GARRON INTERNATIONAL LIMITED
嘉禹國際有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1226)

Annual Report 2010

* For identification purpose only

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CORPORATE INFORMATION

STOCK CODE
1226

BOARD OF DIRECTORS
Executive Directors:
Dr. POON Ho-man
Mr. Jerry CHIOU

Independent Non-executive Directors:
Mr. HA Tak-kong
Mr. PENG Feng
Mr. TONG, I Tony

AUDIT COMMITTEE
Mr. HA Tak-kong
Mr. PENG Feng
Mr. TONG, I Tony

REMUNERATION COMMITTEE
Mr. HA Tak-kong
Dr. POON Ho-man
Mr. PENG Feng

REGISTERED OFFICE
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Suite 4505, 45/F
Far East Finance Centre
16 Harcourt Road
Admiralty, Hong Kong

AUDITORS
HLM & Co.
Certified Public Accountants
Room 305, 3/F
Arion Commercial Centre
2-12 Queen's Road West, Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICE IN HONG KONG
Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKER
Standard Chartered Bank

COMPANY SECRETARY
Mr. TSUI Wing Tak
(Resigned on 31 December 2009)
Ms. LAI Tin Yin, Fion
(Appointed on 31 December 2009)

WEBSITE
http://www.garroninternational.com

STATEMENT FROM THE MANAGEMENT

The board of directors (the "Board") of Garron International Limited (the "Group") is pleased to announce that the audited consolidated results of the Group for the year ended 31 March 2010.

FINANCIAL RESULTS

For the year ended 31 March 2010, the Group recorded a substantial decrease in revenue from HK$201,539 to HK$123,707, representing a decrease of approximately 38.6%. The loss attributable to owners of the Group for the year amounted to HK$4,796,486 as compared to the loss for last year amounted to HK$11,119,668. The substantial decrease in loss during the year was mainly due to a record of unrealised gain on listed securities of HK$3,456,972 (2009: unrealised loss of HK$3,022,480). The audited consolidated net liability value of the Group as of 31 March 2010 amounted to HK$3,640,053. The net liability value per share of the Group was amounted to HK$0.05 (2009: net asset value per share was HK$0.02). The decrease was due to poor market sentiment and lack of good investment opportunity during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments

The investment portfolio of the Group mainly comprises of listed securities in Hong Kong during the year. As a whole, the portfolio was carefully managed and being fully diversified to minimise commercial risk resulting from over concentration of the investment of the Group in any single industry.

During the year, the listed investment portfolio of the Group is focused in Hong Kong listed securities and covered various industry sectors.

Prospects

Given the credit market turmoil as well as the downturn of the global economy by the global financial tsunami, the Directors will continue to take a cautious and prudent approach in managing the Group's investment portfolio and develop the investment strategies. Given the present continuous economic improvement in the PRC, the Group will continue to look for investment opportunities which offer outstanding returns and within the acceptable risk profile of the Group.

Liquidity and Financial Resources

As at 31 March 2010, the Group had no borrowing and no credit facilities obtained from financial institutions. The Group had bank balances and cash on hand of HK$431,971 (2009: HK$1,029,815), which was mainly placed in bank as deposits. Since the Group has made no borrowing as at 31 March 2010, the Group is in a net cash position.

Capital Structure

The shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), there has been no change in the capital structure of the Company for the year under review.

Reference is made to the announcement of the Company dated 9 July 2010 in relation to the placing of new shares under general mandate (the "Announcement"). Unless otherwise defined herein, terms used in this announcement shall have the same meanings as defined in the Announcement.

STATEMENT FROM THE MANAGEMENT

On 9 July 2010, the Company entered into the Placing Agreement with the Placing Agent whereby the Company has conditionally agreed to place, through the Placing Agent, on a best effort basis up to 14,130,000 Placing Shares to not less than six independent Placees at a price of HK$0.368 per Placing Share. The Placing was completed on 22 July 2010 and the issued share capital is HK$16,956,000 as of the date of this report.

Price risk

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its price risk arising from investments in financial assets, the Group diversifies its portfolio. If the financial assets price of the respective investments held by the Group as financial assets at fair value through profit or loss were higher or lower by 5% as at 31 March 2010, the Group's loss for the year would increase or decrease by HK$384,570 (2009: HK$206,123).

Employees

During the year ended 31 March 2010, the Group had retained four employees (2009: four employees). Total staff costs of the Group, excluding directors' remuneration, for the year under review amounted to HK$1,377,721 (2009: HK$1,358,457). Staff remuneration packages were in line with the prevailing market practice and were determined on the basis of the performance and experience of individual employee.

Charges on Assets and Contingent Liabilities

Throughout the year ended 31 March 2010, assets of the Group were free from any form of legal charge. In addition, the Group did not have any significant contingent liabilities.

Finally, I would like to express my deepest appreciation to shareholders for their continuous support.

By Order of the Board

GARRON INTERNATIONAL LIMITED
Dr. POON Ho-man
Executive Director

Hong Kong, 27 July 2010

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Dr. POON Ho-man, aged 37, was appointed as an executive director of the Group on 22 December 2004. Dr. Poon is a Chartered Financial Analyst, Responsible Officer under the Stock Exchange of Hong Kong and Registered Responsible Officer under the Securities and Futures Commission of Hong Kong. He has been registered as dealing director and investment advisor since 2002. Dr. Poon has over 11 years of extensive experience in the equity and capital markets in Greater China region. Dr. Poon is also the Chairman and the CEO of Friedmann Pacific Investment group, which is an expanding full-line investment company with businesses covering direct investment, asset management, corporate finance, securities brokerage and other financial services. Dr. Poon holds a bachelor degree in Engineering from the University of Hong Kong and an EMBA degree as the first EMBA session graduate from Tsinghua University. Dr. Poon also holds an Honorable Doctorate Degree of Business Management from Armstrong University, USA. He is also a member of Chamber of Hong Kong Listed Companies, a member of the Hong Kong Institute of Directors and a member of the Hong Kong Society of Financial Analysts. Dr. Poon is the director of Friedmann Pacific Asset Management (Hong Kong) Limited ("FPAML") (formerly known as Friedmann Pacific Asset Management Limited), the investment manager of the Group. As at 31 March 2010, Dr. Poon has 28.32% interests in the issued share capital of the Group by virtue of his 100% interests in Planters Universal Limited, a company incorporated in the British Virgin Islands.

Mr. Jerry CHIOU, aged 61, was appointed as an executive director of the Group on 28 July 2003. Mr. Chiou received a bachelor degree in Economics from the National Taiwan University in Taiwan and a master degree in Finance from the University of Houston in the United States of America. In addition, Mr. Chiou is a certified public accountant in the State of California, USA and a registered investment advisor in Hong Kong. Before joining the Group, Mr. Chiou has over 20 years of experience in corporate management and the financial market, especially in asset management. Mr. Chiou is also the director of FPAML, the investment manager of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. HA Tak-kong, aged 41, was appointed as an independent non-executive director of the Group on 3 June 2004. Mr. Ha received a bachelor degree in accounting from the University of Hong Kong and is working as an accounting manager in an import and export trading firm. Mr. Ha is an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. PENG Feng, aged 49, was appointed as an independent non-executive director of the Group on 22 November 2005. Mr. Peng is the Chairman and Director of Shenzhen Loyll Chemical Engineering Limited. He holds a bachelor degree in chemical engineering from Nanchang University (formally known as Jiangxi Polytechnic University) and has over 14 years' experience in chemical industry. Mr. Peng has been an independent non-executive director of Co-winner Enterprise Limited, a Group listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, from November 2004 to September 2005.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. TONG, I Tony, aged 42, was appointed as an independent non-executive director of the Group on 22 June 2007. He is director and co-founder of Jibo Technology and Pacificnet Ventures. Prior to founding Pacificnet, Mr. Tong worked on the leading US technology companies including Andersen Consulting (now Accenture, NYSE:ACN) and ADC Telecommunications (NASDAQ:ADCT). Mr. Tong's R&D achievements include being the inventor and patent holder of US Patent Number 6,012,066 (granted by US Patent and Trademark Office) titled "Computerized Work Flow System." Mr. Tong is a frequent speaker on technology investment in China, and was invited to present at the APEC Summit, China Venture Capital Forum, and China Hi-Tech Fair. Mr. Tong is a member of the G2E Asia Planning Committee and a frequent speaker on Asian gaming technology and was invited to present at the G2E Asia, EiG, AiG, Casino Affiliate Convention, and China Lottery Conference. Mr. Tong graduated with Bachelor of Mechanical-Industrial Engineering Degree from the University of Minnesota and also served as an Adjunct Professor. As a recognition to his contribution and leadership in the gaming industry, Mr. Tong was named to the 2008 "25 People to Watch" List by Global Gaming Business Magazine, and was recognised as "Asian Gaming 50 – The 50 most influential people in Asia's gaming industry" by Inside Asian Gaming Magazine 2008; and was elected member of the Euro-Asian Cooperation on Gaming Association Limited (ECG), a leading gaming association for gaming operators, suppliers, and regulators which promotes the development and growth of the legitimate gaming industry.

The Board presents their annual report and the audited financial statements of the Group for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Group is principally engaged in investing in listed and unlisted companies in Hong Kong and the PRC.

SEGMENT INFORMATION

During the years ended 31 March 2010 and 2009 respectively, the Group's revenue and net losses were mainly derived from the interest income, dividend income and trading gain or loss from investment holding. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses. The Group's segment assets and liabilities for the year, analysed by geographical market, are as follows:

	PRC (except Hong Kong)		**Hong Kong**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**–**	4,000,000	**9,119,712**	6,470,267	**9,119,712**	10,470,267
Segment liabilities	**–**	–	**12,759,765**	9,313,834	**12,759,765**	9,313,834

MAJOR CUSTOMERS AND SUPPLIERS

As the Group's revenue was mainly derived from interest income, dividend income and trading gain or loss from investment holding, it is believed that the disclosure of information regarding customers and suppliers would not be meaningful.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2010 and the state of affairs of the Group at that date are set out in the financial statements on pages 21 to 59. The Directors do not recommend the payment of any dividend for the year ended 31 March 2010 (2009: HK$Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Group during the year are set out in note 22 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 24 of this report and other details of the reserves of the Group is set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account. The Company's reserves available for distribution comprise the share premium, accumulated profits and valuation reserve derived from the available-for-sale financial asset. In the opinion of the Board, the Company's reserves available for distribution to the shareholders at 31 March 2010 were HK$Nil (2009: HK$Nil).

DIRECTORS

The directors of the Group during the year and up to the date of this report are:

Executive Directors:
Dr. POON Ho-man
Mr. Jerry CHIOU

Independent Non-Executive Directors:
Mr. HA Tak-kong
Mr. PENG Feng
Mr. Tong, I Tony

Pursuant to Article 88 of the articles of association (the "Articles") of the Group, Mr. Jerry CHIOU and Mr. Tong, I Tony will offer themselves for re-election at the AGM.

DIRECTORS' SERVICE CONTRACTS

Dr. POON Ho-man entered into a service contract with the Group for an initial term of three years commencing on 1 March 2005 unless terminated by not less than three months' written notice or payment in lieu of such notice served by either party. The service contract was renewed for another three years on 1 March 2008.

Mr. Jerry CHIOU entered into a service contract with the Group for an initial term of three years commencing on 28 July 2003 unless terminated by not less than three months' written notice or payment in lieu of such notice served by either party. Mr. Chiou's contract was renewed on 1 January 2008 for another term of one year. There is no service contract between Mr. Chiou and the Company at 31 March 2010 and Mr. Chiou will have no fixed term of service with the Company, but will subject to retirement by rotation and re-election at the annual general meeting.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN CONTRACTS

Saved as disclosed in note 27 to the consolidated financial statements, no other contracts of significance in relation to the Group's business to which the Group or its subsidiary was a party and in which a director of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 March 2010, the interests and short positions of the directors and chief executives in the ordinary shares and underlying shares of the Group and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (including interest which they are deemed or taken to have under such provisions of the SFO)), as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Group and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies (the "Model Code") were as follows:

Name of Directors	Number of shares of the Company	Number of underlying shares of the Company	Total	Approximate percentage of shareholding
Dr. Poon Ho-man	12,940,000 *(Note 1)*	7,070,000 *(Note 2)*	20,010,000	28.32%
Mr. Ha Tak-kong	–	70,000 *(Note 3)*	70,000	0.10%
Mr. Tong, I Tony	–	70,000 *(Note 3)*	70,000	0.10%
Mr. Peng Feng	–	70,000 *(Note 3)*	70,000	0.10%

Notes:

1. Dr. Poon Ho-man, an executive director of the Company, is deemed to be interested in these shares by virtue of his 100% interest in Planters Universal Limited, a company incorporated in the British Virgin Islands.

2. Dr. Poon Ho-man is interested in 7,000,000 share options conferring rights to subscribe for 7,000,000 shares of the Company. Save for which, Dr. Poon Ho-man is deemed to be interested in 70,000 share options held by his spouse, conferring rights to subscribe for 70,000 shares of the Company.

3. Each of Mr. Ha Tak-kong, Mr. Tong, I Tony and Mr. Peng Feng is interested in 70,000 share options conferring rights to subscribe for 70,000 shares of the Company.

Save as disclosed above, none of the directors had any interests in equity or debt securities of the Group or of any of its associated corporations which were required to be notified to the Group and the Stock Exchange as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notifiable to the Group and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

The Company's share option scheme ("Share Option Scheme") was adopted by an ordinary resolution of the Company on 31 August 2002 for the primary purpose of providing incentives to directors, eligible employees, advisers, consultants and business affiliates. At 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,000,000 (2009: 9,000,000) representing 12.74% (2009: 12.74%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at the time of listing.

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

Details of the Company's Share Option Scheme are summarised as follow:

Date of grant	Outstanding at 1/4/2009	Granted	Exercised during the year	Lapsed	Outstanding at 31/3/2010	Exercisable period	Exercise price per share
Category I: Directors							
5/11/2007	210,000	–	–	–	210,000	6/11/2007–5/11/2010	HK$1.24
22/11/2007	7,000,000	–	–	–	7,000,000	22/11/2007–21/11/2017	HK$1.082
Category II: Employees							
5/11/2007	1,490,000	–	–	–	1,490,000	6/11/2007–5/11/2010	HK$1.24
Category III: Consultant							
5/11/2007	300,000	–	–	–	300,000	6/11/2007–5/11/2010	HK$1.24
	9,000,000	–	–	–	9,000,000		

Particulars of share options:

Date of grant	Number of share options	Exercisable period	Exercise price per share *HK$*
5/11/2007	2,000,000	6/11/2007 – 5/11/2010	1.24
22/11/2007	7,000,000	22/11/2007 – 21/11/2017	1.082
	9,000,000		

The following table summarised movements in the Company's share options during the year:

	Outstanding at 1/4/2009	Granted	Exercised during the year	Lapsed	Outstanding at 31/3/2010
Directors					
Dr. POON Ho-man	7,000,000	–	–	–	7,000,000
Mr. HA Tak-kong	70,000	–	–	–	70,000
Mr. TONG, I Tony	70,000	–	–	–	70,000
Mr. PENG Feng	70,000	–	–	–	70,000
Directors' total	7,210,000	–	–	–	7,210,000
Consultant	300,000	–	–	–	300,000
Employees	1,490,000	–	–	–	1,490,000
Grand total	9,000,000	–	–	–	9,000,000

WARRANTS

The Company has a total of 9,900,000 warrants outstanding at 31 March 2010 and its movements are as follows:

Date of grant	*Note*	Outstanding at 1/4/2009	Issued during the year	Exercised/ lapsed during the year	Outstanding at 31/3/2010	Exercisable period	Exercise price per share
27 September 2007	*a*	4,300,000	–	–	4,300,000	27/9/2007– 26/9/2010	HK$0.70
30 April 2008	*b*	5,600,000	–	–	5,600,000	30/4/2008– 29/4/2010	HK$0.60
		9,900,000	–	–	9,900,000		

WARRANTS *(Continued)*

Notes:

(a) On 27 September 2007, the Company placed a total of 4,800,000 unlisted warrants ("Warrants") to certain independent third parties at an issue price of HK$0.1 each of which 500,000 Warrants had been exercised and 500,000 new shares of the Company had been issued and allotted on 3 December 2007.

(b) On 30 April 2008, the Company placed a total of 5,600,000 unlisted warrants ("Warrants") to certain independent third parties at an issue price of HK$0.15 each. No Warrants had been exercised during the year ended 31 March 2010.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2010, to the best knowledge of the Board and chief executives of the Company, the following persons (other than any directors or chief executive of the Company) were substantial shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

	Note	**Number of shares of the Company**	**Approximate percentage of shareholding**
Planters Universal Limited	*1*	12,940,000	18.32%
Chen Jui Yang	*2*	7,000,000	9.91%
Linkasia Investment Limited	*3*	5,528,000	7.82%
BUDIMAN Leo	*3*	5,528,000	7.82%

Notes:

1. Planters Universal Limited is beneficially interested in 12,940,000 shares of the Company as at 31 March 2010. The entire shares in Planters Universal Limited are beneficially owned by Dr. Poon Ho-man. The interests of Dr. Poon Ho-man in the Company are stated under the section headed "Directors' and Chief Executives' Interests in Equity or Debt Securities".

2. Mr. Chen Jui Yang, is interested in 7,000,000 shares as at 31 March 2010. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Chen Yui Yang has no relationship with any Directors, senior management or other substantial or controlling Shareholders.

3. To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the 5,528,000 Shares are beneficially owned by Linkasia Investment Limited as at 31 March 2010. The entire shares in Linkasia Investment Limited are beneficially owned by Mr. Budiman Leo, an independent third party, and Mr. Budiman Leo is therefore deemed to be interested in 5,528,000 Shares.

Save as disclosed above, the Company had not been notified of any other person (other than directors or chief executive of the Company) who had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2010.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in or debt securities (including debentures) of the Company or any other body corporate.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transaction:

Investment Management Agreement

Pursuant to the investment management agreement dated 14 June 2005 (the "IM Agreement"), the Group appointed FPAML, a Group which is 90% owned by Dr. POON Ho-man, an executive director of the Group, as its investment manager to provide investment management services to the Group. FPAML was entitled to a monthly investment management fee at a rate of 2% per annum of the net asset value of the Group calculated in the way as specified by the articles of association of the Group (the "NAV") as at the immediately preceding last dealing day of the Stock Exchange in each calendar month or such other dealing days as considered appropriate by the Board for the purpose of calculating the NAV. In accordance with the IM Agreement, the investment manager will also be entitled to receive from the Group an annual incentive fee equal to 10% of the surplus net asset value as determined in accordance with the provision of the IM Agreement and payable annually in arrears within 10 business days after the annual accounts of the Group have been approved by the shareholders of the Group. The maximum aggregate annual value of the fee payable to FPAML shall be not more than HK$390,000. During the year, the Group paid investment management fee of HK$16,451 (2009: HK$362,303) and no annual incentive fee for the year ended 31 March 2010 and 2009 was accrued in the books of the Group.

MANAGEMENT CONTRACTS

Save as disclosed in the paragraph "Connected Transactions" in this report, no other 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.

RETIREMENT BENEFITS SCHEME

Details of the retirement benefits scheme are set out in note 28 to the consolidated financial statements.

EVENT AFTER THE END OF REPORTING PERIOD

Details of event after the end of reporting period are set out in note 31 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Group and within the knowledge of its directors, the board of directors confirms that the Group has complied with the public float requirement of the Listing Rules for the year ended 31 March 2010.

PURCHASE, SALE AND REDEMPTION OF SHARES

For the year ended 31 March 2010, neither the Group nor its subsidiaries had purchased, sold or redeemed any of the Group's shares.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

Details of the financial summary in relation to the Group's results and assets and liabilities are set out in page 60.

AUDITORS

The Group's financial statements for the years ended 31 March 2010 and 2009 were audited by Messrs. HLM & Co.. A resolution will be proposed to the forthcoming annual general meeting to re-appoint Messrs. HLM & Co. as the auditors of the Group.

By Order of the Board

Dr. POON Ho-man
Executive Director

Hong Kong, 27 July 2010

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Group has adopted the code provisions set out in the code of corporate governance practices in Appendix 14 of the Listing Rules (the "Code") as its own code on corporate governance practices. In the opinion of the Board, save as disclosed below, the Group has complied with the code provisions of the Code during the year ended 31 March 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code for securities transactions by directors of the Group. Having made specific enquiry of all directors, the Group confirmed that all directors have complied with the required standard set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") of the Group is collectively responsible for the oversight of the management of the business and affairs of the Group with the objective of enhancing shareholders value. The Board comprises a total of five directors, with two executive directors and three independent non-executive directors. One of the independent non-executive directors, Mr. HA Tak-kong, has appropriate professional qualifications in accounting pursuant to Rule 13.10 of the Listing Rules. Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Group is of the view that all independent non-executive directors meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

All directors have access to the Group secretary for advising the board procedures and regulatory matters. Any director and member of audit committee of the Group may take independent professional advice if they so wish at the expense of the Group, as arranged by the Group secretary. No chairman or chief executive officer had been appointed by the Group during the year. This constitutes a deviation from the code provision A.2.1 to A.2.3 of the Code. In view of the simple structure of the Group, all significant decision making is carried out by all executive directors of the Group while the day-to-day investment decision is based on the professional recommendation of the investment manager. The Board considers that this structure will not impair the balance of power and authority between the management of the Board and the management of its business. None of the existing non-executive directors of the Group is appointed for a specific term. This constitutes a deviation from the code provision A.4.1 of the Code. However, one-third of the directors of the Group (both executive and non-executive) are subject to the retirement by rotation at each annual general meeting under the articles of association of the Group. As such, the Group considers that sufficient measures have been taken to ensure that the Group's corporate governance practices are similar to those in the Code. Under the articles of association of the Group, the chairman of the Board and/or the managing director and/or the deputy managing director of the Group are not subject to retirement by rotation or be taken into account on determining the number of directors to retire in each year. This constitutes a deviation from the code provision A.4.2 of the Code.

All executive directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. During the year ended 31 March 2010, the Board convened a total of 17 meetings. The directors can attend meetings in persons or through other means of electronic communication in accordance with the articles of association of the Group.

Name of director	Attendance	%
Executive Directors		
Dr. POON Ho-man	17/17	100%
Mr. Jerry CHIOU	17/17	100%
Independent Non-executive Directors		
Mr. HA Tak-kong	17/17	100%
Mr. PENG Feng	10/17	58.8%
Mr. TONG, I Tony	17/17	100%

To the best knowledge of the Board, there is no financial, business or family relationship among the members of the Board as at 31 March 2010. All of them are free to exercise their individual judgments.

REMUNERATION COMMITTEE

The Company has a remuneration committee for determining the remuneration of Directors. The members of the remuneration committee are: Mr. HA Tak-kong, Dr. POON Ho-man and Mr. PENG Feng. During the financial year ended 31 March 2010, the committee held 1 meeting to discuss remuneration related matters. The individual attendance of each member is as follows:–

	Attendance	%
Mr. HA Tak-kong	1/1	100%
Dr. POON Ho-man	1/1	100%
Mr. PENG Feng	1/1	100%

Mr. Ha Tak-kong is the chairman of the remuneration committee. The remuneration committee is responsible for the following functions: determining the policy for remuneration of directors and senior management, assessing performance of executive directors, as well as determining the emolument policy of the Company. No director or any his associated, and executive is involved in deciding his own remuneration.

NOMINATION OF DIRECTORS

No nomination committee was established by the Group in view of the small size of the Board. The Board as a whole is responsible for considering the suitability of an individual to act as a director of the Group, and approving and terminating the appointment of a director of the Group. The executive directors of the Group are responsible for selecting and recommending suitable candidates for members of the Board based on their characters, qualifications, experience and background, when there is a vacancy or an additional director is considered necessary. The recommendations of the executive directors are then put forward for consideration by the Board.

AUDIT COMMITTEE

The audit committee comprises three independent non-executive directors and Mr. Ha Tak-kong serves as the chairman of the audit committee. No member of the audit committee is a member of the former or existing auditor of the Company. During the year ended 31 March 2010, the audit committee held 2 committee meetings. The attendance of each of the members at such meetings is as follows:–

	Attendance	%
Mr. Ha Tak-kong	2/2	100%
Mr. Peng Feng	1/2	50%
Mr. Tong I, Tony	2/2	100%

Responsibilities of the audit committee include:

(1) to be in charge of the appointment of external auditors, auditing expenses and any matters regarding the resignation or dismissal of the external auditors;

(2) to discuss with the external auditors on the nature and scope of audit prior to the commencement of the auditing procedures; and

(3) to review the interim and annual accounts. The audit committee has reviewed the auditing performance, the internal controls and the audited financial statements of the Company for the year ended 31 March 2010.

AUDITORS' REMUNERATION

For the year ended 31 March 2010, services provided to the Group by its external auditors, HLM & Co. and the respective fees paid/payable are set out as follows:

	HK$
HLM & Co.	
– Audit services (Annual report)	115,000

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges their responsibilities for the preparation of the consolidated financial statements of the Group and ensures that they are prepared in accordance with statutory requirements and applicable accounting standards. The directors also ensure the timely publication of such consolidated financial statements. The statement of the external auditors of the Group, Messrs. HLM & Co., with regard to their reporting responsibilities on the Group's consolidated financial statements is set out in the Independent Auditors' Report on pages 19 to 20.

INTERNAL CONTROL

The Board, recognising its overall responsibility in ensuring the system of internal controls of the Group and for reviewing its effectiveness, is committed to implementing an effective and sound internal controls system to safeguard the interests of shareholders and the assets of the Group. Procedures have been designed for safeguard assets against unauthorised used or disposition ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance with applicable law, rules and regulations. The procedures provide a reasonable but not absolute assurance and prevention of material untrue statements or losses, as well as management on the interruption of the Group's management system and risks existing in the course of arriving at the Group's objectives.

The management of the Group has conducted a review on the Group's internal control and risk management system for the year ended 31 March 2010 with no material weakness found. The management will continue to improve and strengthen its control in order to enhance the corporate governance and safeguard the interest of its shareholders.

COMMUNICATIONS WITH SHAREHOLDERS

The Code requires the Company to have a dialogue with shareholders and it is the responsibility of the Board as a whole to ensure that satisfactory dialogue takes place. The primary communication channel between the Company and its shareholders is through the publication of its interim and annual reports. The Company's Registrars serve the shareholders with respect to all share registration matters. The Company's annual general meeting provides a useful forum for shareholders to exchange views with the Board. The directors and management of the Company are available to answer shareholders' questions. Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual director. Details of the poll voting procedures and rights of shareholders to demand a poll are included in the circular to shareholders dispatched together with the annual report. The circular also includes details of the procedures and the timetable of proposing appropriate candidates to stand for election as directors at annual general meetings, and relevant details of proposed resolutions, including biographies of each candidate standing for re-election and whether such candidates are considered to be independent.

恒健會計師行
HLM & Co.
Certified Public Accountants

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TO THE SHAREHOLDERS OF
GARRON INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Garron International Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 59, which comprise the consolidated statement of financial position as at 31 March 2010, and the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

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

EMPHASIS OF MATTER

The accompanying consolidated financial statements for the year ended 31 March 2010 have been prepared assuming that the Group will continue as a going concern. Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicates that the Group incurred a net loss of HK$4,796,486 for the year ended 31 March 2010 and, as of that date, the Group's total liabilities exceeded its total assets by HK$3,640,053. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Management's arrangements to address the going concern issue are also described in Note 2 to the consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

HLM & Co.
Certified Public Accountants

Hong Kong, 27 July 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2010

	Notes	**2010**	2009
		HK$	*HK$*
Revenue	*8*	**123,707**	201,539
Net realised gain on disposal of financial assets at fair value through profit or loss		**–**	770,602
Net unrealised gain (loss) on financial assets at fair value through profit or loss		**3,456,972**	(3,022,480)
Other revenue – written back of over-provided expenses in previous years		**–**	89,304
Administrative expenses		**(8,192,740)**	(8,936,384)
Finance costs – margin financing interest wholly repayable within one year		**(184,425)**	(222,249)
Loss before tax		**(4,796,486)**	(11,119,668)
Income tax expense	*10*	**–**	–
Loss attributable to owners of the Company	*11*	**(4,796,486)**	(11,119,668)
Dividends	*12*	**–**	–
Loss per share	*13*		
– Basic		**(0.07)**	(0.16)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2010

	Note	**2010**	2009
		HK$	*HK$*
Loss attributable to owners of the Company	*11*	**(4,796,486)**	(11,119,668)
Other comprehensive expense:			
Available-for-sale financial assets:			
Net loss arising on change in fair value		**–**	(78,143,880)
Other comprehensive expenses for the year, net of tax		**–**	(78,143,880)
Total comprehensive expenses attributable to the owners of the Company		**(4,796,486)**	(89,263,548)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	15	**21,901**	131,176
Available-for-sale financial assets	16	**–**	4,000,000
		21,901	4,131,176
Current assets			
Financial assets at fair value through profit or loss	17	**7,691,390**	4,122,468
Other receivables, prepayments and deposits	18	**974,450**	1,186,808
Bank and cash balances	19	**431,971**	1,029,815
		9,097,811	6,339,091
Current liability			
Other payables	20	**4,627,760**	1,353,306
Net current assets		**4,470,051**	4,985,785
Non-current liability			
Amount due to a director	21	**8,132,005**	7,960,528
Net (liabilities) assets		**(3,640,053)**	1,156,433
Capital and reserves			
Share capital	22	**14,130,000**	14,130,000
Reserves	24	**(17,770,053)**	(12,973,567)
Shareholders' funds		**(3,640,053)**	1,156,433
Net (liability)/net asset value per share	26	**(0.05)**	0.02

The consolidated financial statements on pages 21 to 59 were approved and authorised for issue by the Board of Directors on 27 July 2010 and are signed on its behalf by:

Dr. POON Ho-man
DIRECTOR

Mr. Jerry CHIOU
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	Share capital *HK$*	Share premium *HK$*	Share option reserve *HK$*	Warrant reserve *HK$*	Investment revaluation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 April 2008	14,130,000	25,759,973	1,384,719	430,000	78,143,880	(30,268,591)	89,579,981
Issue of unlisted warrants	–	–	–	840,000	–	–	840,000
Loss for the year	–	–	–	–	–	(11,119,668)	(11,119,668)
Other comprehensive expenses	–	–	–	–	(78,143,880)	–	(78,143,880)
At 31 March 2009	14,130,000	25,759,973	1,384,719	1,270,000	–	(41,388,259)	1,156,433
Loss for the year	–	–	–	–	–	(4,796,486)	(4,796,486)
At 31 March 2010	14,130,000	25,759,973	1,384,719	1,270,000	–	(46,184,745)	(3,640,053)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	2010	2009
	HK$	*HK$*
Operating activities		
Loss before taxation	**(4,796,486)**	(11,119,668)
Adjustments for:		
Depreciation	**109,275**	247,470
Interest income	**(5)**	(1,348)
Dividend income	**(123,702)**	(200,191)
Interest expenses	**184,425**	222,249
Impairment loss on prepayments and other receivables	**1,000**	41,532
Unrealised (gain) loss on financial assets at fair value through profit or loss	**(3,456,972)**	3,022,480
Other income	**–**	(89,304)
Operating loss before working capital changes	**(8,082,465)**	(7,876,780)
(Increase) decrease in financial assets at fair value through profit or loss	**(111,950)**	2,133,800
Decrease in other receivables, prepayments and deposits	**211,358**	5,650
Increase (decrease) in other payables	**3,274,454**	(2,467,404)
Cash used in operations	**(4,708,603)**	(8,204,734)
Interest paid	**(184,425)**	(222,249)
Net cash used in operating activities	**(4,893,028)**	(8,426,983)
Investing activities		
Interest received	**5**	1,348
Dividend received from financial assets at fair value through profit or loss	**123,702**	200,191
Proceeds from disposal of available-for-sale financial assets	**4,000,000**	–
Net cash generated from investing activities	**4,123,707**	201,539
Financing activities		
Increase in amount due to a director	**171,477**	7,960,528
Proceeds from issue of warrants and options	**–**	840,000
Net cash generated from financing activities	**171,477**	8,800,528
Net (decrease) increase in cash and cash equivalents	**(597,844)**	575,084
Cash and cash equivalents at beginning of year	**1,029,815**	454,731
Cash and cash equivalents at end of year	**431,971**	1,029,815
Analysis of the balance of cash and cash equivalents		
Bank and cash balances	**431,971**	1,029,815

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002. Its registered office is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal office in Hong Kong is at Suite 4505, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in notes 29 to the consolidated financial statements.

The consolidated financial statements are prepared in Hong Kong dollars, which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Notwithstanding that the Group incurred loss attributable to owners of the Company of approximately HK$4,796,486 for the year ended 31 March 2010 and that the Group's total liabilities have exceeded its total assets by HK$3,640,053 as at 31 March 2010, these consolidated financial statements have been prepared on a going concern basis as the directors of the Company are satisfied that the liquidity of the Group can be maintained in the coming year taking into consideration of the following arrangements:

(i) Dr. Poon Ho-man, a director and a substantial shareholder of the Company, has agreed to provide continuous financial support to the Company and the Group so that both the Company and the Group will continue operation as going concerns and that the outstanding balance due to him by the Company and the Group is not repayable within one year from the end of the reporting period; and

(ii) subsequent to the end of the reporting period, the Company completed the placement of 14,130,000 shares and raised approximately HK$5,200,000 as general working capital of the Group.

The directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, these consolidated financial statements have been prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

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

In the current year, the Group has adopted the following new and revised standards, amendments and interpretations (the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective for the Group's financial year beginning on or after 1 April 2009.

HKFRS 1 and HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC)- Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)- Int 13	Customer Loyalty Programmes
HK(IFRIC)- Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)- Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)- Int 18	Transfers of Assets from Customers

Except as described below, the directors of the Company anticipate the adoption of the new and revised HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

HKAS 1 (Revised) Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions which owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expenses, either in one single statement, or in two linked statements. The Group has elected to present two statements.

The new format for the consolidated statement of comprehensive income and the consolidated statement of change in equity has been adopted in this financial report and corresponding amounts have been restated to conform to the new presentation. The Standard introduces the accounts of "Other comprehensive income/expense for the year" and "Total comprehensive income/expense for the year" into the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

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

HKFRS 7 Financial Instruments: Disclosure

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures.

HKFRS 8 Operating Segments

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. Adoption of this Standard did not have any significant effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting.

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

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

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

The adoption of HKFRS 3 (Revised) may affect the accounting treatment 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 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

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. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year. 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 financial statements from the date that control commenced or up to the date that control ceased. 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 significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Investment in subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is measured at fair value of the consideration received or receivable and recognised in profit or loss as follows:

Dividend income is recognised when the shareholder's right to receive payment is established.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised 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 their estimated residual values, using the straight line method, at the following rates:

Motor vehicle	30%
Leasehold improvement	50%
Office equipment	20%

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

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 the derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment loss on tangible and intangible assets

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Foreign currency

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 at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currency *(Continued)*

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 (i.e. Hong Kong dollars) of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Financial instruments

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

Financial assets

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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.

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

Financial assets at FVTPL

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- On initial recognition it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets at FVTPL (Continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Available-for-sale ("AFS") financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated unlisted equity securities investments as AFS financial assets.

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

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

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

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

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

For financial assets carried at amortised 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 financial asset's original effective interest rate.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, where the carrying amount is reduced through the use of an allowance account.

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

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at FVTPL

Financial liabilities at FVTPL has two subcategories, including financial liabilities held for trading and those designated at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excluded any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including other payables and others) are subsequently measured at amortised cost using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when a financial asset is transferred, the Group has transferred substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Equity instruments

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

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated 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 substantially enacted by the end of reporting period.

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. 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

Deferred tax 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.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits scheme are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Share-based payment transaction

The company issues equity-settled share-based payments to eligible employees including directors of the Company and its subsidiaries, and other persons including consultants, advisors, agents, customers, suppliers etc. to subscribe for shares in the Company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effort of non market-based vesting conditions.

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 be transferred to accumulated losses.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating lease

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.

Rental payable under operating leases are charged to profit or loss 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.

Provisions

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

Contingent liabilities and contingent assets

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

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

A contingent asset is a possible asset that arises from past event and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When in flow is virtually certain, an asset is recognised.

Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. For the purpose of the consolidated statement of cash flows, bank overdrafts and bank loans, if any, which are repayable on demand and form an integral part of an enterprise's cash managements are also included as component of cash and cash equivalents.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Depreciation and amortisation

The Group depreciates the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method. The estimated useful lives reflect 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. The residual values reflect the directors' estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Allowance for bad and doubtful debts

The Group's provision policy for bad and doubtful debts is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

6. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is defined as total bank borrowings (including current and non-current bank borrowings). Total capital is defined as "equity", as shown in the consolidated statement of financial position, plus debt.

As at 31 March 2010 and 2009, the Group has no bank borrowings and, accordingly, the gearing ratio for both years is 0%.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include equity investments, other receivables and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Interest rate risk

Except for the cash and cash equivalents which carry floating interest rate, the Group has no significant interest-bearing assets. The Group's income and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis

Assuming the balance at 31 March 2010 was the amount for the whole year, if the interest rate was 50 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 31 March 2010 would decrease or increase by HK$14,061 (2009: increase or decrease by HK$1,634).

Equity Price risk

The Group is exposed to financial assets price risks as investments held by the Group are classified on the consolidated statement of financial position as financial assets at fair value through profit or loss. To manage its equity price risk arising from investments in financial assets, the Group diversifies its portfolio.

Sensitivity analysis

If the price of the respective investments held by the Group as financial assets at fair value through profit or loss were higher or lower by 5% as at 31 March 2010 (2009: 5%), the Group's loss for the year would decrease or increase by HK$384,570 (2009: HK$206,123).

Credit risk

The Group has no significant concentrations in credit risk. It has policies in place to ensure that money lending transactions are made to borrowers with an appropriate credit history. The Group also has policies that limit the amount of credit exposure to any borrower.

The carrying amounts of deposits and receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group considers that adequate provision for unrecoverable other receivables has been made in the relevant accounting period after considering the Group's experience in the collection of such receivables.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

With regard to Year 2010 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flow from operations to meet its debt obligations as they fall due. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The maturity profile of the Group's financial liabilities as at the end of reporting period is as follows:

	Weighted average effective interest rate	**Less than 1 year**	**More than 1 year**	**Total undiscounted cash flows**	**Carrying amount at 31.12.2010**
	%	***HK$***	***HK$***	***HK$***	***HK$***
2010					
Other payables	**N/A**	**4,627,760**	**–**	**4,627,760**	**4,627,760**
Amount due to a director	**N/A**	**–**	**8,132,005**	**8,132,005**	**8,132,005**
		4,627,760	**8,132,005**	**12,759,765**	**12,759,765**

	Weighted average effective interest rate	Less than 1 year	More than 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2009
	%	*HK$*	*HK$*	*HK$*	*HK$*
2009					
Other payables	N/A	1,353,306	–	1,353,306	1,353,306
Amount due to a director	N/A	–	7,960,528	7,960,528	7,960,528
		1,353,306	7,960,528	9,313,834	9,313,834

Prudent liquidity risk management includes maintaining sufficient cash and financial assets and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping sufficient cash and marketable securities.

The Group considers that the exposure to liquidity risk is insignificant as the financial assets held by the Group could be realised into cash easily and its value is in excess of the current liabilities.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values

As at 31 March 2010, the carrying amount of cash and cash equivalents, other receivables, prepayments and deposits and other payables approximately equal to their fair values due to the short-term maturities of these assets and liabilities. The Group considers that financial assets at fair value through profit or loss are included in the consolidated statement of financial position at their fair values.

Fair values on financial instruments

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 March 2010 across the three levels of the fair value hierarchy defined in HKFRS7 Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to their fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

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

– Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

At 31 March 2010, the Group had following financial instruments carried at fair value all of which are based on the Level 1of the fair value hierarchy:-

	Total
	HK$
Assets:	
Financial assets at fair value through profit or loss	7,691,390

At 31 March 2010, the Group has no financial instruments measured at fair value under Level 2 and Level 3.

During the year ended 31 March 2010, there were no significant transfers of fair value measurements between financial instruments in Level 1 and Level 2 and no transfer into or out of Level 3.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values on financial instruments *(Continued)*

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2010 and 2009 due to their short-term maturities.

	2010		2009	
	Carrying Amount	**Fair value**	Carrying Amount	Fair value
	HK$	***HK$***	*HK$*	*HK$*
The Group				
Bank and cash balances	**431,971**	**431,971**	1,029,815	1,029,815
Other receivables, prepayments and deposits	**974,450**	**974,450**	1,186,808	1,186,808
Other payables	**(4,627,760)**	**(4,627,760)**	(1,353,306)	(1,353,306)
Amount due to a director	**(8,132,005)**	**(8,132,005)**	(7,960,528)	(7,960,528)

Estimation of fair value

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in bases of assumptions could significantly affect the estimates.

8. REVENUE

An analysis of revenue is as follows:

	2010	2009
	HK$	*HK$*
Dividend income from financial assets at fair value through profit or loss	**123,702**	200,191
Interest income on bank deposits	**5**	1,348
	123,707	201,539

9. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. In the past, the Group's primary reporting segment was business segments. The adoption of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

During the years ended 31 March 2010 and 2009, the Group's turnover and net losses were mainly derived from the interest income and dividend income from investment holding. The directors consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating losses.

The Group operates in two principal geographical areas – the People's Republic of China (excluding Hong Kong) ("the PRC") and Hong Kong. The Group's segment assets and liabilities for the year, analysed by geographical area, are as follows:

	PRC (except Hong Kong)		Hong Kong		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment assets	**–**	4,000,000	**9,119,712**	6,470,267	**9,119,712**	10,470,267
Segment liabilities	**–**	–	**12,759,765**	9,313,834	**12,759,765**	9,313,834

10. INCOME TAX EXPENSE

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

	2010	2009
	HK$	*HK$*
Loss before tax	**(4,796,486)**	(11,119,668)
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**(791,420)**	(1,834,745)
Tax effect of expenses that are not deductible in determining taxable profit, net	**43,710**	51,315
Tax effect of non-taxable revenues	**(518,602)**	(33,254)
Tax effect on temporary differences not recognised	**14,514**	(4,307)
Tax effect of tax losses not recognised	**1,251,798**	1,820,991
Tax charge for the year	**–**	–

10. INCOME TAX EXPENSE *(Continued)*

No provision for Hong Kong profits tax is required since the Group has no assessable profits for the year (2009: Nil).

Deferred tax assets are not recognised for tax losses carried forward due to uncertainty of realisation of the related tax benefit through the future taxable profits.

11. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company is stated after charging the following:

	2010	2009
	HK$	*HK$*
Directors' remunerations		
Fees	**–**	90,000
Other remunerations	**1,518,000**	2,340,000
Provident fund contributions	**12,000**	12,000
Total directors' remunerations	**1,530,000**	2,442,000
Staff costs		
Salaries	**1,334,204**	1,329,774
Provident fund contributions	**43,517**	28,683
Total staff costs (excluding directors' remunerations)	**1,377,721**	1,358,457
Auditor's remuneration	**115,000**	115,000
Annual listing fee	**145,000**	145,000
Depreciation	**109,275**	247,470
Investment manager's fee	**16,451**	362,303
Legal and professional fees	**1,414,185**	568,492
Printing and stationery	**1,430**	159,778
Rent and rates	**2,283,277**	2,474,815
Travelling and entertainment	**857,883**	621,209
Securities handling charges	**1,223**	9,790

12. DIVIDENDS

The directors do not recommend the payment of a dividend for the years ended 31 March 2010 and 2009.

13. LOSS PER SHARE

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

	2010	2009
	HK$	*HK$*
Loss for the purposes of basic loss per share	**4,796,486**	11,119,668
Number of shares:		
Number of ordinary shares for the purpose of basic loss per share	**70,650,000**	70,650,000

No diluted loss per share has been presented as there were no dilutive potential shares for the years ended 31 March 2010 and 2009.

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors

The aggregate amounts of emoluments payable by the Company during the years are as follows:

	2010	2009
	HK$	*HK$*
Fees		
Executive directors	**–**	–
Non-executive directors	**–**	–
Independent non-executive directors	**90,000**	90,000
	90,000	90,000
Other emoluments		
Basic salaries and other benefits	**1,440,000**	2,352,000
	1,530,000	2,442,000

The emoluments of each of the directors fell within the remuneration band of HK$Nil to HK$1,000,000.

No directors waived any emoluments and no emoluments were paid to the directors as inducement to join or upon joining the Group or as compensation for loss of office during the year (2009: Nil).

14. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(a) Directors *(Continued)*

The emoluments paid or payable to each of the five (2009: five) directors were as follows:

	Fees		Salaries		2010	2009
	Executive directors	Independent non-executive directors	Management remuneration	Employer's contributions to pension schemes	Total emoluments	Total emoluments
	HK$	*HK$*	*HK$*	*HK$*	***HK$***	*HK$*
POON Ho-man	–	–	1,188,000	12,000	**1,200,000**	2,112,000
CHIOU Jerry	–	–	240,000	–	**240,000**	240,000
HA Tak-kong	–	30,000	–	–	**30,000**	30,000
TONG, I Tony	–	30,000	–	–	**30,000**	30,000
PENG Feng	–	30,000	–	–	**30,000**	30,000
Total	–	90,000	1,428,000	12,000	**1,530,000**	2,442,000

(b) Five highest paid individuals

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

The aggregate amounts of emoluments payable to the five highest paid individuals (including two directors) of the Group during the year are as follows:

	2010	2009
	HK$	*HK$*
Basic salaries and other benefits	**2,643,871**	3,581,666
Contributions to retirement benefits scheme	**36,000**	39,000
	2,679,871	3,620,666

The emoluments of each of the individuals fell within the remuneration band of HK$Nil to HK$1,000,000.

No emoluments were paid to these individuals as inducement to join or upon joining the Group as compensation for loss of office during the year (2009: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *HK$*	Office equipment *HK$*	Motor vehicle *HK$*	Total *HK$*
COST				
At 1 April 2008 and 1 April 2009	247,685	40,840	384,864	673,389
Additions	–	–	–	–
At 31 March 2010	247,685	40,840	384,864	673,389
DEPRECIATION AND IMPAIRMENT				
At 1 April 2008	51,601	2,602	240,540	294,743
Charge for the year	123,843	8,168	115,459	247,470
At 31 March 2009	175,444	10,770	355,999	542,213
Charge for the year	72,241	8,169	28,865	109,275
At 31 March 2010	247,685	18,939	384,864	651,488
NET BOOK VALUE				
At 31 March 2010	–	21,901	–	21,901
At 31 March 2009	72,241	30,070	28,865	131,176

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Included in the available-for-sale financial assets is a company in which the percentage of equity attributable to the Group exceeds 20%. This investments, however, was not equity accounted for in accordance with HKAS 28 *Investment in Associates* as the directors considered that the Group was not in a position to exercise significant influence over their operations. The results of the company are dealt with in the consolidated income statement to the extent of dividends received/receivable from these companies.

	2010 **HK$**	2009 *HK$*
Carrying value b/f	**4,000,000**	82,143,880
Fair value adjustment	**–**	(78,143,880)
Disposal during the year	**(4,000,000)**	–
Carrying value c/f	**–**	4,000,000

16. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

The particulars of the company are as follows:

Name of investee company	Place of incorporation	Percentage of interest held	Unlisted equity securities, at cost	
			2010	2009
			HK$	*HK$*
Southwest Mining Investments Limited ("Southwest Mining")	The British Virgin Islands	30%	**–**	4,000,000

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	HK$	*HK$*
Financial assets at fair value through profit or loss:		
Listed securities in Hong Kong	**7,691,390**	4,122,468
Market value of listed financial assets at fair value through profit or loss as at 31 March	**7,691,390**	4,122,468

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Particulars of the 10 largest investments as at 31 March 2010 are as follows:

Name of Investee company	Place of incorporation	Number of shares held	Percentage of interest held	Cost *HK$*	Accumulated unrealised gain/(loss) *HK$*	Market value *HK$*	Net assets attributable to the investments *HK$*
China Shenhua Energy Company Limited ("China Shenhua") *(note a)*	The People's Republic of China	30,000	Less than 0.01%	1,222,000	(215,500)	1,006,500	290,747
Petro China Company Limited ("Petro China") *(note b)*	The People's Republic of China	80,000	Less than 0.01%	794,800	(68,400)	726,400	418,562
China Construction Bank ("CCB") *(note c)*	The People's Republic of China	100,000	Less than 0.01%	531,000	105,000	636,000	225,218
Sinopec Shanghai Petrochemical Company Limited ("Shanghai Petrochem") *(note d)*	The People's Republic of China	200,000	Less than 0.01%	1,134,000	(518,000)	616,000	470,784
Hong Kong Exchanges and Clearing Limited ("HKEX") *(note e)*	Hong Kong	5,000	Less than 0.01%	734,000	(86,000)	648,000	37,319
China CITIC Bank ("CITIC Bank") *(note f)*	The People's Republic of China	120,000	Less than 0.01%	761,400	(63,000)	698,400	361,284
China Power New Energy Development Company Limited ("China Power") *(note g)*	Bermuda	500,000	Less than 0.01%	680,000	(260,000)	420,000	335,920
HSBC Holdings plc ("HSBC") *(note h)*	England	8,500	Less than 0.01%	910,600	(238,250)	672,350	484,467
Value Convergence Holdings Limited ("VC Holdings") *(note i)*	Hong Kong	250,400	Less than 0.01%	218,225	270,055	488,280	406,717
Yuexiu Property Company Limited ("Yuexiu Property") *(note j)*	Hong Kong	200,000	Less than 0.01%	556,000	(138,000)	418,000	372,752

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes:

A brief description of the business and financial information of the listed investee companies, based on their latest published annual report are as follows:

(a) China Shenhua is principally engaged in the development of coal, railway, port and power businesses. The audited consolidated profit attributable to shareholders of China Shenhua for the year ended 31 December 2009 was approximately RMB31,706 million (2008: approximately RMB26,641 million). At 31 December 2009 the audited consolidated net asset value of China Shenhua was approximately RMB170,661 million (2008: approximately RMB147,432 million). Dividend received during the year was HK$14,092 (2009: HK$16,373).

(b) Petro China is principally engaged in the exploration, development and production of crude oil and natural gas; refining, transportation, storage, and marketing of crude oil and petroleum products; production and sale of chemicals; transmission, marketing and sale of natural gas. The audited consolidated profit attributable to shareholders of Petro China for the year ended 31 December 2009 was approximately RMB103,173 million (2008: approximately RMB113,820 million). At 31 December 2009 the audited consolidated net asset value of the Petro China was approximately RMB847,782 million (2008: approximately RMB791,691 million). Dividend received during the year was HK$22,375 (2009: HK$24,812).

(c) CCB is principally engaged in the provision of corporate and personal banking services, conducting treasury business, the provision of asset management, trustee, finance leasing and other financial services. The audited consolidated profit attributable to shareholders of CCB for the year ended 31 December 2009 was approximately RMB106,756 million (2008: approximately RMB92,599 million). At 31 December 2009 the audited consolidated net asset value of the CCB was approximately RMB551,319 million (2008: approximately RMB463,556 million). Dividend received during the year was HK$8,543 (2009: HK$18,637).

(d) Shanghai Petrochem is principally engaged in the provision of corporate and personal banking services, conducting treasury business, the provision of asset management and trustee services and other financial services. The audited consolidated profit attributable to shareholders of Shanghai Petrochem for the year ended 31 December 2009 was approximately RMB1,591 million (2008: loss attributable to shareholders approximately RMB6,238 million). At 31 December 2009 the audited consolidated net asset value of the Shanghai Petrochem was approximately RMB15,005 million (2008: approximately RMB13,497 million). No dividend was received during the year (2009: HK$20,300).

(e) HKEX is principally engaged in operating the stock exchange and futures exchange in Hong Kong and their related clearing houses. The audited consolidated profit attributable to shareholders of HKEX for the year ended 31 December 2009 was approximately HK$4,704 million (2008: approximately HK$5,129 million). At 31 December 2009 the audited consolidated net asset value of the HKEX was approximately HK$8,027 million (2008: approximately HK$7,294 million). Dividend received during the year was HK$18,200 (2009: HK$46,450).

(f) CITIC Bank is principally engaged in the provision of corporate and personal banking services, conducting treasury business and corresponding banking businesses, and the provision of asset management, entrusted lending and custodian services. The audited consolidated profit attributable to shareholders of CITIC Bank for the year ended 31 December 2009 was approximately RMB14,319 million (2008: approximately RMB13,296 million). At 31 December 2009 the audited consolidated net asset value of the CITIC Bank was approximately RMB104,043 million (2008: approximately RMB119,366 million). Dividend received during the year was HK$10,450 (2009: HK$7,249).

(g) China Power is principally engaged in natural gas and oil power generation, wind power generation, hydropower generation, waste-to-energy generation and other power generation. The audited consolidated profit attributable to shareholders of China Power for the year ended 31 December 2009 was approximately RMB153 million (2008: approximately RMB11 million). At 31 December 2009 the audited consolidated net asset value of the China Power was approximately RMB4,716 million (2008: approximately RMB4,564 million). No dividend was received during the year 2010 and 2009.

(h) HSBC is principally engaged in the provision of a comprehensive range of banking and related financial services through an international network in the Asia-Pacific region, Europe, the Americas, the Middle East and Africa. The audited consolidated profit attributable to shareholders of HSBC for the year ended 31 December 2009 was approximately USD5,834 million (2008: approximately USD5,728 million). At 31 December 2009 the audited consolidated net asset value of the HSBC was approximately USD128,299 million (2008: approximately USD93,591 million). Dividend received during the year was HK$20,463 (2009: HK$43,397).

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes: (Continued)

(i) VC Holdings is principally engaged in the provision of financial services. The audited consolidated loss attributable to shareholders of VC Holdings for the year ended 31 December 2009 was approximately HK$23 million (2008: profit attributable to shareholders approximately HK$7 million). At 31 December 2009 the audited consolidated net asset value of the VC Holdings was approximately HK$608 million (2008: approximately HK$612 million). No dividend was received during the year 2010 and 2009.

(j) Yuexiu Property (formerly known as Guangzhou Investment Company Limited) is principally engaged in development, operation and management of toll highways and bridges, development, selling and management of properties, holding of investment properties and manufacturing and trading of newsprint. The audited consolidated loss attributable to shareholders of Yuexiu Property for the year ended 31 December 2009 was approximately HK$697 million (2008: profit attributable to shareholders approximately HK$608 million). At 31 December 2009 the audited consolidated net asset value of the Yuexiu Property was approximately HK$13,301 million (2008: approximately HK$14,479 million). Dividend received during the year was HK$19,600 (2009: HK$10,200).

18. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2010	2009
	HK$	*HK$*
Prepayments	**115,250**	118,804
Rental deposits	**859,200**	859,200
Others	**–**	208,804
	974,450	1,186,808

19. BANK AND CASH BALANCES

	2010	2009
	HK$	*HK$*
Cash at bank and in hand	**431,971**	1,029,815

The effective interest rates of the deposits range from 0.01% to 0.02% (2009: 0.01% to 1.88%) per annum and all of them have a maturity within three months from initial inception.

20. OTHER PAYABLES

	2010	2009
	HK$	*HK$*
Accrued expenses	**1,386,613**	653,306
Other payable-broker	**3,241,147**	700,000
	4,627,760	1,353,306

20. OTHER PAYABLES *(Continued)*

Other payable due to the broker represents the amount due to the broker under securities margin account. Under the terms of the margin agreement with the broker, if the Company commits a default in payment on demand of the deposits or margins or any other sums payable to the broker thereunder, on the due date therefore, or otherwise fails to comply with any of the terms of the agreement, the broker shall have the right to close the margin account and to dispose of any or all the Company's securities held by the broker.

21. AMOUNT DUE TO A DIRECTOR

The amount due is unsecured and interest-free. The director concerned has confirmed that of the outstanding balance of his current account amounting to HK$8,132,005 (2009: HK$7,960,528) at year end is not repayable within one year from the end of reporting period.

22. SHARE CAPITAL

	Number of ordinary shares of HK$0.20 each	*HK$*
Authorised:		
At 31 March 2008, 2009 and 2010	100,000,000	20,000,000
Issued and fully paid:		
At 31 March 2008, 2009 and 2010	70,650,000	14,130,000

23. SHARE OPTIONS SCHEME

The Company's share option scheme ("Share Option Scheme") was adopted by an ordinary resolution of the Company on 31 August 2002 for the primary purpose of providing incentives to directors, eligible employees, advisers, consultants and business affiliates.

At 31 March 2010, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 9,000,000 (2009: 9,000,000) representing 12.74% (2009: 12.74%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under scheme is not permitted to exceed 30% of the shares of the Company in issue at the time of listing.

The exercise price is determined by the Directors, and will not be less than the highest of (i) the closing price of the shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

23. SHARE OPTIONS SCHEME *(Continued)*

Details of the Company's Share Option Scheme are summarised as follow:

Date of grant	Outstanding at 1/4/2009	During the year Granted	During the year Exercised	Lapsed	Outstanding at 31/3/2010	Exercisable period	Exercise price per share
Category I: Directors							
5/11/2007	210,000	–	–	–	210,000	6/11/2007–5/11/2010	HK$1.24
22/11/2007	7,000,000	–	–	–	7,000,000	22/11/2007–21/11/2017	HK$1.082
Category II: Employees							
5/11/2007	1,490,000	–	–	–	1,490,000	6/11/2007–5/11/2010	HK$1.24
Category III: Consultant							
5/11/2007	300,000	–	–	–	300,000	6/11/2007–5/11/2010	HK$1.24
	9,000,000	–	–	–	9,000,000		

Particulars of share options:

Date of Grant	Exercisable period	Exercise price per share *HK$*
5/11/2007	6/11/2007–5/11/2010	1.24
22/11/2007	22/11/2007–21/11/2017	1.082

23. SHARE OPTIONS SCHEME *(Continued)*

The following table summarised movements in the Company's share options during the year:

	Outstanding at 1/4/2009	During the year Granted	Exercised	Lapsed	Outstanding at 31/3/2010
Directors					
POON Ho-man	7,000,000	–	–	–	7,000,000
HA Tak-kong	70,000	–	–	–	70,000
TONG, I Tony	70,000	–	–	–	70,000
PENG Feng	70,000	–	–	–	70,000
Directors' total	7,210,000	–	–	–	7,210,000
Consultant	300,000	–	–	–	300,000
Employees	1,490,000	–	–	–	1,490,000
Grand total	9,000,000	–	–	–	9,000,000

24. RESERVES

	Share premium *HK$*	Share option reserve *HK$*	Warrant reserve *HK$*	Investment revaluation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 April 2008	25,759,973	1,384,719	430,000	78,143,880	(30,268,591)	75,449,981
Issue of unlisted warrants	–	–	840,000	–	–	840,000
Changes in fair value of available-for-sale financial assets	–	–	–	(78,143,880)	–	(78,143,880)
Loss for the year	–	–	–	–	(11,119,668)	(11,119,668)
At 31 March 2009	25,759,973	1,384,719	1,270,000	–	(41,388,259)	(12,973,567)
Loss for the year	–	–	–	–	(4,796,486)	(4,796,486)
At 31 March 2010	25,759,973	1,384,719	1,270,000	–	(46,184,745)	(17,770,053)

25. WARRANTS

The Company has a total of 9,900,000 warrants outstanding at 31 March 2010 and its movements are as follows:

Date of grant	*Note*	Outstanding at 1/4/2009	Issued during the year	Exercised/ lapsed during the year	Outstanding at 31/3/2010	Exercisable period	Exercise price per share
27 September 2007	*a*	4,300,000	–	–	4,300,000	27/9/2007– 26/9/2010	HK$0.70
30 April 2008	*b*	5,600,000	–	–	5,600,000	30/4/2008– 29/4/2010	HK$0.60
		9,900,000	–	–	9,900,000		

Note:

(a) On 27 September 2007, the Company placed a total of 4,800,000 unlisted warrants ("Warrants") to certain independent third parties at an issue price of HK$0.1 each of which 500,000 Warrants had been exercised and 500,000 new shares of the Company had been issued and allotted on 3 December 2007.

(b) On 30 April 2008, the Company placed a total of 5,600,000 unlisted Warrants to certain independent third parties at an issued price of HK$0.15 each. No Warrants has been exercised during the year ended 31 March 2010 and 31 March 2009.

26. NET LIABILITIY/NET ASSET VALUE PER SHARE

Net liability/net asset value per share is calculated by dividing the net liabilities/net assets included in the consolidated statement of financial position of net liabilities of HK$3,640,053 (2009: net assets of HK$1,156,433) by the number of shares in issue as at 31 March 2010, being 70,650,000 (2009:70,650,000).

27. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2010 and 2009, the group had entered into the following significant related party transactions which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

	2010	2009
	HK$	*HK$*
Friedmann Pacific Asset Management (Hong Kong) Limited *(note a)* to which the following expenses were paid:		
Investment manager's fee *(note b)*	**16,451**	362,303

27. RELATED PARTY TRANSACTIONS *(Continued)*

Notes:

(a) On 31 August 2009, Friedmann Pacific Asset Management Limited has changed its name to Friedmann Pacific Asset Management (Hong Kong) Limited ("FPAML"). During the year ended 31 March 2010 and 2009, Mr. CHIOU Jerry and Dr. POON Ho-man are common directors of FPAML and the Company.

An executive director of the Company, Dr. POON Ho-man, has beneficial interests in FPAML at the end of reporting period.

(b) The Company entered into an investment management agreement with FPAML on 14 June 2005 for a period of one year with effect from 16 June 2005 and shall continue for successive periods of one year each unless terminated at any time by serving on the other party not less than three months prior notice in writing. FPAML was entitled to receive an investment management fee on a quarterly basis at a rate of 2% per annum of the net asset value of the Company as at the valuation date as defined in the agreement. FPAML was also entitled to receive an incentive fee at a rate of 10% of the surplus net asset of the Company as at the last valuation date in a financial year as defined in the agreement but the maximum aggregate annual value of the fee shall not be more than HK$390,000.

Remuneration for key management personnel, including amounts paid to the Company's Directors and certain of the highest paid employees as disclosed in note 14, is as follows:

	2010	2009
	HK$	*HK$*
Directors' fee	**90,000**	90,000
Salaries, allowance and benefits in kind	**1,428,000**	2,340,000
Mandatory provident fund scheme contribution	**12,000**	12,000
	1,530,000	2,442,000

28. RETIREMENT BENEFITS SCHEME

The Group has participated in a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. Under the scheme, each of the Group (the employer) and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contributions payable in the future years.

The total contributions charged to the consolidated income statement amounted to HK$43,517 (2009: HK$40,683), representing contributions payable to the Scheme by the Group in respect of the year ended 31 March 2010.

29. FINANCIAL INFORMATION OF THE COMPANY

	2010	2009
	HK$	*HK$*
Non-current assets		
Property, plant and equipment	**21,901**	102,311
Available-for-sale financial assets *(note 16)*	**–**	4,000,000
Investment in subsidiaries *(note a)*	**880**	880
	22,781	4,103,191
Current assets		
Financial assets at fair value through profit or loss	**625,480**	144,568
Other receivables and prepayments	**1,205,338**	1,254,716
Amount due from subsidiaries	**1,020,988**	2,676,004
Bank and cash balances	**431,971**	1,029,815
	3,283,777	5,105,103
Current liabilities		
Other payables	**1,386,613**	653,306
Amount due to a subsidiary	**139,777**	–
	1,526,390	653,306
Net current assets	**1,757,387**	4,451,797
Non-current liability		
Amount due to a director *(note 21)*	**7,882,061**	7,010,584
Net (liabilities) assets	**(6,101,893)**	1,544,404
Capital and reserves		
Share capital *(note 22)*	**14,130,000**	14,130,000
Reserves *(note b)*	**(20,231,893)**	(12,585,596)
Total equity	**(6,101,893)**	1,544,404

29. FINANCIAL INFORMATION OF THE COMPANY *(Continued)*

Notes:

(a) Subsidiaries

Details of the subsidiaries at 31 March 2010 are as follows:

Name of subsidiary	Place of incorporation	Particulars of issued share capital	Direct interest held 2010	2009	Principal activities
Garron International (HK) Limited	Hong Kong	HK$100	**100%**	100%	Investment holding
Novel Epoch Investments Limited	The British Virgin Islands	US$100	**100%**	100%	Investment holding

(b) Reserve

	Share premium *HK$*	Share option reserve *HK$*	Warrant reserve *HK$*	Investment revaluation reserve *HK$*	Accumulated losses *HK$*	Total *HK$*
At 1 April 2008	25,759,973	1,384,719	430,000	78,143,880	(32,457,620)	73,260,952
Issue of unlisted warrants	–	–	840,000	–	–	840,000
Changes in fair value of available-for-sale financial assets	–	–	–	(78,143,880)	–	(78,143,880)
Loss for the year	–	–	–	–	(8,542,668)	(8,542,668)
At 31 March 2009	25,759,973	1,384,719	1,270,000	–	(41,000,288)	(12,585,596)
Loss for the year	–	–	–	–	(7,646,297)	(7,646,297)
At 31 March 2010	25,759,973	1,384,719	1,270,000	–	(48,646,585)	(20,231,893)

Under the Companies Law of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account.

30. COMMITMENTS

At 31 March 2010, the Group had minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2010	2009
	HK$	*HK$*
Within one year	**1,238,680**	1,238,680
In more than one year but not exceeding five years	**–**	–
	1,238,680	1,238,680

Operating leases are negotiated and payments are fixed for an average of 2 years.

31. EVENT AFTER THE END OF REPORTING PERIOD

On 22 July 2010, the Company completed placement of 14,130,000 shares to independent Placees at a price of HK$0.368 per share and raised approximately HK$5,200,000 to provide working capital for the Group.

32. COMPARATIVE FIGURES

As previously explained in note 3 to the consolidated financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the consolidated financial statements have been revised to comply with the new requirement. Accordingly, certain comparative amounts have been revised to conform with the current year's presentation.

FIVE YEARS FINANCIAL SUMMARY

Year ended 31 March 2010

	Year ended 31 March				
	2010	2009	2008	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
RESULTS					
Revenue	**123,707**	201,539	280,698	136,511	52,943
(Loss) profit before taxation	**(4,796,486)**	(11,119,668)	(5,439,605)	(7,169,339)	3,962,066
Income tax expense	**–**	–	–	–	200,000
(Loss) profit attributable to the owners of the Company	**(4,796,486)**	(11,119,668)	(5,439,605)	(7,169,339)	4,162,066
Basic (loss) earnings per share	**(0.07)**	(0.16)	(0.08)	(0.11)	0.09

	At 31 March				
	2010	2009	2008	2007	2006
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
ASSETS AND LIABILITIES					
Non-current assets	**21,901**	4,131,176	82,522,526	259,783	375,242
Current assets	**9,097,811**	6,339,091	10,967,469	15,343,718	21,061,995
Current liabilities	**(4,627,760)**	(1,353,306)	(3,910,014)	(861,838)	(871,735)
Non-current liability	**(8,132,005)**	(7,960,528)	–	–	–
Shareholders' funds	**(3,640,053)**	1,156,433	89,579,981	14,741,663	20,565,502