailed above for basic loss per share and diluted loss per share for the continuing operations is same as the basic loss per share for the continuing operations as no potential ordinary shares outstanding in year 2013 and the dilutive potential ordinary shares were anti-dilutive in year 2012.

18. LOSS PER SHARE *(continued)*

From discontinued operations

For the year ended 31 March 2013, the basic earnings per share for the discontinued operations is HK1.58 cents per share and the diluted earnings per share are the same as basic earnings per share because the Company has no potential ordinary shares outstanding.

For the year ended 31 March 2012, the basic loss per share for the discontinued operations is HK1.18 cents (as restated) and the diluted loss per share for the discontinued operations is same as the basic loss per share as the dilutive potential ordinary shares were anti-dilutive.

19. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2011	6,547	1,006	223	119	–	7,895
Additions	–	–	212	–	1,039	1,251
Exchange realignment	202	31	2	4	–	239
Elimination on reclassification as held for sale	(6,749)	(1,037)	(55)	(123)	–	(7,964)
At 31 March 2012, 1 April 2012 and 31 March 2013	–	–	382	–	1,039	1,421
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2011	522	1,006	136	61	–	1,725
Depreciation provided for the year	168	–	54	17	271	510
Impairment loss recognised in the year	5,587	–	25	42	–	5,654
Exchange realignment	81	31	1	3	–	116
Elimination on reclassification as held for sale	(6,358)	(1,037)	(54)	(123)	–	(7,572)
At 31 March 2012 and 1 April 2012	–	–	162	–	271	433
Depreciation provided for the year	–	–	63	–	519	582
At 31 March 2013	–	–	225	–	790	1,015
NET CARRYING VALUES						
At 31 March 2013	–	–	157	–	249	406
At 31 March 2012	–	–	220	–	768	988

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

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

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

20. INTANGIBLE ASSET

The Group

	Exclusive right	
	2013	2012
	HK$'000	HK$'000
COST		
At 1 April	**996,708**	966,992
Exchange realignment	**17,375**	29,716
At 31 March	**1,014,083**	996,708
ACCUMULATED AMORTISATION AND IMPAIRMENT		
At 1 April	**594,058**	360,903
Provided for the year	**32,713**	43,806
Impairment loss recognised in the year	**233,465**	175,799
Exchange realignment	**9,083**	13,550
At 31 March	**869,319**	594,058
CARRYING VALUES		
At 31 March	**144,764**	402,650

20. INTANGIBLE ASSET *(continued)*

The intangible asset represented the exclusive right derived from a management agreement ("**Management Agreement**") to receive management fee equivalent to 70% of the net profits of Shenzhen Careall Capital Investment Co., Ltd. ("**Shenzhen Careall**"), a company established in the PRC and being an independent third party of the Group. The intangible asset is amortised on straight-line basis over its estimated useful lives of 15 years.

The recoverable amount of the exclusive right has been determined on the basis of value-in-use calculation with reference to a valuation performed by an independent qualified valuer not connected to the Group. The value-in-use calculations were based on the cash flow projections of 12 years (2012: 13 years) approved by the management of the Company, a discount rate of 19.02% (2012: 18.98%) and a steady 3% (2012: 3%) growth rate. This rate is based on the relevant track record of Shenzhen Careall and does not exceed the average long-term growth rate for the relevant industry. Cash flow projections during the budget period for the exclusive right is based on the budgeted sales and expected realisable profit during the budget period and the similar quality of new investments during the budget period. Expected cash inflows/outflows, which include those from budgeted sales of listed securities, cost of acquiring new investment portfolio and other direct costs have been determined based on past performance and management's expectations for the market development.

The directors of the Company are of the opinion that the recoverable amount is less than its respective carrying amount as at 31 March 2013. Accordingly, an impairment loss of approximately HK$233,465,000 (2012: HK$175,799,000) was recognised.

21. GOODWILL

	The Group HK$'000
COST	
At 1 April 2011	31,329
Acquisition of additional interest in a subsidiary	13
At 31 March 2012 and 1 April 2012	31,342
Derecognised on disposal of a subsidiary	(31,342)
At 31 March 2013	–
IMPAIRMENT	
At 1 April 2011	31,329
Impairment loss recognised in the year	13
At 31 March 2012 and 1 April 2012	31,342
Derecognised on disposal of a subsidiary	(31,342)
At 31 March 2013	–
CARRYING VALUES	
At 31 March 2013	–
At 31 March 2012	–

21. GOODWILL *(continued)*

The goodwill was recognised on acquisitions of a subsidiary, Plenty One, which engaged in manufacturing and trading of ceramic sewage materials.

On 14 August 2012, the board of directors announced that the disposal of 100% equity interest of Plenty One was completed and the cost and the accumulated impairment loss of goodwill derecognised accordingly.

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

	2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**957,567**	957,575
Less: disposal of subsidiaries	**–**	(8)
	957,567	957,567
Less: impairment loss recognised	**(510,505)**	(384,161)
	447,062	573,406
Amounts due from subsidiaries	**211,909**	192,223
Less: impairment loss recognised	**(196,731)**	(187,726)
	15,178	4,497

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

Amounts due to subsidiaries are unsecured, interest-free and are not repayable within one year.

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

Details of the Company's principal subsidiaries at 31 March 2013 and 2012 are as follows:

Name of subsidiary	Form of business structure	Place/country of incorporation/ operations	Issued and fully paid share capital	Attributable equity interest held by the Company Directly		Indirectly		Principal activities
				2013	2012	**2013**	2012	
iMerchants Asia Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$6,001,000	**100%**	100%	**–**	–	Investment holdings, investments in financial and investment products and technology investment
China North Natural Gas Holdings Limited	Incorporated	Hong Kong	Ordinary shares HK$10	**100%**	100%	**–**	–	Inactive
Shine Gain Holdings Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$100	**100%**	100%	**–**	–	Investment holding
Plenty One Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$100	**–**	–	**–**	100%	Investment holding
Ping Xiang City San He Lian Chuang Water Technology Company Limited ("Ping Xiang San He") (萍鄉市三和聯創水務科技有限公司)	Incorporated	PRC	RMB6,500,000	**–**	–	**–**	100%	Manufacture and trading of ceramic sewage materials
Growwise Holdings Limited	Incorporated	BVI	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding
Top Connect Holdings Limited	Incorporated	BVI	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding
Supreme Luck International Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding and provision of management services
Great Knight Limited	Incorporated	BVI	Ordinary shares US$1	**100%**	100%	**–**	–	Investment holding
深圳華亞能源有限公司 (formerly known as "Shenzhen iMerchants Enterprise Management Consulting Company Limited (深圳菱控企業管理咨詢有限公司)")	Incorporated	PRC	RMB1,000,000	**–**	–	**100%**	100%	Provision of administrative services
All Profit Limited	Incorporated	Hong Kong	Ordinary shares HK$1	**100%**	100%	**–**	–	Provision of administrative services
Billion Top Global Investments Limited	Incorporated	BVI/Hong Kong	Ordinary shares US$100	**–**	–	**100%**	100%	Inactive
China Southwest Natural Gas Holdings Limited	Incorporated	Hong Kong	Ordinary shares HK$100	**–**	–	**–**	100%	Inactive
Care Asia Resource International Limited	Incorporated	Hong Kong	Ordinary shares HK$10,000	**–**	–	**100%**	51%	Inactive

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

(continued)

Certain subsidiaries sustained losses this year and prior years which caused the Company to perform an assessment of the recoverable amounts of investments in subsidiaries and amounts due from subsidiaries. The estimates of recoverable amounts were based on the net assets of the subsidiaries, determined by reference to the financial performance and financial position of the subsidiaries.

Based on this assessment, impairment loss of investments in subsidiaries and amounts due from subsidiaries amounted to HK$126,344,000 and HK$9,005,000 (2012: HK$131,940,000 and reversal of impairment of HK$5,550,000) were recognised respectively in the profit or loss for the year and the carrying amount of the investments in subsidiaries and amounts due from subsidiaries were written down by HK$510,505,000 and HK$196,731,000 (2012: HK$384,161,000 and HK$187,726,000) respectively at the end of the reporting period.

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

23. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables *(see note 23(a))*	**251,422**	88,375	**–**	–
Less: Impairment loss recognised	**(396)**	–	**–**	–
	251,026	88,375	**–**	–
Investment deposits *(see note 23(b))*	**16,250**	–	**16,250**	–
Other receivables	**8**	24	**8**	8
Prepayments and deposits *(see note 23(c))*	**2,214**	1,035	**–**	–
	269,498	89,434	**16,258**	8

(a) Trade receivables

Management fee receivables are due upon the presentation of invoices and the Group allows 180 days given to its customer.

The following is an aging analysis of the trade receivables presented based on the invoice date net of impairment loss at the end of the reporting period:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 180 days	**–**	–
181 to 365 days	**171,244**	79,782
Over 365 days	**79,782**	8,593
	251,026	88,375

23. TRADE AND OTHER RECEIVABLES *(continued)*

(a) Trade receivables *(continued)*

At 31 March 2013 and 2012, the aging analysis of trade receivables that were past due but not impaired are as follows:

	Total	Past due but not impaired >180 days
	HK$'000	HK$'000
2013	251,422	251,026
2012	88,375	88,375

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Balance at beginning of the year	**–**	1,437
Recognised during the year	**396**	708
Exchange realignment	**–**	52
Elimination on reclassification as held for sale	**–**	(2,197)
Balance at end of the year	**396**	–

The Group closely monitors the credit status and periodically reviewed the credit limits of the sole customer in accordance with the Group's credit policy.

The amount due from Shenzhen Careall was secured by a continuing personal guarantee of one of the beneficial owners of Shenzhen Careall together with the rights to dispose of the entire interest of Shenzhen Careall in the case of default of repayment.

After the end of the reporting period, the trade receivables of approximately HK$80,998,000 has been settled and the Board of Directors announced that the Management Agreement between Shenzhen Careall and Supreme Luck has been novated to another wholly owned subsidiary of the Company and that a sales and purchase agreement to dispose of the entire equity interest of Supreme Luck, including the trade receivables of approximately HK$159,422,000 (net of impairment loss of HK$159,026,000) has been entered with an independent third party. Please refer to note 39 "Events after the reporting period" for the details.

(b) Investment deposits

As at 31 March 2013, the investment deposits consist of a refundable deposit of HK$5,000,000 for the proposed acquisition of the entire interest in Careall International Energy Holding Company Limited (the "Target Company") and its subsidiaries which engaged in the business of exploring, developing, producing and acquiring natural oil and gas properties in the Republic of Kazakhstan (the "Proposed Acquisition"). Further details are set out in the announcement of the Company dated 26 February 2013.

23. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Investment deposits *(continued)*

Another refundable deposit of HK$11,250,000 was the earnest money which gives the rights to the Company for investigative studies on the potential projects related to pipeline transportation, storage and sales of natural oil in the African countries. The deposit has been fully refunded after the reporting period.

(c) Prepayment and deposits

Included in the prepayments and deposits were the amount of HK$1,249,000 (2012: HK$Nil) for purchasing the electronic devices paid in March 2013 with the total contract sum of approximately HK$5,002,000. The delivery date and the settlement of the remaining amount are still under negotiation with the supplier. The remaining balance of prepayment and deposits of HK$965,000 (2012: HK$1,035,000) is the rental and utilities deposits and prepayments for administrative expenses.

The directors of the Company consider that the carrying amount of trade and other receivables approximates their fair value.

24. LOAN RECEIVABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loan receivables	**2,800**	3,683	**2,800**	–
Loan interest receivables	**88**	–	**–**	–
	2,888	3,683	**2,800**	–

The loan receivables of HK$2,800,000 was advanced in March 2013, is unsecured and bearing interest of 1% per annum and repayable within one year and the remaining loan interest receivables of HK$88,000 was repayable within one year.

The directors of the Company consider that the carrying amount of loan receivables approximates their fair value.

25. BANK BALANCES AND CASH

The Group and the Company

Bank balances and cash carrying interest at approximately ranging from 0% to 0.35% (2012: 0% to 2.4%) per annum.

26. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

As described in note 16, the Group has completed the disposal of discontinued operations on 14 August 2012 and there are no assets and liabilities being classified as held for sales in 2013. The assets and liabilities that classified as held for sale in 2012 (relating to the assets and liabilities of discontinued ceramic sewage materials manufacturing and trading operations) were as follows:

	2013 **HK$'000**	2012 HK$'000
Assets related to ceramic sewage materials business	–	3,100
Liabilities directly associated with assets classified as held for sale	–	10,439

	2013 **HK$'000**	2012 HK$'000
Property, plant and equipment	–	392
Prepaid lease payments	–	2,708
Assets classified as held for sale	–	3,100
Trade and other payables	–	3,024
Income tax payable	–	392
Amount due to a non-controlling shareholder of a subsidiary	–	2,726
Borrowings	–	4,297
Liabilities directly associated with asset classified as held for sale	–	10,439
Net liabilities of ceramic sewage materials business	–	(7,339)

27. OTHER PAYABLES

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accrued expenses	**455**	850	**353**	522
Deferred rental expenses	**82**	223	**–**	–
Others	**136**	8	**–**	–
PRC business tax and levies payables *(note)*	**16,683**	7,054	**–**	–
	17,356	8,135	**353**	522

Note: The PRC business tax and levies payables included business tax, urban maintenance and construction tax, education surcharge, local education surcharge and flood construction management fee.

28. INCOME TAX PAYABLES

Current income tax payables in the consolidated statement of financial position represent:

	The Group	
	2013	2012
	HK$'000	HK$'000
Provision for profits tax for the year	**42,910**	31,433
Balance of profits tax provision relating to prior years	**31,433**	–
	74,343	31,433

29. BORROWINGS

	The Group and the Company	
	2013	2012
	HK$'000	HK$'000
Borrowings	**–**	8,800
Secured	**–**	–
Unsecured	**–**	8,800
	–	8,800
Carrying amount repayable		
Within one year	**–**	–
More than one year, but not exceeding two years	**–**	8,800
More than two years, but not more than five years	**–**	–
	–	8,800
Less: Amounts shown under current liabilities	**–**	–
	–	8,800

30. SHARE CAPITAL

	Notes	Number of ordinary shares of HK$0.04 each '000	Number of ordinary shares of HK$0.004 each '000	Number of ordinary shares of HK$0.1 each '000	Amount HK$'000
Authorised					
At 1 April 2011, 31 March 2012 and 1 April 2012		30,000,000	–	–	1,200,000
Capital reduction	*(b)*	(30,000,000)	30,000,000	–	(1,080,000)
Share consolidation	*(b)*	–	(30,000,000)	1,200,000	–
Increase in authorised capital	*(c)*	–	–	8,800,000	880,000
At 31 March 2013		–	–	10,000,000	1,000,000
Issued and fully paid					
At 1 April 2011		11,935,080	–	–	477,403
Conversion of convertible preference shares	*(a)*	7,146,195	–	–	285,848
At 31 March 2012 and 1 April 2012		19,081,275	–	–	763,251
Capital reduction	*(b)*	(19,081,275)	19,081,275	–	(686,926)
Share consolidation	*(b)*	–	(19,081,275)	763,251	–
Issue of shares by placing for cash	*(d)*	–	–	295,590	29,559
At 31 March 2013		–	–	1,058,841	105,884

Notes:

(a) During the year ended 31 March 2012, 7,146,194,600 non-redeemable convertible preference shares were converted into ordinary shares of HK$0.04 each.

(b) On 26 June 2012, the special resolution for capital reduction, the confirming order and the minutes in relation thereto were submitted for registration with the Companies Registrar and on 29 June 2012, the Companies Registrar confirmed to the Company that the abovementioned documents were duly registered with effect from 26 June 2012. As a result, the effective date of the capital reduction falls on 26 June 2012 and the par value of each issued share of HK$0.04 to be reduced to HK$0.004. The credit arising from such reduction was applied towards cancelling the accumulated deficit of approximately HK$347,644,000 of the Company with the balance of approximately HK$339,282,000 to be transferred to the share premium account of the Company. After the capital reduction becoming effective from 26 June 2012, every twenty-five issued shares of HK$0.004 each was consolidated into one consolidated share of HK$0.10 each with effect from 12 July 2012.

(c) On 12 July 2012, the authorised share capital and authorised non-redeemable convertible preference shares have been increased by 8,800,000,000 and 4,200,000,000 new shares of HK$0.1 each respectively.

(d) The Company has issued and allotted 145,590,000 new shares of HK$0.10 each at HK$0.11 per share and 150,000,000 new shares of HK$0.10 each at HK$0.171 by placing on 21 August 2012 and 25 February 2013 respectively.

31. LOSS ON DISPOSAL OF SUBSIDIARIES

For the year ended 31 March 2012, the Group disposed of its entire interests in iMerchants Consulting Limited and iMerchants Services Limited. The net assets of the subsidiaries at the date of disposal are as follows:

	iMerchants Consulting Limited HK$'000	**iMerchants Services Limited** HK$'000	**Total** HK$'000
Net assets disposal of:			
Other receivables	17	–	17
Net assets	17	–	17
Loss on disposal	(17)	8	(9)
Total consideration	–	8	8

32. NON-REDEEMABLE CONVERTIBLE PREFERENCE SHARES

	Notes	**Number of ordinary shares of HK$0.04 each** '000	**Number of ordinary shares of HK$0.004 each** '000	**Number of ordinary shares of HK$0.1 each** '000	**Amount** HK$'000
Authorised					
At 1 April 2011, 31 March 2012 and 1 April 2012		20,000,000	–	–	800,000
Capital reduction	*30(b)*	(20,000,000)	20,000,000	–	(720,000)
Share consolidation	*30(b)*	–	(20,000,000)	800,000	–
Increase in authorised capital	*30(c)*	–	–	4,200,000	420,000
31 March 2013		–	–	5,000,000	500,000
At 1 April 2011		7,146,195	–	–	285,848
Conversion of convertible preference shares	*30(a)*	(7,146,195)	–	–	(285,848)
At 31 March 2012, 1 April 2012 and 31 March 2013		–	–	–	–

33. CONVERTIBLE BONDS

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

During the year ended 31 March 2013, the Company had redeemed the remaining part of the convertible bonds amounting to HK$8,000,000.

During the year ended 31 March 2012, the Company had redeemed part of the convertible bonds amounting to HK$142,000,000.

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

The movements of CB are as follows:

	Liability component HK$'000	**Equity component** HK$'000	**Total** HK$'000
1 April 2011	101,819	63,034	164,853
Imputed interest charged for the year *(Note 12)*	7,073	–	7,073
Redemption during the year	(102,808)	(59,672)	(162,480)
At 31 March 2012 and 1 April 2012	6,084	3,362	9,446
Imputed interest charged for the year *(Note 12)*	144	–	144
Redemption during the year	(6,228)	(3,362)	(9,590)
At 31 March 2013	–	–	–

34. RESERVES

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Contributed surplus HK$'000	Special capital reserve HK$'000	Equity component of convertible bonds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2011	40,095	3,297	31,104	50,587	63,034	(347,644)	(159,527)
Total comprehensive expenses for the year	–	–	–	–	–	(113,401)	(113,401)
Issuance of shares upon conversion of non-redeemable convertible preference shares	(10,005)	–	–	10,005	–	–	–
Redemption of convertible bonds	–	–	–	–	(59,672)	–	(59,672)
At 31 March 2012 and 1 April 2012	**30,090**	**3,297**	**31,104**	**60,592**	**3,362**	**(461,045)**	**(332,600)**
Total comprehensive expenses for the year	**–**	**–**	**–**	**–**	**–**	**(136,943)**	**(136,943)**
Transfer to share premium	**686,926**	**–**	**–**	**–**	**–**	**–**	**686,926**
Elimination of accumulated losses as at 31 March 2011 against share premium	**(347,644)**	**–**	**–**	**–**	**–**	**347,644**	**–**
Issue of shares by placing	**12,106**	**–**	**–**	**–**	**–**	**–**	**12,106**
Transaction costs attributable to issue of shares by placing	**(345)**	**–**	**–**	**–**	**–**	**–**	**(345)**
Redemption of convertible bonds	**–**	**–**	**–**	**–**	**(3,362)**	**–**	**(3,362)**
At 31 March 2013	**381,133**	**3,297**	**31,104**	**60,592**	**–**	**(250,344)**	**225,782**

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

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

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

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

In the opinion of the Directors of the Company, at 31 March 2013, no reserves available for distribution to shareholders pursuant to the Hong Kong Companies Ordinance (2012: HK$Nil).

35. SHARE OPTION SCHEMES

2011 Share Option Scheme

Under the 2011 Share Option Scheme, the Board of Directors of the Company may grant share options at a consideration of HK$10 for each lot of share option granted to:

(a) employees of the Group; or

(b) Directors (including any executive, non-executive and independent non executive Directors (where applicable)) of the Company; or

(c) substantial shareholders of each member of the Company; and

(d) any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group (all of which to be referred as "**Participant**").

The purpose of the 2011 Share Option Scheme is to provide the people and the parties working for the interests of the Company with an opportunity to obtain an equity interest in the Company, thus linking their interest with the interests of the Company and thereby providing them with an incentive to work better for the interests of the Company.

An option may be exercised in whole or in part in accordance with the terms of the 2011 Share Option Scheme at any time during a period to be notified by the Board to each grantee provided that the period within which the shares may be taken up under the option must not be more than 10 years from the date of offer of the option. The subscription price will not be less than the highest of the following:

(a) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of an option which must be a business day;

(b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five consecutive business days immediately preceding the date of offer; and

(c) the nominal value of the share.

The maximum number of shares which may be issued under the 2011 Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue from time to time. No option may be granted under the 2011 Share Option Scheme or any other share option schemes if this will result in the said limit being exceeded.

The Company may seek approval of its shareholders in general meeting to renew the Scheme Mandate Limit provided that the total number of shares in respect of which options may be granted under the 2011 Share Option Scheme and any other share option schemes of the Company shall not exceed 10% (the "**Renewal Limit**") of the issued share capital of the Company at the date of approval to renew such limit. The 2011 Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the 2011 Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Renewal Limit.

35. SHARE OPTION SCHEMES *(continued)*

2011 Share Option Scheme *(continued)*

The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted pursuant to the 2011 Share Option Scheme and any other share option schemes of the Company to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of shares in issue (the "**Individual Limit**"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be subject to the approval of the shareholders in general meeting at which such Participant and his associates must abstain from voting.

The 2011 Share Option Scheme will expire on 11 December 2021.

There has been no option outstanding under 2011 Share Option Scheme as at 31 March 2013 and 2012.

36. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years. Rental was fixed at the inception of the lease.

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Within one year	**1,378**	3,064
In the second to fifth years inclusive	**–**	1,378
	1,378	4,442

37. RETIREMENT BENEFIT SCHEMES

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

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

The retirement benefits costs charged to the consolidated statement of comprehensive income amounted to approximately HK$52,000 (2012: HK$70,000). The retirement benefits costs charged to consolidated statements of comprehensive income represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

38. RELATED PARTY DISCLOSURES

During the year, the Group had a transaction with a related party. The details of the transactions with the related party are as follows:

(a) Transaction with/amount due from a related party

On 26 February 2013, the Company entered into Memorandum of Understanding (the "**MOU**") with Mr. Shi Yanmin being the Chairman and an executive director of the Company and Mr. Zhao Jiangtao (the "**Proposed Vendors**"). Pursuant to the MOU, the Company will acquire the entire issued share capital of the Target Company which carries on natural oil related business with proposed aggregate consideration of US$19,800,000. A refundable deposit of HK$5,000,000 has been paid by the Company to the Target Company for the Proposed Acquisition.

For the year ended 31 March 2013, the amount due from a related party amounted to HK$5,000,000 is included in "investment deposits" and interest free and secured by personal guarantee by the Proposed Vendors.

(b) Compensation of key management personnel

The emoluments of Directors and other members of key management of the Company during the year are disclosed in note 15 above.

39. EVENTS AFTER THE REPORTING PERIOD

Extension of exclusivity period in relation to the Memorandum of Understanding (the "MOU") in respect of the Proposed Acquisition

On 24 May 2013, the Board of Directors announced that the Company entered into a side letter with Mr. Shi Yanmin being the Chairman and an executive director of the Company and Mr. Zhao Jiangtao (the "**Proposed Vendors**"). Pursuant to the side letter, the parties mutually agreed to extend the exclusivity period of the MOU in respect of the Proposed Acquisition for an additional period of three months from the date of the side letter, i.e. up to an inclusive of 24 August 2013.

Novation of Management Agreement and disposal of Supreme Luck

On 20 June 2013, the Board of Directors announced the novation of management agreement by terminating the Management Agreement and entering a new management agreement from Supreme Luck to another wholly-owned subsidiary of the Company and that it had entered into a sales and purchase agreement with an independent third party (the "**Purchaser**") pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase inter alia, the entire equity interest of Supreme Luck, which includes the trade receivables of HK$159,422,000 (net of impairment loss of HK$159,026,000) and income tax payables and other tax payables of HK$91,026,000 at the consideration of HK$68,000,000. Please refer to the announcement of the Company on 20 June 2013.

40. COMPARATIVES FIGURES

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

FINANCIAL SUMMARY

For the year ended 31 March

RESULTS

	Year ended 31 March				
	*2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Continuing operations					
Turnover	1,637	8,595	109,008	118,292	**162,011**
Cost of sales	(1,472)	(29,637)	(62,875)	(43,806)	**(32,713)**
Gross profit (loss)	165	(21,042)	46,133	74,486	**129,298**
Other operating income	10,374	2,115	3,243	29,591	**1,690**
Impairment loss on intangible asset	–	–	(271,168)	(175,799)	**(233,465)**
Administrative expenses	(7,988)	(12,177)	(9,936)	(23,179)	**(11,197)**
Other expenses	(202)	(55,739)	(40,752)	(1,607)	**(396)**
Profit (loss) from operations	2,349	(86,843)	(272,480)	(96,508)	**(114,070)**
Finance costs	(106)	(5,923)	(13,666)	(7,073)	**(161)**
Profit (loss) from ordinary activities before tax	2,243	(92,766)	(286,146)	(103,581)	**(114,231)**
Income tax expense	–	(390)	(28,397)	(13,954)	**(42,910)**
Profit (loss) for the year from continuing operations	2,243	(93,156)	(314,543)	(117,535)	**(157,141)**
Discontinued operations					
(Loss) profit before taxation from discontinued operations	–	–	(2,660)	(8,002)	**13,701**
Income tax expense	–	–	(99)	–	**–**
(Loss) profit for the year from discontinued operations	–	–	(2,759)	(8,002)	**13,701**
	2,243	(93,156)	(317,302)	(125,537)	**(143,440)**
Attributed to:					
– Owners of the Company	2,386	(92,503)	(316,804)	(125,487)	**(143,440)**
– Non-controlling interests	(143)	(653)	(498)	(50)	**–**
Net profit (loss) for the year	2,243	(93,156)	(317,302)	(125,537)	**(143,440)**

ASSETS AND LIABILITIES

	At 31 March				
	*2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000	**2013 HK$'000**
Total assets	184,769	986,247	752,293	503,873	**433,656**
Total liabilities	(6,118)	(132,545)	(146,514)	(64,891)	**(91,699)**
Net assets	178,651	853,702	605,779	438,982	**341,957**
Equity attributable to equity holders of the Company	177,500	853,191	605,752	438,987	**341,957**
Non-controlling interests	1,151	511	27	(5)	**–**
	178,651	853,702	605,779	438,982	**341,957**

* *The result for year 2009 has not been re-presented for the discontinued operation.*