中國金匯礦業有限公司

China Jin Hui Mining Corporation Limited

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 462

Annual Report 2009

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CORPORATE INFORMATION

Executive Directors

Ms. Chan Wai Kay Katherine *(Chairman)*

Mr. Jack Keen Chen *(Joint Chairman and Chief Executive Officer)*

Ms. Zuo Lihua

Independent Non-executive Directors

Mr. Lee Kin Keung*#

Mr. Stephen Bryden Kerr*#

Mr. Sze Cheung Hung*#

Ms. Chan Man Kuen Laura*#

* Audit committee members

\# Remuneration committee members

AUTHORISED REPRESENTATIVES

Ms. Chan Wai Kay Katherine

Mr. Navin K. Aggarwal

COMPANY SECRETARY

Mr. Navin K. Aggarwal

AUDITORS

SHINEWING (HK) CPA Limited

LEGAL ADVISER

Hong Kong

Kirkpatrick & Lockhart Preston Gates Ellis Solicitors

Cayman Islands

Conyers Dill & Pearman, Cayman

REGISTERED OFFICE

Century Yard, Cricket Square

Hutchins Drive

P.O. Box 2681GT

George Town, Grand Cayman

British West Indies

The Cayman Islands

CORPORATE INFORMATION

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 1910-1912, 19th Floor
Block B, MP Industrial Centre
18 Ka Yip Street, Chai Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town, Grand Cayman
The Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Shanghai Commercial Bank Limited
DBS Bank (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation

STOCK CODE

462

COMPANY WEBSITE

http://www.linfair.net
http://www.aplushk.com/clients/0462CJH/index.html

GROUP FINANCIAL SUMMARY

The following is a summary of the published results and of the assets, liabilities and minority interests of the Group for the five financial years ended 31 March 2009.

RESULTS

	Year ended 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**63,007**	89,064	297,802	209,922	810,861
Gross profit	**13,189**	18,495	31,972	33,909	90,186
(Loss) profit before income tax	**(127,260)**	(44,642)	(82,829)	(19,536)	45,457
Income tax (expenses) credit	**(352)**	78	(381)	67	(3,000)
(Loss) profit for the year	**(127,612)**	(44,564)	(83,210)	(19,469)	42,457

ASSETS AND LIABILITIES

	At 31 March				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**8,365**	49,046	19,558	26,316	4,359
Current assets	**26,136**	169,841	141,287	237,461	285,512
Current liabilities	**(30,215)**	(93,440)	(117,180)	(178,050)	(230,097)
Non-current liabilities	**(473)**	(121)	(230)	(653)	(377)
Equity attributable to equity shareholders of the Company	**3,813**	125,326	43,435	(85,074)	59,397

GROUP FINANCIAL SUMMARY

1. The Company was incorporated on 8 October 2002 in the Cayman Islands and became the holding company of the Group with effect from 18 May 2005 upon completion of the Reorganisation as set out in the Company's prospectus dated 27 May 2005.

2. The results of the Group for the five years ended 31 March 2009 and the balance sheets of the Group as at 31 March 2005 to 2009 have been prepared using the principles of merger accounting.

3. The above financial summary prior to 2005 has not been adjusted to take into account the effect on adoption of Hong Kong Financial Reporting Standards as the directors consider that it is not practicable to do so.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of China Jin Hui Mining Corporation Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 March 2009.

RESULTS AND SEGMENT ANALYSIS

The Group is principally engaged in the provision of engineering systems contracting and supporting services and sale of related consumables and spare parts.

During the year under review, the Group recorded a revenue of approximately HK$63.0 million (2008: HK$89.1 million), representing a decrease of approximately 29.3% against the prior year. In which, provision of engineering systems contracting and supporting services and the sales of consumables and spare parts accounted for approximately 86.1% (2008: 63.0%) and 13.9% (2008: 37.0%) respectively. Net loss attributable to shareholders amounted to approximately HK$127.6 million (2008: net loss HK$44.6 million). Basic loss per share for the year was HK$30.29 cents (2008: 11.2 cents).

BUSINESS REVIEW

In 2004 and 2005, system integration engineering projects on the optical compact disc storage media manufacturing industry led to the Group's explosive and impressive growth. After years of exponential growth, in later half of 2005, the optical compact disc storage media manufacturing industry was hit by two adverse factors, over-capacity resulted from the slowdown in growth of market demand and soaring raw material prices as a consequence of mounting commodity prices in the global market at the same time. The downturn of the market caused the Group suffered from a loss. Afterwards, the Group has successfully transformed itself from providing services of system integration engineering projects on optical compact disc storage media manufacturing industry into system integration engineering projects on audio visual and broadcasting systems. The Group provided large scale, outdoor and high definition display system for 2006 Italy Winter Olympics, 2008 Beijing Olympics and the casinos in Macau such as Wynn Macau and Venetian Macau. However, the profit margin in the projects on audio visual and broadcasting systems were low and cost incentive. In addition, certain old customers with long outstanding receivables failed to stick to their originally committed payment schedules and the Group had to make extraordinarily large provisions to a number of such debtors' accounts. The Group failed to turn loss into profit under the transformation.

CHAIRMAN'S STATEMENT

PROSPECTS

Given the continuous loss making operation in this industry, the Board has been seeking investment opportunities to broaden its income stream and to diversify the risk of reliance on single industry.

In view of the fact that the business of production, sale and distribution of livestock, milk fat solids and dairy related products in New Zealand are in demand at all times, the Board considers that the demand for such business will maintain its growth momentum. In view of the prospects of the business, the Company entered into the agreement as briefly outlined below.

On 22 May 2009, the Company, UBNZ Trustee Limited ("UTCL") and UBFM Funds Management Limited ("UBFM") entered into an agreement, pursuant to which (a) UTCL has conditionally agreed to dispose of and the Company has conditionally agreed to acquire the Sale Shares (representing 20% of the entire issued share capital of the UBNZ Assets Holdings Limited (a company established in New Zealand, legally and beneficially owned as to 10,000 shares, representing the entire issue capital of UBNZ Assets Holdings Limited, by UTCL) (the "Target") and the Debt at the consideration of NZ$100 million (equivalent to approximately HK$479.75 million) minus HK$1.00; and (b) in consideration of the sum of HK$1.00 paid by the Company to UTCL, UTCL has agreed to grant to the Company the right to require UTCL to sell to the Company or its nominee the Option Shares (representing 80% of the entire issued share capital of the Target) and the Outstanding Debt at the consideration of NZ$400 million (equivalent to approximately HK$1,919 million). Completion of the acquisition is conditional upon fulfillment of a number of conditions including complying with all necessary consents, approvals and authorizations including the Overseas Investment Process Office of New Zealand. The details of the proposed acquisition were disclosed in the announcement of the Company dated 4 June 2009.

The aforesaid acquisition is part of the Group's strategy to broaden its business scope and earning base as well as to diversify its risks from concentrating on the existing businesses. As at the date of this report, the said acquisition has not been completed yet. A circular in relation to the acquisition will be dispatched to shareholders as soon as practicable.

The completion of the aforesaid acquisition will provide the Group with an immediate stream of revenue and cash flow, and also brings in a team of experts in the new business. The Board is confident that the investment will produce considerable return to the Group in the future.

CHAIRMAN'S STATEMENT

OTHERS

Reference is also made to the clarification announcement of the Company dated 15 May 2009 clarifying that Qingdao Yongxinhui Mining Company Limited ("Qingdao Yongxinhui") and its subsidiaries (the "Target Group") were not qualified to be subsidiaries of the Group. As the Company had a service agreement with Citywin Pacific Limited ("Citywin") for provision of various services in relation to the mining business of the Group. Initially, the Board believed that Citywin would act in good faith for the agreed services and also ensure all necessary procedures in assisting the Group to obtain the financial and operating controls of the Target Group would be properly done. However, after the Board's due and careful enquiries and clarifications, it was noted that the Group had not obtained any financial and operating controls in the Target Group. Accordingly, the Board considered that the Group should not consolidate the results, assets and liabilities of the Target Group in the interim results of the Group as at 30 September 2008, as the Group had no controls in the Target Group under the Hong Kong Accounting Standards 27 "Consolidated and Separate Financial Statements". On 12 June 2009, Citywin made a claim against the Company. The Company is currently in the process of instructing solicitors to deal with the claim. The details of this regard were disclosed in the announcement of the Company dated 12 June 2009.

APPRECIATION

Finally, on behalf of the Board, I would like to express my heartfelt thanks to our shareholders, customers for their enduring support and to all my colleagues for their dedication and hard work throughout the year. Your dedication and involvement are the most valuable asset for the growth of the Group.

Chan Wai Kay Katherine
Chairman

3 July 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL AND OPERATING HIGHLIGHTS

- Revenue of the Group for 2009 was HK$63.0 million, representing a decrease of HK$26.1 million (or 29.3%) over 2008.

- Loss attribute to equity shareholders of the Company 2009 was HK$127.6 million, representing an increase 83.0 million (or 186.1%) over 2008.

- Basic loss per share for 2009 was HK$30.29 cents, representing an increase of HK$19.09 cents (or 170.4%) over 2008.

- Total assets decreased from HK$218 million to HK$34.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

	Note	**2009**	2008	**Changed**	
		HK$'000	HK$'000	HK$'000	%
Turnover	1				
Provision of engineering systems contracting services		**54,242**	56,110	(1,860)	-3%
Sales of consumables and spare parts		**8,765**	32,954	(24,189)	-73%
		63,007	89,064	(26,057)	-29.3%
Gross profit	1	**13,189**	18,495	(5,306)	-28.7%
Other income	2	**5,534**	7,879	(2,345)	-29.8%
Gain on disposal of a subsidiary	3	**4,813**	–	4,813	N/A
Selling and distribution expenses	4	**(1,501)**	(1,163)	(338)	29.1%
Administrative expenses	5				
– Equity-settled share-based payments		**(4,006)**	–	(4,006)	N/A
– Legal and professional fee		**(2,500)**	(8,000)	5,500	-62.5%
– Realised loss on trading securities		**–**	(1,184)	1,184	-100%
– Staff cost, excluding equity-settled share-based payments		**(17,522)**	(24,400)	6,878	-28.2%
– Others		**(16,879)**	(18,773)	1,894	-10.1%
Impairment loss recognised in respect of inventories	6	**(2,901)**	(5,265)	2,364	-44.9%
Impairment loss recognised in respect of trade receivables	7	**(5,822)**	(10,103)	4,281	-42.4%
Impairment loss recognised in respect of other receivables	8	**(61,563)**	(1,564)	(59,999)	3,836.3%
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	9	**(30,000)**	–	(30,000)	N/A
Impairment loss recognised in respect of property, plant and equipment	10	**(8,102)**	–	(8,102)	N/A
Finance costs	11	**–**	(564)	564	-100%
Loss before income tax		**(127,260)**	(44,642)	(82,618)	185.1%

MANAGEMENT DISCUSSION AND ANALYSIS

Note:

1. **Turnover and gross profit:** Turnover comprises of provision of engineering system contracting services and sales of consumables and spare parts. The project completed in 2009 was mainly for the 2008 Beijing Olympic Game and the casinos in Macau. The gross profit margin maintained at a stabilized level when compared in 2009 and 2008 with the ratio of 20.93% and 20.77% respectively.

2. **Other income:** There was a written back of impairment loss made in respect of trade receivables amounting to approximately HK$3.8 million in 2009 which there was no such item in 2008. The decrease of other income was mainly due to the decrease of interest income, exchange gain and service income in 2009.

3. **Gain on disposal of a subsidiary:** In 2009, the Group disposed a subsidiary, Linfair Engineering Company Limited ("LEC"), at a consideration of HK$2 million and generated a gain of approximately HK$4.8 million which there was no such item in 2008.

4. **Selling and distribution expenses:** The increase in 2009 was mainly due to increase of entertainment and miscellaneous expenditure for projects.

5. **Administrative expenses:** The increase in equity-settled share-based payments was mainly due to the fair value as assessed by independent valuer for the Company issued share options under Share Option Schemes to its employees and consultants in February 2009. The substantial decrease in legal and professional fee in 2009 was mainly due to the Company appointed the professional to conduct independent investigation and the internal control risk assessment of the Group in 2008. The decrease in realised loss on trading securities was mainly due to all trading securities were sold in 2008. The decrease in staff cost was mainly due to the number of staff employed reduced in 2009. The decrease in other administrative expenses was due to the effective of the cost control procedure taken by the Group.

6. **Impairment loss recognised in respect of inventories:** The impairment loss recognised in respect of inventories was mainly due to the obsolescence.

7. **Impairment loss recognised in respect of trade receivables:** The trade receivables have been impaired and recognised as expenses after specific assessment to its recoverability of each trade receivables.

8. **Impairment loss recognised in respect of other receivables:** In 2009, the Group has made advancement to its target investee companies, Qingdao Yongxinhui and its subsidiaries, approximately HK$61.0 million and has been impaired after the assessment of the recoverability from the target investee companies.

9. **Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary:** The impairment loss recognised in 2009 was the HK$30 million deposit paid to Citywin to acquire Qingdao Yongxinhui.

10. **Impairment loss recognised in respect of property, plant and equipment:** In 2009, the Group acquired property, plant and equipment for the use of its mining business. As the Group abandon to entry mining business, the acquired property, plant and equipment has been impaired. Also, the LED board which acquired in previous years was impaired due to the expected generated cash flow reduced in line with the decreased of its market demand.

11. **Finance costs:** In 2008, the Group had some trade loan and instalment loan which have been fully settled and created interest cost of approximately HK$0.6 million which there was no such cost in 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

Segment Analysis

The Group is principally engaged in the provision of engineering systems contracting services and the sales of consumables and spare parts, as after sales services incidental and ancillary to the engineering systems. In 2009, provision of engineering systems contracting services (including consultancy services) and the sales of consumables and spare parts accounted for approximately 86.1% (2008: 63.0%) and 13.9% (2008: 37.0%) respectively.

LIQUIDITY AND FINANCIAL RESOURCES

The Group finances its operations through a combination of shareholders equity and internally generated cash flows. As at 31 March 2009, the Group had cash and cash equivalents and pledged deposits of approximately HK$11.1 million (31 March 2008: HK$89.3 million) which including HK$6.1 million, JPY1.3 million and RMB2.9 million.

The Group had nil interest-bearing bank borrowings as at 31 March 2009 and 2008.

As at 31 March 2009, the Group had current assets of approximately 26.1 million (31 March 2008: HK$169.8 million) and current liabilities of approximately 30.2 million (31 March 2008: HK$93.4 million).

CHARGED ON ASSETS

As at 31 March 2009, the banking facilities were secured by a bank deposits and leasehold properties of the Group of approximately HK$1.3 million and HK$1.8 million respectively.

FOREIGN EXCHANGE EXPOSURE

The majority of the transactions of the Group are denominated in HKD, JPY, RMB, and USD. The Group has not entered into any financial instruments for the purpose of hedging against foreign exchange exposure involved in the Group's operations. However, the Group monitors its foreign exchange exposure by matching the timing of its trading receipts with payments. The Group also matches its selling currencies with its purchasing currencies.

CAPITAL COMMITMENTS

As at 31 March 2009, the Group had no material capital commitments (31 March 2008: HK$100 million).

CONTINGENT LIABILITIES

Details of the contingent liabilities of the Group are set out in note 30 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

POST BALANCE SHEET EVENTS

Details of the post balance sheet events of the Group are set out in note 37 to the consolidated financial statements.

CAPITAL STRUCTURE

As at 31 March 2009, the Group had a net asset value of approximately HK$3.8 million (31 March 2008: HK$125.3 million), comprising non-current assets of about HK$8.4 million (31 March 2008: HK$49.0 million), net current liabilities of about HK$4.1 million (31 March 2008: net current assets of HK$76.4 million) and non-current liabilities of about HK$0.5 million (31 March 2008: HK$0.1 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2009, the Group had a staff force of approximately 60 employees. The remuneration of employee was in line with the market trend and commensurable to the level of pay in the industry. Remuneration of the Group's employees includes basic salaries, bonuses and long-term incentive (such as pre-IPO share options and share options). The total staff costs incurred for the year 2009 was approximately HK$18.6 million (2008: HK$24.4 million).

The Company adopted a pre-IPO share option scheme (the "Pre-IPO Share Options") on 30 March 2005 and a share option scheme (the "Share Option Scheme") on 20 May 2005, for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. During the year, 42,100,000 share options issued under the Share Option Scheme. As at 31 March 2009, 3,666,000 (31 March 2008: 3,666,000) pre-IPO share options and 42,100,000 (31 March 2008: nil) share options remained outstanding. Particulars of it are set out in note 27 to the consolidated financial statements.

FINAL DIVIDENDS

The Board does not recommend the payment of a dividend for the year 2009 (2008: nil).

BIOGRAPHY OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chan Way Kay Katherine ("Ms. Chan"), aged 50, the chairman and executive director of the Company, holds a bachelor degree of business administration from the University of Southern California. Ms. Chan has been involved in the financial services industry for over 20 years and holds type 1 & 2 licenses under the SFO. Ms. Chan is currently an executive director and chairman of China Ground Source Energy Limited (stock code: 8128). Ms. Chan has extensive experience in supervising initial public offers and other fund raising exercises conducted by listed companies in Asia. Prior to joining the Company, Ms. Chan was the deputy managing director of subsidiary of a listed company in Hong Kong.

Mr. Jack Keen Chen ("Mr. Chen"), aged 41, the chief executive officer and joint-chairman of the Company, is a successful entrepreneur and investment expert. Mr. Chen was a chairman of 福建省神龍乳品飲料有限公司, Fujian Fulian Co., Ltd. and 香港神龍國際集團有限公司 during the years from 1990 to 2002. Mr. Chen immigrated to New Zealand in 2002 and has been participating in community services in New Zealand since then. He later established the New Zealand Chinese Business Roundtable Council, which serves as a channel for the co-operation and communication between Chinese entrepreneurs and the entrepreneurs and politicians in New Zealand. As such, he has made significant contributions to the business affairs and operations of Chinese entrepreneurs in New Zealand and the promotion of Chinese entrepreneurs' social status in New Zealand. Mr. Chen's national and social contributions to New Zealand were recognised by the New Zealand Government and Phil Goff, the current leader of the New Zealand Labour Party, was invited to be the patron of the council. Mr. Chen also gained a deep understanding of the local dairy industry and market in New Zealand. He later set up the dairy brand of "澳牛" and introduced New Zealand dairy products to the China market with success. In 2008, Mr. Chen was approved as and granted the certificate of a registered listing sponsor for the New Zealand Stock Exchange after years of considerable efforts. He was also appointed as the chairman of 新西蘭高美證券集團. He was awarded of "Ten Outstanding Young Persons in Fuzhou", "Outstanding Young Entrepreneurs in Fuzhou", "The 2nd Fujian Ten Outstanding Young Entrepreneurs Award" and "Pioneer (Role model) of the New Long March of Fujian Province". Mr. Chen was member of the All China National Industry and Commerce Association (中華全國工商業聯合會會員), standing member of the China Young Entrepreneurs Association (中國青年企業家協會常務理事), member of the All China Youth Federation (全國青年聯合會會員), vice-president of All-Shanghai Association of Entrepreneurs Residing in Shanghai (上海各地駐滬企業家協會副會長), president of the council of The 9th Fujian Young Entrepreneurs Association (福建省青年企業家協會第九屆理事會會長), member of the Committee of the Chinese People's Political Consultative Conference of Fuzhou (福州市政協委員), supervisor of Administrative Efficiency of the Fuzhou People's Government (福州市人民政府行政工作效能監督員), senior research officer of the Corporate Strategic Research Center of Fujian (福建企業戰略研究室高級研究員), president of the Fuzhou Young Entrepreneurs Association (福州青年企業家協會會長), vice-president of the Association of Domestic and Foreign Entrepreneurs of Fujian (福建省中外企業家聯誼會副會長), council member of Hubei Federation of Returned Overseas Chinese (湖北省歸國華僑聯合會理事), ccouncil advocate of the New Zealand Chinese Business Roundtable Council (新西蘭華人華商圓桌議會主席), the president of the Association of Young Entrepreneurs of Fujian Province.

BIOGRAPHY OF DIRECTORS

Ms. Zuo Lihua ("Ms. Zuo"), aged 48, an executive director of the Company, is responsible for the Group's business and investment project development. Prior to joining the Group, Ms. Zuo was a marketing director of a listed company in Hong Kong, responsible for business and marketing development of the greater China region and she had also held position in Institute of Automation Chinese Academy of Sciences and Zhongke Software Group. Ms. Zuo graduated from the China Youth Political Institute and Communist Party Central Academy Research Institute, and holds professional master research degree in economic management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kin Keung ("Mr. Lee"), aged 49, an independent non-executive director and the chairman of audit and remuneration committees of the Company, has been a director of a company licensed to provide advisory activity on corporate finance since January 2000. Prior to the present job, Mr. Lee had worked as a manager in Deloitte Touche Tohmatsu and as group financial controller of a listed company in Hong Kong. Mr. Lee has over 15 years of experience in finance, management, auditing and accounting. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant of CPA Australia. Mr. Lee was an independent non-executive director of Hua Yi Copper Holdings Ltd (stock code: 559). Mr. Lee holds a bachelor degree of commerce and a master degree in commerce from The University of New South Wales, Australia. Mr. Lee also holds a master degree of applied finance from Macquarie University, Australia.

Mr. Stephen Bryden Kerr ("Mr. Kerr"), aged 56, an independent non-executive director and a member of audit and remuneration committees of the Company, graduated from the Strathclyde University with a bachelor degree in accounting and economics in 1974. Mr. Kerr has been a C.A. member of the Institute of Chartered Accountants of Scotland since 1977. Mr. Kerr has extensive experience in the field of accounting and finance. Mr. Kerr worked as an assistant manager in Price Waterhouse Coopers from 1977 to 1980, as a manager in Enserch Corporation, which is a U.S. Oil & Gas Co., from 1981 to 1987 and as research manager in Morgan Grenfell (Asia) Limited from 1987 to 1990. Mr. Kerr was the group finance and commercial director of the Aquarius Group from 1990 to 2003. Mr. Kerr has been a director of AFL Limited, which is engaged in the freight and transportation business since 2004.

BIOGRAPHY OF DIRECTORS

Mr. Sze Cheung Hung ("Mr. Sze"), aged 44, an independent non-executive director and a member of the audit and remuneration committee of the Company, has over 12 years of experience in banking industry. Mr. Sze is currently a consultant of Huafeng Group Holdings Limited (stock code: 364). Mr. Sze holds a bachelor degree in business administration. There are no service contract entered into between the Company and Mr. Sze. Mr. Sze have not been appointed for any specified term but is subject to retirement and re-election at the next annual meeting of the Company (thereafter retirement by rotation) pursuant to the bylaws of the Company.

Ms. Chan Man Kuen Laura ("Ms. Chan"), aged 35, an independent non-executive director and a member of the audit and remuneration committee of the Company, holds a bachelor degree in law. Ms. Chan has over 9 years of experience in corporate administration aspect. Ms. Chan is currently an independent non-executive director of China Ground Source Energy Limited (stock code: 8128). There are no service contract entered into between the Company and Ms. Chan. Ms. Chan have not been appointed for any specified term but is subject to retirement and re-election at the next annual meeting of the Company (thereafter retirement by rotation) pursuant to the bylaws of the Company.

DIRECTORS' REPORT

The Board of the Company is pleased to present their annual report together with the audited financial statements of the Company and the Group for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

As at 31 March 2009, the Company acts as an investment holding company. The principal activities of its subsidiaries as at 31 March 2009 are set out in note 35 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 39.

The directors do not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: nil).

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 41.

DONATIONS

Charitable donations made by the Group during the year amounted to HK$30,000.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate turnover attributable to the Group's largest customer and the five largest customers taken together accounted for approximately 39.2% and 84.6% of the aggregate of Group's total turnover for the year.

During the year, the aggregate purchases attributable to the Group's largest supplier and the five largest suppliers taken together accounted for approximately 14.1% and 61.9% of the aggregate of Group's total purchases for the year.

None of the directors, their respective associates, so far as the directors are aware, any shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the said top five largest customers and suppliers of the Group for the year.

DIRECTORS

The directors who held office of the Company during the year and up to the date of this report are:

Executive Directors

Ms. Chan Wai Kay Katherine
Mr. Jack Keen Chen (appointed on 7 May 2009)
Ms. Zuo Lihua

Non-executive Directors

Mr. He Changming (resigned on 2 April 2009)
Mr. Chow Kin Ming (retired on 8 April 2008)

Independent Non-executive Directors

Mr. Lee Kin Keung
Mr. Xu Wen An (resigned on 22 January 2009)
Mr. Stephen Bryden Kerr
Dr. Lam Chun Kong (retired on 8 April 2008)
Mr. Sze Cheung Hung (appointed 16 January 2009)
Ms. Chan Man Kuen Laura (appointed 16 January 2009)

BIOGRAPHICAL DETAILS OF THE DIRECTORS

The biographical details of the current directors are set out on page 14 to page 16 of this annual report.

DIRECTORS' SERVICE CONTRACTS AND ROTATION

Ms. Chan Wai Kay Katherine has entered into director's service contract with the Company for a term of one year commencing from 28 September 2008, being terminable by not less than a 3-month notice in writing served by either party, and shall be continued thereafter.

Ms. Zuo Lihua has entered into a service contract with the Company commencing from 30 April 2007 for an initial term of two years, being terminable by not less than a 3-month notice in writing served by either party, and shall be continued thereafter.

Mr. Lee Kin Keung has entered into a director's service contract with the Company for a term of three years commencing from June 2006, being terminable by not less than 1-month notice in writing served by either party, and shall be continued thereafter.

Mr. Stephen Byden Kerr has entered into a director's service contract with the Company for a term of one year commencing from 14 March 2008, being terminable by not less than 1-month notice in writing served by either party, and shall be continued thereafter.

In accordance with the provisions of the Company's articles of association, Mr. Jack Keen Chen, Ms. Zuo Lihua, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura will retire from the Board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

Other than disclosed above, none of the directors has entered or has proposed to enter into any service contract with the company or any of its subsidiaries which is not expiring or determinable by the employing company within one year without payment of compensation other than statutory compensation.

DIRECTORS' EMOLUMENTS

Details of directors' emoluments on a named basis are set out in note 15 to the consolidated financial statements.

ANNUAL CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The company had received confirmation from each of the independent non-executive directors of their independence pursuant to rule 3.13 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules") and the Board considered all independent non-executive directors are independent.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 March 2009, the interests of the directors 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 (the "SFO")) (the "Associated Corporations") as recorded in the register under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of director	Number of shares Personal interests	Family interest	Corporate interests	Number of underlying shares held under equity derivatives	Total	Percentage of aggregate interests to total number of shares in issue*
Chan Wai Kay Katherine	–	–	80,000,000[1]	4,000,000[2]	84,000,000	19.94%
Zuo Lihua	–	–	–	1,000,000[2]	1,000,000	0.24%
He Changming	–	–	–	2,000,000[2]	2,000,000	0.47%

Notes:

1. This represents interest held by Ms. Chan Wai Kay Katherine through Anton Capital Limited ("Anton"), which holds 80,000,000 shares of the Company. Ms. Chan Wai Kay has 100% interest in Anton, she is therefore deemed to interest in 80,000,000 shares of the Company.

2. This represents interest in options held by the relevant director as a beneficial owner to subscribe for the relevant underlying shares granted by the Company under the Share Option Scheme, details of which are set out in the section headed Share Option.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 March 2009 (i.e. 421,334,000).

Save as disclosed above, as at 31 March 2009, none of the directors had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its Associated Corporations which had been entered in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' REPORT

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Director of the Company had interest in any business apart from the Group's businesses which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

As at 31 March 2009, the number of outstanding option shares granted by the Company under the Pre-IPO Share Options and Share Option Scheme to the directors to subscribe for shares of the Company, 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 the Model Code is set out in the section headed "Share Option" of this report below.

Apart from the aforesaid, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of share in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 March 2009, the interest of those persons (other than the directors of the Company) in the shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity in which shares were held	Number of shares	Number of underlying shares held under equity derivatives	Percentage of shares to total number of shares in issue*
Chan Wai Kay Katherine[1]	Beneficial owner	–	4,000,000	0.95%
	Interest of controlled corporation	80,000,000	–	18.99%
Anton Capital Limited[1]	Beneficial owner	80,000,000	–	18.99%
Wong Woon Hing[2]	Interest of controlled corporation	70,000,000	–	16.61%
Oriental Gem Group Limited[2]	Beneficial owner	70,000,000	–	16.61%
Chang Ei Eu[3]	Interest of controlled corporation	21,360,000		5.07%
Polestar Assets Limited[3]	Beneficial owner	21,360,000		5.07%

DIRECTORS' REPORT

Notes:

1. This represents (i) 80,000,000 shares held by Anton which is 100% owned by Ms. Chan Wai Kay Katherine, which is executive director and (ii) 4,000,000 share options held by Ms. Chan Wai Kay Katherine.

2. Oriental Gem Group Limited which holds in total of 70,000,000 shares in the Company as beneficial owner, is 100% owned by Mr. Wong Woon Hing.

3. Polestar Assets Limited which holds in total 21,360,000 shares in the Company as beneficial owner, is owned 80% interests by Mr. Chang Ei Eu and 20% interests by Ms. Hsieh Ming Chu.

* The percentage has been adjusted based on the total number of shares of the Company in issue as at 31 March 2009 (i.e. 421,334,000 shares)

Save as disclosed above, as at 31 March 2009, the Company had not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register required to be kept under section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company from the Listing Date and up to the date of this report and within the knowledge of the directors, there was sufficiency of public float of the Company's securities as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive right under the Company's Bye-Laws or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SHARE OPTION

On 30 March 2005, in recognition of the contributions made by employees of the Group towards its growth and success, an aggregate of 15,000,000 pre-IPO share options have been granted by the Company to, and accepted by the relevant employees prior to listing of the Company's share on the Stock Exchange. On 20 May 2005, the Share Option Scheme was adopted by the shareholder's written resolution of the company.

The Listing Committee of Stock Exchange has granted the listing of, and permission to deal in the shares of the company which may fall to be issued pursuant to the exercise of the options which granted and/or may be granted under the Pre-IPO Share Options and/or Share Option Scheme, subsequently.

DIRECTORS' REPORT

As at 31 March 2009, a total of 45,766,000 share options were outstanding which comprised 3,666,000 pre-IPO share options and 42,100,000 share options granted under the Pre-IPO Share Options and the Share Option Scheme respectively.

The following is a summary of the principal terms of the Pre-IPO Share Options and the Share Option Scheme:

(A) Pre-IPO Share Options

Purpose

Recognition of the contributions made by employees of the Group towards its growth and success.

Exercise period

The Pre-IPO Share Options is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10 June 2005 (the "Listing Date") and end on 30 March 2010 (both dates inclusive).

Exercise price

The exercise price is HK$0.65 per share.

Other conditions

(i) The maximum number of shares which may be issued under the Pre-IPO Share Options is 15,000,000 shares.

(ii) There is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Options to any grantee.

(iii) Upon acceptance of the pre-IPO share options, each participant shall pay HK$1 to the Company by way of consideration for the grant.

(iv) a pre-IPO options shall lapse automatically (to the extent not already exercised) when the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

DIRECTORS' REPORT

(B) Share Option Scheme

Purpose

To recognise and acknowledge the contributions that the grantees had made to the Group.

Participants

Eligible participants include:

(1) any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support of the Group or any entity in which the Group holds any equity interest ("Invested Entity"), including any executive director of the Group or any Invested Entity;

(2) a company wholly-owned by any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity; or

(3) the trustee of any trust the beneficiary of which or an discretionary trust the discretionary objects of which include by any employee, director, supplier, customer, consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Group or any Invested Entity.

Exercise price

Determined by the Board and shall not be less than the higher of:

(1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the Board approves the making of the offer for the grant of option ("Date of Grant"), which must be a trading day;

(2) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the Date of Grant; and

(3) the nominal value of the share.

Total number of shares available for issue and the percentage of the issued share capital that it represents as at the date of this annual report

33,400 shares, being approximately 0.01% of the issued shares of the Company.

Maximum entitlement of each participant

Not exceeding 1% of the shares of the Company in issue in any 12-month period.

Period within which the securities must be taken up under the option

Subject to the discretion of the Board and, in the absence of which, from the date of acceptance to the earlier of the date on which such option lapses and 10 years from the date of offer.

Amount payable on acceptance

HK$1 payable upon acceptance of the offer.

Remaining life of the scheme

The scheme is valid and effective for a period of 10 years commencing from 20 May 2005 (the "Adoption Date"), after which no further options will be granted but the provisions of the scheme shall remain in full force and effect in all other aspects. Options complying with the provisions of the Listing Rules which are granted during the duration of the scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant, notwithstanding the expiry of the scheme.

(C) Movements of the Pre-IPO Share Options

Movements of the share options granted under the Pre-IPO Share Options during the year ended 31 March 2009 are listed below in accordance with rule 17.07 of the Listing Rules:

				During the year			
Category	**Exercise period**[1]	**Exercise price**	**As at 1.4.2008**	**Granted**	**Exercised**	**Lapsed/ cancelled**	**As at 31.3.2009**
Employees	11.12.2005 – 30.3.2010	0.65	1,946,000	–	–	–	1,946,000
Other							
Chow Kin Ming[2]	11.12.2005 – 30.3.2010	0.65	1,720,000	–	–	–	1,720,000
			3,666,000	–	–	–	3,666,000

DIRECTORS' REPORT

Notes:

1. The vesting period for all the options granted is six months from the Listing Date.

2. Mr. Chow Kin Ming retired as a non-executive director of the Company on 8 April 2008. His 1,720,000 option shares has been re-classified from the Director's category to the Other's category.

(D) Movements of the Share Option Scheme

Movements of the share options granted under the Share Option Scheme during the year ended 31 March 2009 are listed below in accordance with rule 17.07 of the Listing Rules:

				During the year			
Category	Exercise period[1]	Exercise price	As at 1.4.2008	Granted	Exercised	Lapsed/ cancelled	As at 31.3.2009
Directors							
Chan Wai Kay Katherine	23.2.2009 – 22.2.2014	HK$0.282	–	4,000,000	–	–	4,000,000
Zuo Lihua	23.2.2009 – 22.2.2014	HK$0.282	–	1,000,000	–	–	1,000,000
He Changming	23.2.2009 – 22.2.2014	HK$0.282	–	2,000,000	–	–	2,000,000
Employees	23.2.2009 – 22.2.2014	HK$0.282	–	4,100,000	–	–	4,100,000
Consultants	23.2.2009 – 22.2.2012	HK$0.282	–	28,000,000	–	–	28,000,000
	23.2.2009 – 22.2.2014	HK$0.282	–	3,000,000	–	–	3,000,000
			–	42,100,000	–	–	42,100,000

Notes:

1. There is no vesting period for all the options granted.

DIRECTORS' REPORT

(E) Fair value of share options and assumptions

The estimate of the fair value of the share options granted is measured based on the Black-Scholes Options Pricing Model. The contractual life and expectations of early exercise of the share options were used as inputs into relevant models.

Grant date	22/02/2009
Fair value at measurement date	22/02/2009
Share price	HK$0.275
Exercise price	HK$0.282
Expected volatility (expressed as weighted average volatility used in the model)	74.714
Option life (expressed as weighted average life used in the model)	3.67 years
Expected dividends	0.000%
Risk-free interest rate (based on Exchange Fund Notes)	0.447%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information.

Share options were granted under a service condition. The condition has not been taken into account the fair value measurement of the services received on the grant date. There was no market conditions associated with the share options granted.

CONNECTED TRANSACTION

During the year, the Company did not have any connected transactions which were subject to the requirements of the Listing Rules.

MANAGEMENT CONTRACTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DIRECTORS' REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules, during the period under review. Having made specific enquiry of all directors, the directors have complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on page 29 to 35 of this Annual Report.

POST BALANCE SHEET DATE EVENTS

Details of the significant post balance sheet events are set out in note 37 to the consolidated financial statements.

AUDITORS

Messrs. Deloitte Touche Tohmatsu, who acted as auditors for past years resigned as auditors of the Company for the financial year ended 31 March 2007. SHINEWING (HK) CPA Limited were appointed to fill the casual vacancy.

The consolidated financial statements for the year were audited by SHINEWING (HK) CPA Limited, who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Chan Wai Kay Katherine
Chairman

3 July 2009

CORPORATE GOVERNANCE REPORT

The Board is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect interests of shareholders and other stakeholders.

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

(A) CODE OF BEST PRACTICE AND CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code of Corporate Governance Practices (the "Code") as stated in Appendix 14 to the Rules of Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which has been revised and the amendments became effective on 1 January 2009. As far as the Code is concerned, the company complies with all aspects of the Code.

(B) MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules of the Stock Exchange. The Company had made specific enquiry of all directors regarding any non-compliance with the Model Code during the year, and they all confirmed that they had fully complied with the required standard set out in the Model Code.

In addition, the Company has adopted provisions of the Model Code as written guidelines for relevant employees (as defined in provision A.5.4 of Appendix 14 to the Listing Rules) in respect of their dealings in the securities of the Company. Such relevant employees shall abide by the provisions of the Model Code.

In consideration of the new amendments to the Model Code (the "Amendments"), which became effective on the 1st quarter of 2009, the Board has revised its Model Code corresponding to the Amendments.

CORPORATE GOVERNANCE REPORT

(C) BOARD OF DIRECTORS

Compositions

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent opinion.

The directors who held office during the year and up to the date of this report were:

Executive Directors:

Ms. Chan Wai Kay Katherine *(Chairman)*
Mr. Jack Keen Chen *(Joint-chairman and CEO)* (appointed on 7 May 2009)
Ms. Zuo Lihua

Non-Executive Director:

Mr. Chow Kin Ming (retired on 8 April 2008)
Mr. He Changming (resigned on 2 April 2009)

Independent Non-executive Directors:

Mr. Lee Kin Keung
Mr. Xu Wen An (resigned on 22 January 2009)
Mr. Stephen Bryden Kerr
Dr. Lam Chun Kong (retired on 8 April 2008)
Mr. Sze Cheung Hung (appointed on 16 January 2009)
Ms. Chan Man Kuen Laura (appointed on 16 January 2009)

The biographical details of the current directors are set out on page 14 to page 16 of this annual report.

Number of meetings held and attendance

The Board normally has four scheduled meetings a year and meet at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the group. During the year ended 31 March 2009, a total number of 9 regular and adhoc Board meetings, 2 audit committee meetings and 1 remuneration committee meeting were held.

CORPORATE GOVERNANCE REPORT

The individual attendance records of each director, on a named basis, at the meetings of the Board, audit committee and remuneration committee during the year ended 31 March 2009 are set out below:

	Attendance/Number of Meetings entitled to attend		
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**
Ms. Chan Wai Kay Katherine	9/9	–	–
Ms. Zuo Lihua	3/9	–	–
Mr. He Changming[1]	3/7	–	–
Mr. Chow Kin Ming[2]	0/1	–	–
Mr. Lee Kin Keung	7/9	2/2	1/1
Mr. Xu Wen An[3]	2/6	–	–
Mr. Stephen Bryden Kerr	7/9	2/2	1/1
Dr. Lam Chun Kong[4]	0/1	0/0	–
Mr. Sze Cheung Hung[5]	3/3	1/1	1/1
Ms. Chan Man Kuen Laura[6]	3/3	1/1	1/1

Notes:

1. Mr. He Changmin was resigned on 2 April 2009.

2. Mr. Chow Kin Ming was retired on 8 April 2008.

3. Mr. Xu Wen An was resigned on 22 January 2009.

4. Dr. Lam Chun Kong was retired on 8 April 2008.

5. Mr. Sze Cheung Hung was appointed on 16 January 2009.

6 Ms. Chan Man Kuen Laura was appointed on 16 January 2009.

CORPORATE GOVERNANCE REPORT

Responsibility of the Board

The Board is responsible to ensure that there is a competent executive management which is able to run the Company in a sound and efficient manner. The Board is also responsible for establishing the Company's business strategies and plans from time to time to ensure that the operations of the Company are conducted effectively.

The Board is responsible for preparation of the financial statements. In preparing the financial statements, the generally accepted accounting principles in Hong Kong have been adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made.

The Board also conducts appropriate internal control procedures and reviews risk management strategies and polices of the Company to ensure that the Company runs its business in compliance with all legal and regulatory requirements with prudence and integrity.

Responsibility of the directors

Each executive director is delegated individual authority and responsibility to oversee and monitor the operations of a specific business unit, and to implement the strategies and polices set out by the Board. The independent non-executive directors provide independent opinion and share their knowledge and experiences with the other members of the Board, audit committee and remuneration committee.

Annual confirmation from independent non-executive directors

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

Terms of independent non-executive directors

Under the Code Provisions A.4.1, independent non-executive director should be appointed for a specific term and every Director should be subject to retirement by rotation at least once every three years and being eligible, offer themselves re-election at the forthcoming annual general meeting.

The existing two of the four independent directors of the Company were appointed for a term of three years and one year commencing from 10 June 2006 and 14 March 2008 respectively, pursuant to the respective letters of appointment, provided that party may terminate such appointment at any time by giving at least one month's notice in writing to the other. There is no specific terms for the appointment of the other two newly appointed directors.

(D) REMUNERATION COMMITTEE

The remuneration committee has been established. It currently consists four independent non-executive directors of the Company namely Mr. Lee Kin Keung (as Chairman), Mr. Stephen Bryden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura.

The responsibilities of our remuneration committee are:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management;

2. To have the delegated responsibility to determine the specific remuneration packages of all executive directors and senior management;

3. To review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. To review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of their office;

5. To review and approve compensation arrangements relating to dismissal or removal of directors; and

6. To ensure that no director or any his associate is involved in deciding his own remuneration.

The Company had adopted written terms of reference for the remuneration committee, which clearly defined the role, authority and function of the remuneration committee.

The remuneration committee meets at least once a year to determine the remuneration policy for the directors and senior management. During the year ended 31 March 2009, a total number of 1 meeting was held to determine the remuneration policy for the directors and/or senior management. The attendance records of the remuneration committee, on a named basis, are set out under section of "Number of Meetings Held and Attendance" on page 31 of this annual report.

The remuneration packages of the Board for the year ended 31 March 2009 had been reviewed by the remuneration committee and approved by the Board by taking into consideration factors such as salaries paid by comparable companies, time commitment, responsibility, market conditions elsewhere in the Group and desirability of performance-based remuneration.

CORPORATE GOVERNANCE REPORT

(E) NOMINATION COMMITTEE

The Company has not established a nomination committee. The duties and functions of the nomination committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his/her own independence.

(F) AUDIT COMMITTEE

The audit committee has been established. It currently consists of four independent non-executive directors namely Mr. Lee Kin Keung (as Chairman), Mr. Stephen Bryden Kerr, Mr. Sze Cheung Hung and Ms. Chan Man Kuen Laura.

The audit committee meets at least twice a year to review and approve the group's financial reporting process and internal control system. During the year ended 31 March 2009, a total number of 2 meetings were held. The attendance records of the audit committee, on a named basis, are set out under section of "Number of Meetings Held and Attendance" on page 31 of this annual report.

The Company has adopted written terms of reference for the audit committee, which clearly defined the role, authority and function of the audit committee.

The audit committee acknowledged the new amendments to the terms of reference of the audit committee under the Listing Rules in relation to, inter alias, abolishment of the requirement of appointment of qualified accountants and the amendments to the terms of reference of the audit committee and thereafter appropriate actions have been taken by the Board and the audit committee accordingly.

The main responsibilities for the audit committee are:

1. To review the accounting principles and practices adopted by the Group;

2. To review the financial reporting process and internal control system of the Group; and

3. To review the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors.

The audit committee has reviewed the independence and objectivity of the external auditors, the scope of audit services and related audit fees payable to the external auditors for the Board's approval. The audit committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited result for the year ended 31 March 2009.

CORPORATE GOVERNANCE REPORT

The chairman of the audit committee, Mr. Lee Kin Keung, possesses relevant financial management expertise and meets the requirements of rule 3.21 of the Listing Rules.

Auditor's remuneration

During the year, the remuneration paid to the Company's auditors, SHINEWING (HK) CPA Limited, is set out below:

Nature of services	**2009** **HK$'000**	2008 HK$'000
Audit	**700**	850
Others	**–**	270
	700	1,120

(G) INTERNAL CONTROL

The Board has, through the audit committee, conducted interim and annual review of the effectiveness of the internal control system of the Group covering the financial, operational, procedural compliance and risk management functions. The internal control system is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

In addition, the Company has engaged an independent professional firm to conduct a detailed corporate governance and internal control assessment of the Group to ensure that sound and effective internal controls are in force within the Group. The professional firm completed a report on 21 July 2008 and stated that there is no significant weakness discovered from the overall internal control system of the Group.

(H) COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the importance of good communications with all shareholders. Extensive information on the Company's activities is provided in the annual and interim reports of the Company which are sent to shareholders of the Company regularly. The Company's annual general meeting is a valuable forum for the Board to communicate directly with the shareholders. The chairman of the Board, the chief executive officer as well as the chairman of the audit committee and remuneration committee are present to answer shareholders' questions.

INDEPENDENT AUDITOR'S REPORT

信永中和 ShineWing

SHINEWING (HK) CPA Limited
16/F., United Centre
95 Queensway, Hong Kong

TO THE SHAREHOLDERS OF CHINA JIN HUI MINING CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Jin Hui Mining Corporation Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 100, which comprise the consolidated balance sheet as at 31 March 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

INDEPENDENT AUDITOR'S REPORT

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

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

BASIS FOR QUALIFIED OPINION

The auditor's report on the consolidated financial statements of the Group for the year ended 31 March 2008 was qualified because of various limitations of audit scope with regard to Linfair Engineering Company Limited ("LEC"), a former wholly-owned subsidiary of the Group disposed during the year. The details of the limitation of scope are set out in our auditor's report dated 25 July 2008.

As detailed in note 34 to the consolidated financial statements, on 5 June 2008, the Group entered into an agreement with an independent third party for the disposal of its entire equity interest in LEC (the "Disposal Agreement") for an aggregate consideration of HK$2,000,000. The disposal was completed on 23 July 2008, with a gain of approximately HK$4,813,000 recorded in the Group's consolidated income statement for the year ended 31 March 2009. Because of the qualification on the opening balances of LEC as at 1 April 2008, we had not been able to perform the audit procedures we consider necessary to determine as to whether the net assets of LEC as at 1 April 2008 and the gain on disposal of LEC for the year ended 31 March 2009 of approximately HK$4,813,000 was properly stated. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the recorded gain on disposal of approximately HK$4,813,000 was free from misstatements that may have an impact on the Group's results for the year ended 31 March 2009. Any adjustments found to be necessary to the opening balances of LEC as at 1 April 2008 may affect the comparative figures in respect of the assets and liabilities recorded under "Subsidiary held-for-sales" and any commitments and contingent liabilities of the Group as at 31 March 2008, if any, the loss and cash flows and the related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2008.

INDEPENDENT AUDITOR'S REPORT

QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE

In our opinion, except for any adjustments that might have been determined to be necessary had we been able to obtain sufficient evidence concerning the gain on disposal of LEC during the year, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Fundamental uncertainty relating to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosures in note 2 to the consolidated financial statements, which indicates that the Group had net current liabilities amounted to approximately HK$4,079,000 as at 31 March 2009. The Group had incurred loss attributable to equity holders of the Company for the year ended 31 March 2009 amounted to approximately HK$127,612,000. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the arrangements and the funding available. The consolidated financial statements do not include any adjustments that would result from failure to implement the arrangements and obtain the necessary funding. We consider that the fundamental uncertainty has been adequately disclosed in the consolidated financial statements and our opinion is not qualified in this respect.

Fundamental uncertainty relating to pending litigation

In forming our opinion, we have considered the adequacy of the disclosures made in note 36 to the consolidated financial statements of the Group concerning the possible outcome of a pending litigation. We consider that the fundamental uncertainty has been adequately accounted for and disclosed in the consolidated financial statements and our opinion is not qualified in this respect.

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

Hong Kong
3 July 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	8	**63,007**	89,064
Cost of contract works		**(43,393)**	(45,903)
Cost of sales		**(6,425)**	(24,666)
Gross profit		**13,189**	18,495
Other income	9	**5,534**	7,879
Gain on disposal of a subsidiary	34	**4,813**	–
Selling and distribution expenses		**(1,501)**	(1,163)
Administrative expenses		**(40,907)**	(52,357)
Impairment loss recognised in respect of inventories		**(2,901)**	(5,265)
Impairment loss recognised in respect of trade receivables		**(5,822)**	(10,103)
Impairment loss recognised in respect of other receivables	36	**(61,563)**	(1,564)
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	36	**(30,000)**	–
Impairment loss recognised in respect of property, plant and equipment	16	**(8,102)**	–
Finance costs	10	**–**	(564)
Loss before income tax		**(127,260)**	(44,642)
Income tax (expenses) credit	11	**(352)**	78
Loss for the year	12	**(127,612)**	(44,564)
Loss per share	14		
Basic		**(30.29) cents**	(11.20) cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	16	**7,606**	18,267
Prepaid lease payments	17	**759**	779
Deposit paid for acquisition of a subsidiary	18	**–**	30,000
		8,365	49,046
Current assets			
Inventories	19	**502**	3,870
Prepaid lease payments	17	**20**	20
Trade and bills receivables	20	**3,065**	11,536
Other receivables, deposits, and prepayments	21	**10,647**	40,207
Tax recoverable		**515**	493
Pledged bank deposits	22	**1,250**	3,000
Bank balances and cash	22	**10,137**	86,257
		26,136	145,383
Subsidiary held-for-sales-assets	23	**–**	24,458
		26,136	169,841
Current liabilities			
Trade and bills payables	24	**18,578**	24,122
Other payables and accrued charges	25	**11,637**	41,513
		30,215	65,635
Liabilities associated with assets classified as subsidiary held-for-sales	23	**–**	27,805
		30,215	93,440
Net current (liabilities) assets		**(4,079)**	76,401
Total assets less current liabilities		**4,286**	125,447
Capital and reserves			
Share capital	26	**42,133**	42,133
Reserves		**(38,320)**	83,193
		3,813	125,326
Non-current liability			
Deferred tax liabilities	28	**473**	121
		4,286	125,447

The consolidated financial statements on page 39 to 100 were approved and authorised for issue by the board of directors on 3 July 2009 and are signed on its behalf by:

CHAN WAI KAY KATHERINE
DIRECTOR

JACK KEEN CHEN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

For the year ended 31 March 2009

	Share Capital HK$'000	Share premium HK$'000	Merger Reverse HK$'000 (Note)	Investment revaluation reserve HK$'000	Share options reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2007	33,821	73,600	(14,990)	(2,046)	–	6,437	(53,387)	43,435
Exchange difference arising on translation of foreign operations, representing net expense recognised directly in equity	–	–	–	–	–	(5,578)	–	(5,578)
Loss for the year, representing total recognised income and expenses for the year	–	–	–	–	–	–	(44,564)	(44,564)
Shares issued under Pre-IPO share option scheme (Note 26a)	312	1,719	–	–	–	–	–	2,031
Shares issued pursuant to placement (Note 26b)	3,000	28,500	–	–	–	–	–	31,500
Expenses on placement	–	(397)	–	–	–	–	–	(397)
Shares issued pursuant to placement (Note 26c)	5,000	95,000	–	–	–	–	–	100,000
Expenses on placement	–	(3,147)	–	–	–	–	–	(3,147)
Transfer to profit and loss on sales of available-for-sale investment	–	–	–	2,046	–	–	–	2,046
At 31 March 2008 and 1 April 2008	42,133	195,275	(14,990)	–	–	859	(97,951)	125,326
Exchange difference arising on translation of foreign operations, representing net income recognised directly in equity	–	–	–	–	–	1,559	–	1,559
Loss for the year, representing total recognised income and expenses for the year	–	–	–	–	–	–	(127,612)	(127,612)
Reverses released upon disposal of a subsidiary	–	–	–	–	–	534	–	534
Equity-settled share-based payments	–	–	–	–	4,006	–	–	4,006
At 31 March 2009	42,133	195,275	(14,990)	–	4,006	2,952	(225,563)	3,813

Note:

The merger reserve of the Group represented the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital of the subsidiaries acquired pursuant to the group reorganisation in May 2005.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Operating activities			
Loss before income tax		**(127,260)**	(44,642)
Adjustments for:			
Impairment loss recognised in respect of inventories		**2,901**	5,265
Impairment loss recognised in respect of trade receivables		**5,822**	10,103
Impairment loss recognised in respect of other receivables		**61,563**	1,564
Impairment loss recognised in respect of deposit paid for acquisition of subsidiary		**30,000**	–
Impairment loss recognised in respect of property, plant and equipment		**8,102**	–
Bad debts written off		**–**	518
Equity-settled share-base payments		**4,006**	–
Loss on disposal of available-for-sales investment		**–**	1,184
Loss on disposal of property, plant and equipment		**–**	31
Finance costs		**–**	564
Depreciation of property, plant and equipment		**5,759**	4,945
Amortisation of prepaid lease payments		**20**	20
Gain on disposal of a subsidiary	34	**(4,813)**	–
Written back of impairment loss made in respect of trade receivables		**(3,757)**	–
Interest income		**(394)**	(2,282)
Dividend income		**–**	(15)
Operating cash flows before movement in working capital		**(18,051)**	(22,745)
Decrease (increase) in inventories		**467**	(233)
Decrease in trade and bills receivables		**6,406**	27,277
Increase in other receivables, deposits and prepayments		**(32,003)**	(35,019)
Decrease in trade and bills payables		**(5,544)**	(18,680)
(Decrease) increase in other payables and accrued charges		**(29,876)**	26,646
Cash used in operations		**(78,601)**	(22,754)
Hong Kong Profits Tax paid		**(22)**	(9)
Net cash used in operating activities		**(78,623)**	(22,763)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2009

	Note	2009 HK$'000	2008 HK$'000
Investing activities			
Net cash inflow from disposal of a subsidiary	34	**2,000**	–
Decrease in pledged bank deposits		**1,750**	3,750
Interest received		**394**	2,502
Purchases of property, plant and equipment		**(3,132)**	(6,744)
Proceeds from disposal of available-for-sale investment		**–**	1,965
Redemption received from investment in convertible note		**–**	1,170
Deposits paid for acquisition of a subsidiary		**–**	(30,000)
Cash on subsidiary classified as held-for-sales		**–**	(76)
Dividend received		**–**	15
Net cash from (used in) investing activities		**1,012**	(27,418)
Financing activities			
Proceeds from issued of shares		**–**	133,531
Repayment of bank loans		**–**	(19,200)
Repayment of trust receipt loans		**–**	(12,506)
Expenses on issue of shares		**–**	(3,544)
Interest paid		**–**	(564)
Net cash from financing activities		**–**	97,717
Net (decrease) increase in cash and cash equivalents		**(77,611)**	47,536
Cash and cash equivalents at beginning of the year		**86,257**	44,562
Effect of foreign currency rate changes		**1,491**	(5,841)
Cash and cash equivalents at end of the year, representing			
Bank balances and cash		**10,137**	86,257

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

1. GENERAL INFORMATION

China Jin Hui Mining Corporation Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands on 8 October 2002. The Company's shares are listed on 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 the section headed "Corporate Information" of the Annual Report.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries (together with the Company referred to as the "Group") are set out in Note 35.

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

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities of approximately HK$4,079,000 as at 31 March 2009.

In the opinion of the directors, the Group is able to maintain itself as a going concern in the coming year by taking into consideration the arrangements which include, but are not limited to, the followings:

1. the directors have implemented measures to tighten cost controls over various administrative expenses and to improve the Group's cash flow position and operating results;

2. subsequent to 31 March 2009, approximately HK$2,528,000 was received in cash for issuance of 84,260,000 warrants to placees;

3. subsequent to 31 March 2009, approximately HK$7,128,000 was received in cash from the exercise of 23,760,000 warrants by the placees; and

4. the directors anticipate that the Group will generate positive cash flow from its business.

Based on the aforesaid assumptions, the directors are satisfied that it is appropriate to prepare these consolidated financial statements on a going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

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

In current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("Int") 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of HKFRS[4]
HKFRS 1 & HKAS27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7	Financial instruments: Disclosures-Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) – Int 9 and HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estates[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operations[7]
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

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

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
[3] Effective for annual periods beginning on or after 1 January 2009
[4] Effective for annual periods beginning on or after 1 July 2009
[5] Effective for annual periods ending on or after 30 June 2009
[6] Effective for annual periods beginning on or after 1 July 2008
[7] Effective for annual periods beginning on or after 1 October 2008
[8] Effective for transfer of assets from customers received on or after 1 July 2009

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

4. 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 values, as explained in the accounting policies set out below.

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

Basis of consolidation

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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

Project revenue from digital audio broadcasting system contracting services is recognised when the outcome of the contract can be estimated reliably and the stage of completion at the balance sheet date can be measured reliably. When the outcome of a contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Revenue from provision of other engineering systems contracting services is recognised when the buyer accepts delivery, and installation and inspection are completed.

Sales of goods are recognised when goods are delivered and title has been passed.

Commission, handling and service income are recognised when services are provided.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

Property, plant and equipment

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

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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 lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Prepaid lease payments

Prepaid lease payments represent interest in land held under operating lease arrangements and are amortised on a straight-line basis over the lease terms.

Financial instruments

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

Financial assets

The Group classifies its financial assets into loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and bills receivables, other receivables and deposits, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (see accounting policy on impairment loss on financial assets below).

Effective interest method

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss of financial assets

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

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

– significant financial difficulty of the issuer or counterparty; or

– default or delinquency in interest or principal payments; or

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

For certain categories of financial asset, such as trade and bills receivables, other receivables and deposits, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Impairment loss of financial assets *(continued)*

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

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

Financial liabilities and equity

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

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities (including trade and bills payables, other payables and accrued charges) are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Equity instruments

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

Derecognition

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

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

Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At each balance date, 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 over the remaining vesting period, with a corresponding adjustment to share options reserve.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Equity-settled share-based payment transactions *(continued)*

Share options granted to directors and employees of the Company *(continued)*

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

Share options granted to consultants

Share options granted in exchange for services are measured at the fair values of the goods or services received. The fair values of the services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the counterparties render services, unless the services qualify for recognition as assets.

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the translation 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. HK$) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidation income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated useful lives and impairment loss for property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives that the Group places the property, plant and equipment into productive use reflects the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. 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 assets or group of assets and the fair value of each assets or group of assets less cost to sell. 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 income statement.

Impairment loss recognised in respect of trade and other receivables

Impairment loss recognised in respect of trade and other receivables is made when there is objective evidence of impairment and is based on an assessment of the recoverability of trade and other receivables. Where the future discounted cash flow of trade and other receivables is different from the carrying amount, such difference represents allowance for doubtful debts recognised as expense in the consolidated income statement.

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

Impairment loss recognised in respect of inventories

The management of the Group reviews an aging analysis at each balance sheet date, and identifies the slow-moving inventory items that are no longer suitable for use in production. The management estimates the net realisable value for such finished goods based primarily on the latest invoice prices and current market conditions. In addition, the Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary

The deposits paid for acquisition of a subsidiary are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The directors make judgements on whenever such events or changes in circumstances have occurred, and makes estimates in determining the recoverable amount.

Estimation of foreseeable losses in respect of digital audio broadcasting systems contracts

The Group's management estimates the amount of foreseeable losses of the digital audio broadcasting systems contracts works based on the management budgets prepared for the construction works. Budgeted contract income is determined in accordance with the terms set out in the relevant contracts. Budgeted costs which mainly comprise costs of material are prepared by the management on the basis of quotations from time to time provided by the major suppliers/vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, the Group's management conducts periodic review on the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Equity-settled share-based payments

The fair value of the share options granted to the directors, employees and consultants determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing models were used to calculate the fair value of the share options. The option pricing models require the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

Pending litigation subsequent to 31 March 2009

As detailed in note 36, the Group had a pending litigation subsequent to 31 March 2009. The directors are of the opinion that after having sought the legal advice from the Company's lawyers, the claims can be successfully defended, and no provision is required to be made in the financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

6. CAPITAL RISK MANAGEMENT

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

The Group is not subject to any externally imposed capital requirements. The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors consider the cost of capital and risks associated with each class of capital. The Group will balance its overall capital structure through payment of dividends and new share issues.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Loan and receivables		
– Trade and bills receivables	**3,065**	11,536
– Other receivables and deposits	**3,673**	6,801
– Pledged bank deposits	**1,250**	3,000
– Bank balances and cash	**10,137**	86,257
	18,125	107,594
Financial liabilities		
Other financial liabilities at amortised cost		
– Trade and bills payables	**18,578**	24,122
– Other payables and accrued charges	**4,226**	5,981
	22,804	30,103

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

7. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments comprise trade and bills receivables, other receivables and deposits, pledged bank deposits, bank balances and cash, trade and bills payables, and other payables and accrued charges. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

i) *Currency risk*

Certain bank balances, receivables and payables of the Group are denominated in foreign currencies. The management considers the Group does not expose to significant foreign currency risk if its operations and transactions are denominated in the functional currencies of the group entity. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based assuming that the change in foreign exchange rates had occurred at the balance sheet date. The stated changes represent management's assessment of possible change in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented below represent an aggregation of the effects on each of the group entities' profit and equity measured in the respective foreign currencies, translated into HK$ at the exchange rate ruling at the balance sheet date for presentation purposes. As a result of the volatile financial market in 2008, the management adjusted the sensitivity rate from 5% to 10% for the purpose of assessing foreign currency risk.

If exchange rate had been 10% (2008: 5%) higher/lower versus HK$ and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would increase/decrease by approximately HK$626,000 (2008: increase/decrease by approximately HK$3,014,000).

ii) *Interest rate risk*

The Group exposed to cash flow interest rate risk to pledged bank deposits and bank balance carried at prevailing market rate. However, such exposure is minimal to the Group as they are short term in nature.

7. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

The Group's principal financial assets are trade and bills receivables, other receivables and deposits, pledged bank deposits, bank balances and cash. The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

Liquidity risk

The Group is exposed to liquidity risk as at 31 March 2009 as the Group had net current liabilities of approximately HK$4,079,000 as at 31 March 2009. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it meets the liquidity requirements in the short and long term.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

7. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk *(continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flow and the earliest date that Group can be required to pay.

Liquidity and interest rate tables

	Within 1 year	Total undiscounted cash flow	Carrying amount at the year end
	HK$'000	HK$'000	HK$'000
At 31 March 2009			
Trade and bills payables	18,578	18,578	18,578
Other payables and accrued charges	4,226	4,226	4,226
	22,804	22,804	22,804
At 31 March 2008			
Trade and bills payables	24,122	24,122	24,122
Other payables and accrued charges	5,981	5,981	5,981
	30,103	30,103	30,103

(c) Fair value

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 on active liquid markets is determined with reference to quoted market bid prices and ask prices, respectively;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- The carrying amounts of financial assets and financial liabilities reported in the balance sheets of the Group approximate their fair values due to their immediate or short-term maturities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue generated from provision of engineering systems contracting services and the amounts received and receivable for consumables and spare parts sold, as after sales services incidental and ancillary to the engineering systems, during the year.

	2009	2008
	HK$'000	HK$'000
Provision of engineering systems contracting services	**54,242**	56,110
Sales of consumables and spare parts	**8,765**	32,954
	63,007	89,064

Business segments

For management purposes, the Group is currently organized into three operating divisions:

– Provision of engineering systems contracting services;

– Sales of consumables and spare parts; and

– Corporate segment comprises corporate income and expense items.

Those divisions are the basis on which the Group reports its primary segments information.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

Segment information about the business segment is presented as below:

For the year ended 31 March 2009	**Provision of engineering systems contracting services** HK$'000	**Sales of consumables and spare parts** HK$'000	**Corporate** HK$'000	**Consolidated** HK$'000
Revenue from external customers	54,242	8,765	–	63,007
Segment results	7,704	2,340	–	10,044
Gain on disposal of a subsidiary				4,813
Bank interest income				394
Unallocated corporate revenue				1,383
Impairment loss recognised in respect of inventories	–	(2,901)	–	(2,901)
Impairment loss recognised in respect of trade receivables	(3,977)	(1,845)	–	(5,822)
Impairment loss recognised in respect of other receivables				(61,563)
Impairment loss recognised in respect of property, plant and equipment				(8,102)
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary				(30,000)
Unallocated corporate expenses				(35,506)
Loss before income tax				(127,260)
Income tax expenses				(352)
Loss for the year				(127,612)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 March 2009	Provision of engineering systems contracting services HK$'000	Sales of consumables and spare parts HK$'000	Corporate HK$'000	Consolidated HK$'000
Other information				
Written back of impairment loss made in respect of trade receivables	(3,733)	(24)	–	(3,757)
Depreciation of property, plant and equipment	4,527	637	595	5,759
Amortisation of prepaid lease payments	–	–	20	20
Capital expenditure	–	62	3,070	3,132
At 31 March 2009				
Assets				
Segment assets	11,399	3,941	–	15,340
Unallocated corporate assets	–	–	19,161	19,161
				34,501
Liabilities				
Segment liabilities	22,081	2,817	–	24,898
Unallocated corporate liabilities	–	–	5,790	5,790
				30,688

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TURNOVER AND SEGMENT INFORMATION *(continued)*

Business segments *(continued)*

For the year ended 31 March 2008	Provision of engineering systems contracting services HK$'000	Sales of consumables and spare parts HK$'000	Corporate HK$'000	Consolidated HK$'000
Revenue from external customers	56,110	32,954	–	89,064
Segment results	4,299	9,223	–	13,522
Bank interest income				2,282
Unallocated corporate revenue				5,597
Impairment loss recognised in respect of inventories	–	(5,265)	–	(5,265)
Impairment loss recognised in respect of trade receivables	(9,178)	(925)	–	(10,103)
Impairment loss recognised in respect of other receivables	(922)	(642)	–	(1,564)
Unallocated corporate expenses				(48,547)
Finance costs				(564)
Loss before income tax				(44,642)
Income tax credit				78
Loss for the year				(44,564)
Other information				
Bad debts written off	518	–	–	518
Depreciation of property, plant and equipment	3,880	545	520	4,945
Amortisation of prepaid lease payment	–	–	20	20
Loss on disposal of available-for-sales investment	–	–	1,184	1,184
Loss on disposal of property, plant and equipment	31	–	–	31
Capital expenditure	1,792	4,952	–	6,744
At 31 March 2008				
Assets				
Segment assets	50,979	7,867	–	58,846
Unallocated corporate assets	–	–	160,041	160,041
				218,887
Liabilities				
Segment liabilities	50,806	7,224	–	58,030
Unallocated corporate liabilities	–	–	35,531	35,531
				93,561

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

8. TURNOVER AND SEGMENT INFORMATION *(continued)*

Geographical segments

The Group's operations are principally located in Hong Kong, the other regions of People's Republic of China ("PRC"), Taiwan and Samoa, the Southeast Asia and Macau. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market	
	2009	2008
	HK$'000	HK$'000
Hong Kong	**3,120**	6,248
PRC	**39,124**	29,107
Taiwan and Samoa	**3,912**	26,882
Southeast Asia	**882**	3,483
Macau	**14,329**	22,716
Others	**1,640**	628
Total	**63,007**	89,064

The following is an analysis of the carrying amount of segment assets at the balance sheet date and additions to property, plant and equipment during the year analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Capital expenditure	
	2009	2008	**2009**	2008
For the year ended 31 March	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Hong Kong	**22,498**	98,761	**44**	1,585
PRC	**8,859**	84,852	**3,088**	4,212
Taiwan and Samoa	**2,704**	24,458	**–**	131
Southeast Asia	**26**	73	**–**	8
Macau	**409**	10,466	**–**	–
Others	**5**	277	**–**	808
Total	**34,501**	218,887	**3,132**	6,744

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2009

9. OTHER INCOME

	2009 HK$'000	2008 HK$'000
Interest on:		
– bank deposits	**394**	2,261
– convertible note	**–**	21
Total interest income	**394**	2,282
Written back of impairment loss made in respect of trade receivables	**3,757**	–
Rental income	**905**	–
Commission income	**15**	310
Exchange gain, net	**–**	3,884
Handling income	**38**	69
Dividend income	**–**	15
Service income	**370**	1,231
Sundry income	**55**	88
	5,534	7,879

10. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on bank borrowings wholly repayable within five years	**–**	564

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

11. INCOME TAX EXPENSES (CREDIT)

	2009	2008
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	16
Outside Hong Kong	**–**	15
	–	31
Deferred taxation (Note 28)		
Current year	**359**	(109)
Attributable to a change in tax rate	**(7)**	–
	352	(109)
	352	(78)

Hong Kong Profits Tax and PRC Enterprise Income Tax

No provision for Hong Kong Profits Tax or PRC enterprise income tax has been made in the consolidated financial statements as the Company and its subsidiaries which operate in Hong Kong and PRC have no assessable profits for the year ended 31 March 2009.

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profits for the year ended 31 March 2008. No provision for the PRC enterprise income tax has been made in the consolidated financial statements as at the Company and its subsidiaries which operate in the PRC have no assessable profits for the year ended 31 March 2008.

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1 January 2008 onwards.

Overseas income tax excluding PRC Enterprise Income Tax

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

11. INCOME TAX EXPENSES (CREDIT) *(continued)*

The tax charge (credit) for the year can be reconciled to the loss before income tax per the consolidated income statements as follows:

	2009 HK$'000	2008 HK$'000
Loss before income tax	**(127,260)**	(44,642)
Tax at the domestic income rate of 16.5% (2008:17.5%)	**(20,998)**	(7,812)
Tax effect of income not taxable for tax purposes	**(947)**	(396)
Tax effect of expenses not deductible for tax purposes	**17,735**	4,323
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(7)**	–
Tax effect of tax losses not recognised	**4,253**	2,750
Effect of different tax rates of subsidiaries operating in other jurisdictions	**316**	1,057
Tax charge (credit) for the year	**352**	(78)

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging the following:

	2009 HK$'000	2008 HK$'000
Auditor's remuneration	**700**	1,120
Bad debts written off	**–**	518
Equity-settled share-based payments – consultant	**2,949**	–
Cost of inventories recognised as expenses	**6,384**	23,321
Depreciation of property, plant and equipment	**5,759**	4,945
Exchange loss, net	**1,299**	–
Amortisation of prepaid lease payments	**20**	20
Loss on disposal of available-for-sales investment	**–**	1,184
Loss on disposal of property, plant and equipment	**–**	31
Staff costs		
– Directors' remuneration	**4,323**	4,305
– Equity-settled share-based payments	**391**	–
– Staff costs including retirement benefit contribution	**13,864**	20,066
Total staff costs	**18,578**	24,371

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

13. DIVIDENDS

No dividend was paid or proposed during 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2009	2008
	HK$'000	HK$'000
Loss for the year	**(127,612)**	(44,564)

	Number of shares	
	2009	2008
Shares	**HK$'000**	HK$'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**421,334,000**	398,033,601

No diluted loss per share is presented for the year ended 31 March 2009 and 2008 as the exercises of the potential dilutive ordinary shares would result in reduction in loss per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the ten (2008: eleven) directors were as follows:

		Other emoluments paid			
	Directors' fees	Salaries and other benefits	Equity-settled share-based payments	Retirement benefits contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2009					
Executive directors:					
Chan Wai Kay Katherine[1]	–	2,400	381	12	2,793
Zuo Lihua[2]	–	729	95	15	839
Non-executive directors:					
He Changming[3]	–	–	190	–	190
Chow Kin Ming[4]	–	–	–	–	–
Independent non-executive directors:					
Lee Kin Keung	168	–	–	–	168
Lam Chun Kong[5]	3	–	–	–	3
Xu Wen An[6]	170	–	–	–	170
Stephen Bryden Kerr[7]	120	–	–	–	120
Sze Cheung Hung[8]	20	–	–	–	20
Chan Man Kuen Laura[9]	20	–	–	–	20
	501	3,129	666	27	4,323

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

		Other emoluments paid			
	Directors' fees	Salaries and other benefits	Equity-settled share-based payments	Retirement benefits contribution	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 March 2008					
Executive directors:					
Chan Wai Kay Katherine[1]	1,220	–	–	5	1,225
Zuo Lihua[2]	115	452	–	10	577
Chang Ei Eu[10]	–	960	–	12	972
Hsieh Ming Chiu[11]	–	–	–	–	–
Non-executive directors:					
He Changming[3]	–	–	–	–	–
Chow Kin Ming[4]	–	1,188	–	12	1,200
Independent non-executive directors:					
Lee Kin Keung	132	–	–	–	132
Lam Chun Kong[5]	102	–	–	–	102
Tung Pui Man[12]	77	–	–	–	77
Xu Wen An[6]	20	–	–	–	20
Stephen Bryden Kerr[7]	–	–	–	–	–
	1,666	2,600	–	39	4,305

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

1. Ms. Chan Wai Kay Katherine was appointed on 28 September 2007.
2. Ms. Zuo Lihua was appointed on 30 April 2007.
3. Mr. He Changming was appointed on 22 June 2007 and resigned on 2 April 2009.
4. Mr. Chow Kin Ming was retired on 8 April 2008.
5. Dr. Lam Chun Kong was retired on 8 April 2008.
6. Mr. Xu Wen An was appointed on 22 January 2008 and resigned on 22 January 2009.
7. Mr. Stephen Bryden Kerr was appointed on 14 March 2008.
8. Mr. Sze Cheung Hung was appointed 16 January 2009.
9. Ms. Chan Man Kuen Laura was appointed 16 January 2009.
10. Mr. Cheng Ei Eu was resigned on 5 November 2007.
11. Ms. Hsieh Ming Chiu was resigned on 16 October 2007.
12. Ms. Tung Pui Man was resigned on 15 January 2008.

None of the directors of the Company waived or agreed to waive any emoluments paid by the Group. No emoluments have been paid by the Group to the directors as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2009 and 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

15. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(continued)*

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, two (2008: three) are directors of the Company whose emoluments are set out in note 15(a). The emoluments of the remaining three (2008: two) highest paid individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**2,028**	2,031
Equity-settled share-based payments	**124**	–
Contribution to retirement benefits scheme	**36**	17
	2,188	2,048

The emoluments of the three (2008: two) highest paid employees fall in the following bands.

	2009	2008
	Number of Employee	Number of Employee
Nil to HK$1,000,000	**3**	1
HK$1,000,001 to HK$1,500,000	**–**	1
	3	2

No emoluments have been paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the two years ended 31 March 2009 and 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 March 2009

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and equipment	Office equipment	Computer equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost							
At 1 April 2007	1,520	23,531	395	1,677	1,086	710	28,919
Exchange realignment	–	105	8	29	9	151	302
Additions	–	1,792	90	213	59	4,590	6,744
Disposal	–	–	–	(70)	(52)	–	(122)
Re-classified to subsidiary held-for sales	–	(162)	–	(265)	(57)	–	(484)
At 31 March 2008 and 1 April 2008	1,520	25,266	493	1,584	1,045	5,451	35,359
Exchange realignment	–	29	(15)	2	(3)	57	70
Additions	–	3,034	25	53	20	–	3,132
At 31 March 2009	1,520	28,329	503	1,639	1,062	5,508	38,561
Accumulated depreciation and impairment loss							
At 1 April 2007	331	9,742	282	918	856	304	12,433
Exchange realignment	–	5	7	11	5	11	39
Provided for the year	60	3,893	57	259	110	566	4,945
Eliminated on disposal	–	–	–	(54)	(37)	–	(91)
Re-classified to subsidiary held-for sales	–	(66)	–	(125)	(43)	–	(234)
At 31 March 2008 and 1 April 2008	391	13,574	346	1,009	891	881	17,092
Exchange realignment	–	1	(2)	–	(1)	4	2
Provided for the year	61	4,267	43	216	71	1,101	5,759
Impairment	–	6,907	66	4	36	1,089	8,102
At 31 March 2009	452	24,749	453	1,229	997	3,075	30,955
Carrying values							
At 31 March 2009	1,068	3,580	50	410	65	2,433	7,606
At 31 March 2008	1,129	11,692	147	575	154	4,570	18,267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

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

During the year, the directors performed an impairment review of the Group's property, plant and equipment and the details are set out below:

(i) Machinery and equipment, computer equipment and motor vehicles of approximately HK$4,403,000, HK$4,000 and HK$1,089,000, respectively, were leased to Qingdao Yongxihui Mining Company Limited and its subsidiaries ("Target Group"), an independent third party group, for intended mining operation purpose during the year. However, due to the failure in obtaining financial and operational control in Target Group, the Group cannot operate such business in the foreseeable future. Accordingly, the directors considered that no cash inflows can be generated from the machinery and equipment, computer equipment and motor vehicles on a value-in-use basis. Accordingly, full impairment loss of approximately HK$5,496,000 was made during the year.

(ii) Machinery and equipment of approximately HK$2,504,000 were impaired during the year on a realisation basis with cost and market approach, by reference to an independent valuation report issued by Assets Appraisal Limited, a firm of independent qualified professional valuers in Hong Kong. These machinery and equipment are impaired due to technical obsolescence and are not able to be used for provision of engineering systems contracting services.

(iii) Machinery and equipment of approximately HK$102,000 were impaired due to obsolescence during the year.

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

Buildings	4%
Machinery and equipment	20%
Office equipment	20%
Computer equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

17. PREPAID LEASE PAYMENTS

The prepaid lease payments represent leasehold land in Hong Kong held under medium-term leases and analysed for reporting purpose as:

	2009	2008
	HK$'000	HK$'000
Analysed for reporting purposes as:		
Non-current asset	**759**	779
Current asset	**20**	20
	779	799

18. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

	2009	2008
	HK$'000	HK$'000
Deposit paid for acquisition of a subsidiary	**30,000**	30,000
Less: impairment loss recognised	**(30,000)**	–
	–	30,000

On 7 December 2007, the Group and Citywin Pacific Limited ("Citywin") entered into an agreement in relation to the acquisition of the entire equity interests in Target Group. The aggregate consideration for the acquisition is HK$130,000,000. The balance as at 31 March 2009 and 2008 represented the deposit paid to Citywin under the acquisition agreement.

During the year, impairment loss of HK$30,000,000 has been made. Details are set out in note 36.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

19. INVENTORIES

	2009	2008
	HK$'000	HK$'000
Consumables and spare parts	**502**	3,870

20. TRADE AND BILLS RECEIVABLES

	2009	2008
	HK$'000	HK$'000
Trade receivables	**52,001**	55,096
Less: impairment loss recognised	**(48,936)**	(46,970)
	3,065	8,126
Bills receivables	**–**	3,410
Total trade and bills receivables	**3,065**	11,536

The Group has a policy of allowing credit period ranging from three to twelve months to its trade customers. In addition, for certain customers with long-established relationship and good past repayment histories, a longer credit period may be granted, such as the balance of the contract sum being paid by way of instalments over a period of up to 18 months. The Group does not hold any collateral over the balances.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

20. TRADE AND BILLS RECEIVABLES *(continued)*

An aged analysis of trade receivables net of impairment loss recognised at the balance sheet date is as follows:

	2009	2008
	HK$'000	HK$'000
Within 30 days	**78**	30
Between 31 to 60 days	**118**	86
Between 61 to 90 days	**361**	581
Between 91 to 180 days	**356**	641
Between 181 to 365 days	**2,152**	129
Over 1 year but no more than 2 years	**–**	6,659
	3,065	8,126

The following is an aged analysis of trade receivables which are past due but not impaired at the balance sheet date:

	2009	2008
	HK$'000	HK$'000
Between 1 to 30 days	–	378
Between 31 to 60 days	–	237
Between 61 to 90 days	–	781
Between 91 to 180 days	–	24
Over 1 year but no more than 2 years	–	5,112
	–	6,532

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

20. TRADE AND BILLS RECEIVABLES *(continued)*

The Group's neither past due nor impaired trade receivables mainly represent sales made to recognised and creditworthy customers. These customers who trade on credit terms are subject to credit verification procedures. No impairment is required for the past due balances based on the historical payment records.

The movements in the impairment of trade receivables are as follows:

	2009	2008
	HK$'000	HK$'000
At 1 April	**46,970**	107,450
Impairment losses recognised during the year	**5,822**	10,103
Re-classified to subsidiary held-for-sales	**–**	(69,309)
Reversal of impairment	**(3,757)**	–
Exchange realignment	**(99)**	(1,274)
At 31 March	**48,936**	46,970

At each balance sheet date, the Group's trade debtors were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment loss was recognised. The Group does not hold any collateral over these balances.

The Group's trade and bills receivables that are denominated in currencies other than the functional currency of the relevant group entities net of impairment loss recognised are as follows:

	2009	2008
	'000	'000
Amounts denominated in:		
United State Dollar ("USD")	**81**	1,308
Euro ("EUR")	**87**	87
Macau Pataca ("MOP")	**316**	–
Renminbi ("RMB")	**1,623**	52

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009	2008
	HK$'000	HK$'000
Advanced to Target Group (note a)	**60,658**	–
Prepayment	**1,407**	1,010
Utility and other deposits	**2,051**	1,070
Temporary payment	**2,264**	7,295
Project deposit paid (note b)	**5,912**	31,824
Rental receivable (note c)	**905**	–
Purchase deposit paid	**577**	572
	73,774	41,771
Less: impairment loss recognised	**(63,127)**	(1,564)
	10,647	40,207

Included in the balances are the following advances or deposit to/paid by the Group:

(a) During the year, amount of approximately HK$60,658,000 (2008: nil) was advanced to the Target Group for operating purpose. During the year, full impairment had been made, details are set out in note 36;

(b) During the year, amount of approximately HK$5,912,000 (2008: HK$31,824,000) deposits was paid for provision of engineering systems contracting services; and.

(c) During the year, amount of approximately HK$905,000 is receivable from the Target Group for leasing machinery and equipment and motor vehicle to Target Group. During the year, full impairment has been made and details are set out in note 36.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

21. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(continued)*

The movements in the impairment of other receivables are as follows:

	2009	2008
	HK$'000	HK$'000
At 1 April	**1,564**	6,888
Impairment losses recognised during the year	**61,563**	1,564
Re-classified to subsidiary held-for-sales	**–**	(6,888)
At 31 March	**63,127**	1,564

At each balance sheet date, the Group's other receivables, deposits and prepayments were individually determined to be impaired. The individually impaired receivables are recognised based on the events or changes in circumstances indicate that the carrying amount may not be recoverable. Consequently, specific impairment loss was recognised.

The Group's other receivables, deposits and prepayments that are denominated in currencies other than the functional currency of the relevant group entities net of impairment loss recognised are as follows:

	2009	2008
	'000	'000
Amounts denominated in:		
Australian Dollar ("AUD")	**18**	18
EUR	**7**	–
Great British Pound ("GBP")	**152**	6
Japanese Yen ("JPY")	**2,500**	–
Macau Pataca ("MOP")	**–**	149
Malaysian Ringgit ("MYR")	**20**	21
Taiwan Dollar ("NTD")	**391**	9,834
RMB	**4,505**	13,271
USD	**393**	2,334

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Included in bank balances and cash are the following amounts which are subject to foreign exchange control regulations or not freely transferable:

	2009 '000	2008 '000
Amounts denominated in:		
RMB	–	62,182
MYR	–	3

Pledged bank deposits/bank balances comprise short-term bank deposits of approximately HK$11,387,000 (2008: HK$89,162,000) at prevailing interest rate or at fixed interest rates ranging from 3.52% to 4.35% (2008: 5.42% to 6.05%).

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2009 '000	2008 '000
Amounts denominated in:		
AUD	3	11
EUR	20	95
JPY	1,283	162
MOP	65	536
MYR	–	3
RMB	2,939	62,182
Singapore Dollar ("SGD")	1	1
USD	6	316

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

23. SUBSIDIARY HELD-FOR-SALES

	2009 HK$'000	2008 HK$'000
Assets classified as held-for-sales	–	24,458
Liabilities associated with assets classify as subsidiary held-for-sales	–	27,805

On 25 March 2008, the board of directors has passed a resolution to dispose of the entire equity interests of Linfair Engineering Company Limited ("LEC"), due to the significant operating loss suffered from LEC and in the opinion of the directors, such position would not be improved in the foreseeable future. Details are set out note in 34.

24. TRADE AND BILLS PAYABLES

The aged analysis of the trade payables is below:

	2009 HK$'000	2008 HK$'000
Within 30 days	110	934
Between 31 to 60 days	43	4,563
Between 61 to 90 days	2,500	160
Between 91 to 180 days	38	1,374
Between 181 to 365 days	1,192	777
Over 1 year but no more than 2 years	686	10,749
Over 2 years	14,009	5,058
	18,578	23,615
Bills payables	–	507
	18,578	24,122

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

24. TRADE AND BILLS PAYABLES *(continued)*

The Group's trade payables that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2009	2008
	'000	'000
Amounts denominated in:		
AUD	–	4
EUR	301	427
GBP	–	194
JPY	140,453	173,565
NTD	50	36
RMB	827	65
USD	49	126

25. OTHER PAYABLES AND ACCRUED CHARGES

	2009	2008
	HK$'000	HK$'000
Projects Deposit Received	5,754	33,345
Sales Deposit Received	964	565
Others payables and accruals	4,226	5,981
Temporary Deposits	693	1,622
	11,637	41,513

Included in other payables and accrued charges amounts to HK5,754,000 (2008: HK$33,345,000) in respect of deposits received for provision of engineering systems contracting services.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

25. OTHER PAYABLES AND ACCRUED CHARGES *(continued)*

The Group's other payables and accrued charges that are denominated in currencies other than the functional currency of the relevant group entities are as follows:

	2009	2008
	'000	'000
Amounts denominated in:		
EUR	**3**	3
MOP	**–**	11,265
MYR	**14**	7
RMB	**4,443**	13,057
USD	**195**	1,065

26. SHARE CAPITAL

	2009	2008	**2009**	2008
	Number of shares	Number of shares	**HK$'000**	HK$'000
Ordinary shares of HK$0.10 each				
Authorised:				
At the beginning and at end of the year	**1,000,000,000**	100,000,000	**100,000**	100,000
Issued and fully paid:				
At the beginning of the year	**421,334,000**	338,208,000	**42,133**	33,821
Exercise of share options	**–**	3,126,000	**–**	312
Issue of shares on 11 May 2007	**–**	30,000,000	**–**	3,000
Issue of shares on 22 August 2007	**–**	50,000,000	**–**	5,000
At end of the year	**421,334,000**	421,334,000	**42,133**	42,133

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

26. SHARE CAPITAL *(continued)*

Notes:

(a) During the year ended 31 March 2008, an aggregate of 3,126,000 new shares of the Company were issued pursuant to Pre-IPO share options scheme at the exercise price of HK$0.65 per share.

(b) On 11 May 2007, 30,000,000 new shares of the Company were issued at the price of HK$1.05 per share for cash by way of placing.

(c) On 22 August 2007, 50,000,000 new shares of the Company were issued at the price of HK$2.00 per share by cash by way of top-up subscription.

All the above shares rank pari passu in all respects with other shares in issue.

27. SHARE OPTIONS

Pre-IPO share option scheme

A pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") was approved and adopted by the Company on 30 March 2005.

The maximum number of shares which may be issued under the Pre-IPO Share Option Scheme shall be 15,000,000 shares. The Pre-IPO Share Option Scheme is not subject to any vesting condition precedent and the exercise period shall commence from the day following 6 months after 10 June 2005 and end on 30 March 2010 (both dates inclusive). Upon acceptance of the pre-IPO share option, each participant shall pay HK$1 to the Company by way of consideration for the grant.

The exercise price is HK$0.65 per share and there is no restriction on the number of pre-IPO share options granted under the Pre-IPO Share Option Scheme to any grantee.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

27. SHARE OPTIONS *(continued)*

Pre-IPO share option scheme *(continued)*

Movement of the share options during the year ended 31 March 2009 were:

For the year ended 31 March 2009

	Exercise period	Exercise price	Balance at 1 April 2008	Granted	Exercised	Lapsed/ cancelled	Balance at 31 March 2009
			Number of share options				
Director	11 December 2005 to 30 March 2010	0.65	1,720,000	–	–	–	1,720,000
Employees	11 December 2005 to 30 March 2010	0.65	1,946,000	–	–	–	1,946,000
			3,666,000	–	–	–	3,666,000
Exercisable at the end of the year							3,666,000
Weighted average exercise price (HK$)			0.65	–	–	–	0.65

For the year ended 31 March 2008

	Exercise period	Exercise price	Balance at 1st April 2007	Granted	Exercised	Lapsed/ Cancelled	Balance at 31 March 2008
			Number of share options				
Director	11 December 2005 to 30 March 2010	0.65	1,720,000	–	–	–	1,720,000
Employees	11 December 2005 to 30 March 2010	0.65	5,072,000	–	(3,126,000)	–	1,946,000
			6,792,000	–	(3,126,000)	–	3,666,000
Exercisable at the end of the year							3,666,000
Weighted average exercise price (HK$)			0.65	–	0.65	–	0.65

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

27. SHARE OPTIONS *(continued)*

Pre-IPO share option scheme *(continued)*

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.55.

No share options had been granted and 3,126,000 had been exercised during the year ended 31 March 2008 under Pre-IPO share options scheme.

Other share option scheme

Another share option scheme (the "Share Option Scheme") was approved and adopted by the Company on 20 May 2005.

Under the Share Option Scheme, the Directors may, at their description, grant to any eligible person as defined under the Share Option Scheme to take up options to subscribe for shares of the Company at a subscription price to be determined by the Directors and notified to each grantee but in any case shall not be less than the higher of (1) the closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet on the date on which the Directors approve the making of the offer for the grant option (the "Date Of Grant"), which must be a trading day; (2) the average of closing price of the shares as stated in The Stock Exchange of Hong Kong Limited's daily quotations sheet for the five trading days immediately preceding the Date of Grant; or (3) the nominal value of a share. Upon acceptance of the share option, the grantee shall pay HK$1 to the Company by way of consideration for the grant.

At the date of this annual report, the total number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 33,400 shares, being 0.01% of the issued shares of the Company. Details of the Share Option Scheme are set out in the prospectus dated 27 May 2005 issued by the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

27. SHARE OPTIONS *(continued)*

Other share option scheme *(continued)*

As at 31 March 2008, there were no share options granted under the Share Option Scheme since its adoption. Details of the movements in the Company's share options granted during the year ended 31 March 2009 are as follows:

For the year ended 31 March 2009

			Number of share options				
	Exercise period	Exercise price	Balance at 1 April 2008	Granted	Exercised	Lapsed/ cancelled	Balance at 31 March 2009
Directors	23/02/2009 – 22/02/2014	HK$0.282	–	7,000,000	–	–	7,000,000
Employees	23/02/2009 – 22/02/2014	HK$0.282	–	4,100,000	–	–	4,100,000
Consultants	23/02/2009 – 22/02/2012	HK$0.282	–	28,000,000	–	–	28,000,000
	23/02/2009 – 22/02/2014	HK$0.282	–	3,000,000	–	–	3,000,000
			–	42,100,000	–	–	42,100,000
Exercisable at the end of the year							42,100,000
Weighted average exercise price (HK$)			–	0.282	–	–	0.282

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

27. SHARE OPTIONS *(continued)*

Other share option scheme *(continued)*

During the year ended 31 March 2009, share options were granted by the Company on the below grant date. The estimated fair value of the share options on the grant date is determined using the Black-Scholes Options Pricing Model. The respective fair value and significant inputs to the model are as follows:

The contractual life and expectations of early exercise of the share options were used as inputs into relevant models.

Grant date	22 Feb 2009
Fair value at measurement date	HK$4,006,000
Share price at the grant date	HK$0.275
Exercise price	HK$0.282
Expected volatility	74.7%
Expected dividends yield	–
Risk free rate	0.447%

Expected volatility was determined by using the historical volatility of the Company's share price over the 250 days immediate before the grant date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The risk-free rate is based on the annual yield of Hong Kong Exchange-Fund Bills and Notes for corresponding expected life at the grant date.

The Black-Scholes Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Share options were granted under a service condition. The condition has not been taken into account the fair value measurement of the services received on the grant date. There was no market conditions associated with the share options granted.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

28. DEFERRED TAX LIABILITIES

The deferred tax liabilities recognised by the Group represent the excess of tax allowances over depreciation and movement thereon during the year are as follows:

	HK$'000
At 1 April 2007	230
Credit to consolidated income statement	(109)
At 31 March 2008 and 1 April 2008	121
Charge to consolidated income statement	359
Effect of change in tax rate	(7)
At 31 March 2009	473

At the balance sheet date, the Group had unused tax losses of approximately HK$42,027,000 (2008: HK$16,251,000) available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Pursuant to the relevant laws and regulations in the PRC, the unused tax losses incurred by the PRC subsidiaries will be expired in 2011. Other tax losses may be carried forward indefinitely.

29. PLEDGE OF ASSETS

At the balance sheet date, the banking facilities of the Group were secured by the following assets:

	2009	2008
	HK$'000	HK$'000
Property, plant and equipment	**1,847**	1,928
Bank deposits	**1,250**	3,000
	3,097	4,928

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

30. CONTINGENT LIABILITIES

At the balance sheet date, the Group had the following contingent liability:

	2009	2008
	HK$'000	HK$'000
Performance bonds	1,227	1,227

On 12 June 2009, the Company announced that it received a Writ of Summons issued from the Court of First Instance of Hong Kong on 10 June 2009. Details are set out in note 36.

31. COMMITMENTS

(a) Capital commitments

	2009	2008
	HK$'000	HK$'000
Capital expenditure in respect of the acquisition of the entire equity interest in Target Group contracted for but not provided in the consolidated financial statements	–	100,000

(b) Operating lease commitments

The Group as lessee

Minimum lease payments paid under operating leases during the two years ended 31 March 2009 and 31 March 2008:

	2009	2008
	HK$'000	HK$'000
Rented premises	1,650	3,777

Operating lease rentals amounting to approximately HK$592,000 (2008: HK$1,320,000) and nil (2008: HK$588,000) in respect of staff quarters and director's quarter are included in the staff cost and directors' emolument, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

31. COMMITMENTS *(continued)*

(b) Operating lease commitments *(continued)*

The Group as lessee *(continued)*

At the balance sheet date, the Group had committed for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2009	2008
	HK$'000	HK$'000
Within one year	**863**	2,425
In the second to fifth years inclusive	**2,066**	385
Over five years	**102**	–
	3,031	2,810

Operating lease payments represent rental payable by the Group for certain of its office premises and staff quarters. Leases are negotiated for terms of one to five years at fixed rentals.

The Group as lessor

Rental income earned during the year was approximately HK$905,000 (2008: nil).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2009	2008
	HK$'000	HK$'000
Within one year	**905**	–
In the second to fifth years inclusive	**905**	–
	1,810	–

The properties are expected to generate rental yield of 15% on an ongoing basis. All of the properties held have committed tenants for the next 2 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

32. EMPLOYEE RETIREMENT BENEFITS

Effective from 1 December 2000, the operating subsidiaries in Hong Kong joined a MPF Scheme for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. No forfeited contribution is available to reduce the contributions payable in future years.

The employees of Linfair Engineering (Malaysia) Sdn. Bhd., a subsidiary of the Company, are members of a state-managed retirement benefit scheme operated by the Malaysian Government. The subsidiary is required to make contributions to the Employees Provident Fund ("EPF") at rates specified in the rules of EPF. The obligation of the Group with respect to EPF is to make the required contribution.

Employees located in the PRC are covered by the retirement and pension schemes defined by local practice and regulations and which are essentially defined contribution schemes.

	2009	2008
	HK$'000	HK$'000
Retirement benefit contribution made during the year	**289**	508

33. RELATED PARTY TRANSACTIONS

(a) During the year ended 31 March 2008, the Group has entered into the following transactions with Hapworld SDL Ltd. ("Hapworld"):

	2009	2008
	HK$'000	HK$'000
Sales of consumables and spare parts	**–**	118
Purchase of consumables and spare parts	**–**	(10)

Hapworld is a company incorporated in Hong Kong. A sister of Mr. Chang Ei Eu is a director of and holds about 20% equity interests in Hapworld.

(b) As at 31 March 2008, an amount of approximately HK$14,000 (2009: nil) was advanced from a sister of Mr. Chang Ei Eu. The balance is unsecured, interest-free and repayable on demand. The balance was included in other payables and accrued charges as at 31 March 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

33. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation to directors and key management personnel of the Group:

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**4,061**	4,266
Post-employment benefits	**37**	39
Equity-settled share-based payments	**790**	–
	4,888	4,305

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

Details of the directors' remuneration are set out in note 15(a).

34. DISPOSAL OF A SUBSIDIARY

On 5 June 2008, the Group entered into an agreement with an independent third party for the disposal of its entire equity interest in LEC for an aggregate consideration of HK$2,000,000. The disposal was completed on 23 July 2008 with a gain of approximately HK$4,813,000 recorded. LEC did not contribute any turnover and results to the Group from its operations for the year ended 31 March 2009.

Net liabilities disposed of:

	HK$
Assets classified as held-for-sales	24,458
Liabilities associated with assets classify as subsidiary held-for-sales	(27,805)
Net liabilities	(3,347)
Realisation of exchange reserve	534
Gain on disposal of a subsidiary	4,813
Cash consideration	2,000
Net cash inflow arising on disposal:	
Cash consideration	2,000

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34. DISPOSAL OF A SUBSIDIARY *(continued)*

The disposed subsidiary did not contribute any cash flow in respect of operating, investing and financing activities for the year ended 31 March 2009.

35. PRINCIPAL SUBSIDIARIES

Particulars of the Group's subsidiaries as at 31 March 2009 are as follows:

Name of Subsidiary	Place of incorporation/ operation	Class of share	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Excellent Overseas Limited[1]	British Virgin Islands	Ordinary share	US$1	100%	Investment holding
Linfair Engineering (Beijing) Co. Ltd.[2,3]	PRC	Registered capital	HK$3,000,000	100%	Provision of installation and maintenance services
Jin Lun Duo Engineering (Shenzhen) Co. Limited[2,3]	PRC	Registered capital	HK$50,000,000	100%	Provision of installation and maintenance services
Linfair Engineering (Malaysia) Sdn. Bhd.	Malaysia	Ordinary share	RM1,500,000	100%	Provision of installation and maintenance services
Linfair Engineering (H.K.) Co., Limited	Hong Kong	Ordinary share	HK$10,000,000	100%	Provision of engineering systems contracting service and sales of related consumables and spare parts

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2009

35. PRINCIPAL SUBSIDIARIES *(continued)*

Name of Subsidiary	Place of incorporation/ operation	Class of share	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group	Principal activities
Linfair Capital Limited	Hong Kong	Ordinary shares	HK$1,000	100%	Investment holding
Linfair Engineering (Macau) Company Limited	Macau	Ordinary shares	MOP1,000,000	100%	Provision of engineering systems contracting service and sales related consumables and spare parts
Power High Limited[1]	British Virgin Islands	Ordinary shares	US$1	100%	Investment holding
Nation Resources Limited	Hong Kong	Ordinary shares	HK$100	100%	Inactive
Changsha Sanjin Kuangye Touzi Zixun Youxian Gongsi	PRC	Registered capital	HK$40,000,000	100%	Inactive
Beijing Jinlunduo Resources Technology Company Limited	PRC	Ordinary shares	RMB6,000,000	100%	Inactive

Notes:

1 Directly held by the Company

2 The subsidiaries are established in the PRC as wholly owned foreign enterprise

3 the English names are for identification purposes only

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities subsisting at the end of the year or any time during the year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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36. TRANSACTIONS AND PENDING LITIGATION WITH CITYWIN

During the year ended 31 March 2008, the Group entered into an acquisition agreement with Citywin to acquire 100% equity interest in the Target Group at an aggregate consideration of HK$130,000,000 (the "Acquisition"). The consideration is to be satisfied by a cash consideration of HK$30,000,000 and issue of HK$100,000,000 convertible bonds with a maturity of four years from the date of issue (the "Convertible Bonds"). During the year ended 31 March 2008, cash consideration of HK$30,000,000 has been fully paid by the Group as the deposits for the Acquisition. The Target Group is engaged in production and sales of iron ore.

On 7 December 2007, the Group also signed a service agreement with Citywin for provision of various services in relation to the mining business of the Group, including advice on trading and marketing of the output from the magnetite and the introduction of prospective distributors and buyers of the products after the completion of the acquisition.

The details of the Acquisition and the service agreement are set out in the Company's announcements dated 10 December 2007 and 23 June 2008 respectively.

The directors entrusted Citywin to act in good faith for the agreed services and all necessary procedures in assisting the Group to obtain the financial and operating controls of the Target Group are to be properly carried out and performed for the purpose of Acquisition. However, during the year ended 31 March 2009, after the due and careful enquiries and clarifications by the directors, it was noted that the Group had not obtained any financial and operating controls in Target Group, including the representation in the board of directors of Target Group.

After reassessment of the facts and circumstances up to 31 March 2009 and the date on which these financial statements are approved by the directors, as the Convertible Bonds are still not yet issued, the directors consider that the conditions for completion of the Acquisition were not yet fulfilled as at 31 March 2009. In addition, as the Group do not has any control in the Target Group, the Group did not consolidate the results and the net assets of Target Group for the year ended 31 March 2009 and as at 31 March 2009, respectively.

36. TRANSACTIONS AND PENDING LITIGATION WITH CITYWIN *(continued)*

Regarding the Acquisition of the Target Group, in addition to the deposit paid for the Acquisition as at 1 April 2008 of HK$30,000,000, during the year, the Group had also made further advances to the Target Group for its operations and leased the machinery and equipment to the Target Group for the production of income. As at 31 March 2009, an aggregate amount of approximately RMB53,501,000 (equivalent to approximately HK$60,658,000) was advanced by the Group to the Target Group and a rental income of RMB800,000 (equivalent to approximately HK$905,000) was charged to the Target Group. Based on latest facts and the legal advice obtained by directors of the Group, the directors considered that the possibility for the recovery of (i) the deposit paid in respect of the acquisition of a subsidiary of approximately HK$30,000,000 (ii) the advances to the Target Group of approximately HK$60,658,000 and (iii) the rental receivable of approximately HK$905,000 is remote and impossible. Accordingly, full impairment in respect of the deposit paid for acquisition of a subsidiary, the advances to the Target Group and the rental receivable was made during the year ended 31 March 2009. The Group also made full impairment in respect of certain machinery and equipment of approximately HK$5,496,000 originally acquired for intended operations of the Target Group's businesses (see note 16).

Subsequent to 31 March 2009, the Group received a writ of summons issued from the Court of First Instance of Hong Kong on 10 June 2009. In the writ of summons, Citywin made a claim against the Company for, among other things, the Company do forthwith apply for and obtain the approval of the Listing Committee of the Stock Exchange for listing of and permission to deal in the Conversion Shares, upon the grant of the approval, the Company do within 7 days issue in favour of Citywin the Convertible Bonds on the terms as provided in the sale and purchase agreement save that the same is to mature on 20 December 2012, damages, interests and costs. The details are set out in the Company's announcement dated 12 June 2009.

Based on the latest circumstances and legal advice obtained, the directors had requested the lawyers of the Group to prepare defence actions in relation to the writ of summons dated 10 June 2009. The directors originally believed that Citywin would act in good faith to assist the Group to obtain financial and operating controls of the Target Group and to provide the documents as stated in the acquisition agreement, including but not limited to, business license and books and records of the Target Group, and to ensure completion of all necessary procedures in assisting the Group to obtain the financial and operating controls of the Target Group. However, up to now, the Group has not obtained any financial and operating controls in the Target Group. In the opinion of directors, the Group has valid defence in the litigation with Citywin and the Group will not suffer material financial losses in the pending litigation.

Accordingly, no provision for the claim amount and other costs are made as at 31 March 2009 for financial statement purpose. Also, the directors consider the relevant capital expenditure in respect of the acquisition of the entire equity interest in the Target Group no longer existed. If the Group failed in the litigation, in which case the Group will take legal action to recover all rights entitled in the Acquisition before any convertible bonds of approximately HK$100,000,000 are to be issued by the Company, the Target Group will be consolidated in the Group's financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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37. POST BALANCE SHEET EVENTS

Subsequent to 31 March 2009, the Group has the following post balance sheet events:

(1) On 15 April 2009, the Company had entered into a placing agreement with Pacific Foundation Securities Limited, pursuant to which Pacific Foundation Securities Limited has agreed to act as placing agent for the purposes of arranging subscribers for the subscription of 84,260,000 warrants which enable the subscribers to subscribe for up to 84,260,000 new ordinary shares at the HK$0.3 each. The subscription price of the warrants is HK$0.03 each. Up to the date on which these financial statements issued, the proceeds from issuance of warrants of approximately HK$2,528,000 has been received. Details are set out in the Company's announcement dated 16 April 2009.

As of the date on which the consolidated financial statements are approved by the directors, approximately HK$7,128,000 was received in cash from the exercise of 23,760,000 warrants by the placees.

(2) On 22 May 2009, the Group entered into an agreement with UBNZ Trustee Limited ("Potential Vendor"), an independent third party, pursuant to which, among other things, the Group had agreed to acquire 20% of the entire issued share capital of UBNZ Assets Holdings Limited and its subsidiaries (the "VSA Target Group") and 20% of all obligations, liabilities and debts due by the VSA Target Group to the Potential Vendor. In addition, the Potential Vendor has agreed to grant to the Group a right at the consideration of HK$1 ("Share Option"), to require the Potential Vendor to sell to the Group certain option shares (representing 80% of the entire issued share capital of UBNZ Assets Holdings Limited and the outstanding debt at a consideration of NZ$400,000,000 (equivalent to approximately HK$1,919,000,000). The consideration of the Share Option is included in the total consideration of NZ$100,000,000 which will be satisfied by convertible note.

Details of the acquisition are set out in the Company's announcement dated 4 June 2009.

Upon completion of the proposed transaction and full conversion of convertible note, the Potential Vendor might become the ultimate holding company of the Company.

38. COMPARATIVE FIGURES

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