中國置業投資控股有限公司*

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736

ANNUAL REPORT 2011

* For identification purposes only

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Xu Dong *(Chairman)*
Au Tat On

NON-EXECUTIVE DIRECTOR

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam Man Yui (Resigned on 1 March 2011)
Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah (Appointed on 1 March 2011)

COMPANY SECRETARY

Yip Yuk Sing

AUTHORISED REPRESENTATIVES

Yu Wai Fong
Yip Yuk Sing

AUDITOR

CCIF CPA Limited

LEGAL ADVISER

Michael Li & Co

PRINCIPAL BANKER

ICBC (Asia)
Wing Lung Bank

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2001, 20/F
Lippo Centre, Tower Two
89 Queensway Road
Hong Kong

BERMUDA SHARE REGISTRAR AND TRANSFER AGENT

HSBC Securities Services (Bermuda) Limited
6 Front Steet, Hamilton, HM11,
Bermuda

HONG KONG SHARE REGISTRAR

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

WEBSITE

http://www.736.com.hk

STOCK CODE

736

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of China Properties Investment Holdings Limited ("company") and its subsidiaries ("group") for the year ended 31 March 2011 to the shareholders.

FINANCIAL RESULTS

For the year under review, the group's turnover was approximately RMB3.7 million. The audited net loss for the year was approximately RMB38.1 million and the basic loss per share was RMB0.1. The increase in loss in comparison with the loss incurred last year, which was mainly due to the decrease in positive change of fair value of the investment properties of the group.

BUSINESS AND OPERATION REVIEW

During the year under review, the group continued to engage in the properties investment business in the People's Republic of China ("**PRC**"). As at 31 March 2011, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters.

Meanwhile, the group has further acquired 40% indirect interest in the mining company ("**Mining Company**") in Inner Mongolia of the PRC (the "**Acquisition**") during the year. The Mining Company holds a mining license under which the Mining Company has the right to conduct mining and exploitation works for copper and molybdenum in the mine (the "Mine") located at Keshi Ketengqi Sanyixiang, Yongsheng Cun, Jingpeng Zhen, Chifeng City, Inner Mongolia, the PRC. The Acquisition was completed on 13 October 2010.

PROSPECTS

In view of the possible continual economic growth in the PRC, it is expected that demand for non-ferrous metals will be sustainably high in long run. We believe that it is beneficial for the Group to penetrate further into the non-ferrous metals industry in order to strengthen the Group's income source. In the mean time, the company also takes initiative in identifying other investment opportunities that will broaden its revenue sources. On 21 June 2010, the company entered into the memorandum of understanding with the independent third parties for the possible acquisition of the entire interest in Pure Power Holdings Limited (the "**Possible Acquisition**") which own 100% effective interest indirectly in the oil & gas rights in parcels of lands in Nevada under three oil & gas leases. The company views the Possible Acquisition as providing the opportunity for the group to penetrate the oil industry and to diversify its existing business, with the aim of broadening the income base of the group.

Going forward, the group will continue to look for other investment opportunities in any other steam in the long run so as to broaden the source of income of the group and diversify the group's business portfolio.

GRATITUDE

Taking this opportunity, I would like to thank all shareholders and business partners for their continuous supports. I also thank for my fellow directors and staff members for their dedication and contribution to the group during the year.

Xu Dong
Chairman

Hong Kong, 29 June 2011

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

EXECUTIVE DIRECTORS

Mr. Xu Dong, aged 33, was appointed as an executive director of the company in May 2010 and was re-designated as the chairman and chief executive officer of the company in August 2010. Mr. Xu holds a Bachelor's degree in Japanese from the Shanghai International Studies University. Mr. Xu has extensive experience in business investment and management of mineral corporations. Mr. Xu has extensive experience in business investment and management of mineral corporations. He is responsible for the overall management, strategic planning and business development and management of the mineral business of the company.

Mr. Au Tat On, aged 55, was appointed as an executive director of the company in May 2006. Mr. Au received a bachelor's degree in business administration from Chu Hai College in 1989 and has nearly 28-year experience in banking operations and financing. He is responsible for the general management and business development of the group.

NON-EXECUTIVE DIRECTOR

Ms. Yu Wai Fong, aged 48, was appointed as the chairman, executive director and chief executive officer of the company in March 2009 and was re-designated as non-executive director of the company in August 2010. Ms. Yu has extensive experience in corporate management, corporate finance, mergers and acquisitions. She is responsible for strategic planning and business development of the company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lai Wai Yin, Wilson, aged 46, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the company in April 2009. Mr. Lai is a fellow member of the Association of International Accountants, United Kingdom and a practising member of the Hong Kong Institute of Certified Public Accountants. He graduated from Hong Kong Shue Yan University majoring in accounting. During the 20 years in the audit profession, Mr. Lai gained extensive experience in the audits of Hong Kong listed companies and multinational companies engaged in manufacturing, construction, property investment and software development businesses as well as audits of US Securities and Future Commission regulated clients. In addition, he had involved in many initial public offering projects and due diligence works in the People's Republic of China, Hong Kong SAR, Singapore and the United States. He is currently the sole proprietor of Wilson W.Y. Lai & Co., Certified Public Accountants.

Ms. Cao Jie Min, aged 26, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the company in May 2009. Ms. Cao holds a bachelor of laws in international economy degree from the Shanghai Institute of Foreign Trade. Ms. Cao currently holds a practicing certificate issued by the Ministry of Justice P.R.C. She is currently working in the international settlement department of the Bank of Tokyo – Mitsubishi UFJ (Shanghai branch).

BIOGRAPHICAL DETAILS OF DIRECTORS, SENIOR MANAGEMENT AND COMPANY SECRETARY

Mr. Tse Kwong Wah, aged 38, was appointed as an independent non-executive director, member of audit committee and member of remuneration and nomination committee of the company in March 2011. Mr. Tse graduated from Concordia University, Canada with a Bachelor of Arts degree majoring in applied mathematics in 1998. He also obtained certificate on business management and import/export & logistics practices from Hong Kong Baptist University and The Hong Kong Management Association respectively in 2001 and 2010. Mr. Tse has over 10 years of working experience in the area of marketing, merchandising and management.

SENIOR MANAGEMENT

Mr. Han Wei, aged 40, was appointed as the director and authorised representative of Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the company, in December 2008. He is also the director and legal representative of certain indirect wholly owned subsidiaries of the company in the PRC. Mr. Han has extensive experience in banking and business management. Prior to his appointment, Mr. Hon served as the general manager of an investment company in Shanghai for about five years and served as a manager of Bank of Shanghai.

Mr. Zhou Hong Tao, aged 33, is currently a project manager of Keshi Ketengqi Great Land Mine Industries Company Limited, a non wholly owned subsidiary of company. He is also the director and legal representatives of certain indirect wholly owned subsidiaries of the company in the PRC. Mr. Zhou obtained a Bachelor's degree in Engineering from the Dalian University of Technology and a Master degree in Business Administration from the Beijing Jiaotong University. He also obtained the IFM certificate form U.S.A. in 2005 and has over ten years of experience in management and merger and acquisition of resource related projects. Prior to joining the company, Mr. Zhou served (i) at the office of Yanshan District Committee, Beijing City as deputy general manager; (ii) at PKU Resource Group as director of the project operation centre; (iii) at Shanghai Xiang Chen Hang Place The Industry Co. Limited as deputy general manager.

COMPANY SECRETARY

Mr. Yip Yuk Sing, aged 46, was appointed as the company secretary of the company in May 2008. He is also the chief financial officer of the company. Mr. Yip has extensive experience in accounting and financial management. Prior to joining the company, Mr. Yip served as the financial controller and company secretary of a Hong Kong listed company. He holds a bachelor's degree in Accounting and a Master degree in Corporate Finance. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

For the year under review, the group's turnover was approximately RMB3.7 million (2010: approximately RMB7.7 million), representing an decrease of approximately 51.9% compared with last year. The decrease in turnover was mainly due to termination and rearrangement of certain operating leases during the year under review.

The audited net loss for the year was approximately RMB38.1 million (2010: approximately RMB19.3 million) and the loss per share was RMB0.1. Increase in loss for the year was mainly due to the decrease in positive change in fair value of the investment properties of the group, which recorded a valuation gain of approximately RMB12.2 million (2010: valuation gain of approximately RMB32.3 million). However, there was no cash flow impact on the group for such valuation gain.

The administrative and operating expenses of the group for the year amounted to approximately RMB41.4 million (2010: approximately RMB39.3 million), representing an increase of approximately 5.3% compared with last year. The finance cost of the group amounted to approximately RMB6.1 million which was incurred for the bank loans under the security of investment properties in Shanghai and the interest on convertible bonds.

BUSINESS REVIEW

During the year under review, the group continued to engage in the properties investment business in the PRC. As at 31 March 2011, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, of which approximately 73% of the properties were leased to third parties under operating leases with lease terms ranging up to nine years.

Regarding the mining business of the group, the group has further acquired 40% indirect interest in the Mining Company during the year. The Acquisition was completed on 13 October 2010. Upon completion, the Mining Company became an indirect 91% owned subsidiary of the company. Details of which are set out in the circular of the company dated 17 September 2010. The Mine is still in the development stage and thus has not yet contributed any operational turnover to the group during the year.

In order to minimize the costs for development of the Mine, the company decided to co-operate with the other contractor to develop the Mine. The Mining Company entered into a co-operation agreement ("Cooperation Agreement") with an independent contractor ("Contractor") in June 2011 for development of the Mine. The Mining Company agreed to provide the Contractor with all required documents and information related to the procedures of mine construction and processing. The Contractor is responsible for the construction of mining and processing equipment, infrastructure and other ancillary facilities. After completion of the construction, the Contractor will further account for the operation of the Mine. The Mining Company will share 30% to 60% of the profit generated from the Mine on a progressive basis throughout the term of the Cooperation Agreement in accordance with the relevant terms and conditions of the Cooperation Agreement, and the Contractor shall share the remaining profit (i.e. 70% to 40%) of the Mine during the term of the Cooperation Agreement. The term of the Cooperation Agreement is 15 years and it can be renewed with the mutual agreement between the Mining Company and the Contractor. Details of which are set out in the announcement of the company dated 22 June 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

The estimated mineral resources of the Mine for the year ended 31 March 2011 are as below:

	Metal Contents	
Category	**Molybdenum** (Tonnes)	**Copper** (Tonnes)
Measured Resource	0	0
Indicated Resource	5,356.91	11,192.22
Inferred Resource	0	7,668.00
Total	5,356.91	18,860.00

The company (as the purchaser) entered into the memorandum of understanding and the supplemental memorandum of understanding with the independent third parties (as the Vendors) on 21 June 2010 and 20 September 2010 respectively for the possible acquisition of the entire interest in Pure Power Holdings Limited (the "**Possible Acquisition**") which own 100% effective interest indirectly in the oil & gas rights in parcels of lands in Nevada under three oil & gas leases. Details of which are set out in the announcements of the company dated 21 June 2010 and 20 September 2010 respectively. Up to the date hereof, the company has paid deposits in the aggregate amount of approximately HK$148 million to the Vendors. The company is in the process of finalizing and consolidating the materials required for disclosure purpose. Further announcement will be made by the company should any formal agreement be entered into.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2011, the group's net current liabilities were approximately RMB22.2 million (2010: net current assets approximately RMB59 million), including cash and bank balances of approximately RMB5.9 million (2010: approximately RMB73.8 million).

The group had borrowings of approximately RMB55.5 million as at 31 March 2011 (2010: approximately RMB58.5 million). The borrowings were bank loans under security, of which 6.3% were due within one year from balance sheet date, 7.3% were due more than one year but not exceeding two years, 37.8% were due more than two years but not exceeding five years and 48.6% were due more than five years. The gearing ratio, defined as the percentage of net debts to the total equity of the company, was approximately 32% (2010: approximately 8%).

INVESTMENT POSITION

The group did not have any significant investment position in stocks, bonds and other financial derivatives as at 31 March 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE EXPOSURE

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the year under review, the group did not use any financial instruments for hedging purposes.

CAPITAL STRUCTURE

On 8 October 2010, the shareholders of the company approved the capital reorganization at the special general meeting and the capital reorganization became effective on 11 October 2010. The shareholders of the company approved to reorganise the capital of the company in the following manner:

(1) reduction in the par value of each issued share from HK$0.05 to HK$0.00002 by cancelling paid up capital to the extent of HK$0.04998 on each issued share;

(2) subdivision of each authorised but unissued share into 2,500 reduced shares of HK$0.00002 each;

(3) reduction of the authorised share capital of the company from HK$300,000,000 to HK$10,000,000 by canceling 14,500,000,000,000 unissued reduced shares;

(4) consolidation of the reduced shares on the basis that every 50 issued and unissued reduced shares of HK$0.00002 each will be consolidated into one consolidated share of HK$0.001 each.

During the year, an aggregate principal amount of HK$78 million redeemable convertible bonds (the "**2012 Convertible Bonds**" which were issued by the company on 27 July 2009 in a total principal amount of HK$260 million) were converted into 424,007,547 ordinary shares of the company. There was no outstanding amounts of the 2012 Convertible Bonds as at 31 March 2011.

On 13 October 2011, the company issued redeemable convertible bonds ("**2013 Convertible Bonds**") in the principal amount of HK$210 million at the interest rate of 3% per annum. During the year, the company early redeemed part of the 2013 Convertible Bonds in the amount of HK$30 million. As at 31 March 2011, the principal amount of the outstanding 2013 Convertible Bonds was HK$180 million. The fair value of the outstanding 2013 Convertible Bonds was approximately RMB148 million.

On 10 November 2010, the company issued zero coupon redeemable convertible bonds in the principal amount of HK$50 million, all of which were converted into 34,340,659 ordinary shares of the company on 12 November 2010.

On 15 December 2010, the company issued zero coupon redeemable convertible bonds in the principal amount of HK$50 million, all of which were converted into 50,000,000 ordinary shares of the company on 20 December 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP'S ASSETS

As at 31 March 2011, the group's investment properties with a value of approximately RMB198.3 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the group.

CONTINGENT LIABILITIES

As at 31 March 2011, the group did not have any material contingent liability (2010: Nil).

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 18 August 2010, the company (as the purchaser) entered into a sale and purchase agreement between Star Lucky Group Limited (as the vendor) to purchase the entire issued share capital of the Universe Prosper Limited at the consideration of HK$300 million (equivalent to approximately RMB257 million) (the "**Acquisition**") of which the fair value of the consideration was approximately RMB245 million, and the Acquisition was completed on 13 October 2010. Further details of which are set out in the circular of the company dated 17 September 2010.

Save as disclosed above, the Company did not have any other acquisition or disposal of subsidiaries during the year.

EMPLOYEES

As at 31 March 2011, the group had 41 employees (2010: 44). The remuneration of employees was determined with reference to statutory minimum wages, market terms and the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option scheme and incentive schemes are adopted to encourage personal commitment of employees.

REPORT OF THE DIRECTORS

The directors (the "director") of the company herein present their report and the audited financial statements of the company and the group for the year ended 31 March 2011.

PRINCIPAL ACTIVITIES

The principal activity of the company is investment holding. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

RESULTS AND DIVIDENDS

The results of the group for the year ended 31 March 2011 are set out in the consolidated income statement on page 23.

The directors do not recommend payment of any dividends in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 107. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the company and property, plant and equipment, and investment properties of the group during the year are set out in notes 16 and 17 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the company's share capital and share options during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the company's bye-laws ("bye-laws") or the laws of Bermuda, which would oblige the company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the company, nor any of its subsidiaries purchased, redeemed or sold any of the company's listed securities during the year ended 31 March 2011.

RESERVES

Details of movements in the reserves of the company and the group during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2011, the aggregate amount of reserves available for distribution to equity holders of the company was approximately RMB599,532,000 (2010: approximately RMB341,702,000) subject to the restriction on the share premium account.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, turnover attributable to the group's five largest customers accounted for approximately 100% of the total turnover for the year and turnover attributable to the largest customer included therein amounted to approximately 82%. Purchases from the group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 64%.

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

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the company during the year under review and up to the date of this report were:

EXECUTIVE DIRECTORS:

Xu Dong *(Chairman)* (Appointed on 27 May 2010)
Au Tat On

NON-EXECUTIVE DIRECTOR:

Yu Wai Fong

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Lai Wai Yin, Wilson
Cao Jie Min
Tse Kwong Wah (Appointed on 1 March 2011)
Lam Man Yui (Resigned on 1 March 2011)

According to bye-law 87(1), one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retiring director shall be eligible for re-election. According to bye-law 86(2), any director appointed to fill a casual vacancy on the board or as an addition to the existing board shall hold office only until the next following annual general meeting of the company and shall then be eligible for re-election at that meeting.

In accordance with the bye-law 87(1), Mr. Au Tat On and Ms. Cao Jie Min will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with the bye-law 86(2), Mr. Tse Kwong Wah, appointed by the board during the year, shall hold office until the forthcoming general meeting and, being eligible, offer himself for re-election as executive director at the forthcoming annual general meeting.

There were no service contracts entered into between the company and the independent non-executive directors. They will be subject to the general requirement of retirement by rotation under the bye-laws of the company.

The company has received the annual written confirmation from each of the independent non-executive directors of the company of their independence to the company. The company considers that all of the independent non-executive directors are independent in accordance with the guidelines set out in the Listing Rules.

REPORT OF THE DIRECTORS

DIRECTORS' BIOGRAPHIES

Biographical details of the directors are set out on page 4 and 5 of the annual report.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the company's remuneration and nomination committee with reference to the directors' duties, responsibilities and performance and the results of the group.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS

None of the directors had interests in any contract of significance subsisting during or at the financial year ended 31 March 2011 in relation to the business of the group taken as a whole.

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES

As at 31 March 2011, the interests and short positions of the directors of the company in the share capital ("Shares") of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of director	Capacity of Shares held	No. of Shares held	Percentage of issued Shares
Yu Wai Fong	Beneficial owner	2,050,521	1.24%

REPORT OF THE DIRECTORS

The Interests of directors in the share options of the company are separately disclosed in the note 29 to the financial statements.

Save as disclosed above, as at 31 March 2011, none of directors had registered an interest or short position in the Shares or any shares of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme in note 29 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 March 2011, so far as was known to the directors of the company, the following parties being directly or indirectly interested or deemed to be interested in 5% or more of the issued Share, were recorded in the register kept by the company under section 336 of the SFO:

LONG POSITIONS IN SHARES OF THE COMPANY

Name	Capacity of Shares held	No. of Shares held	Percentage of issued Shares
Star Lucky Group Limited (Note 1)	Beneficial owner	42,352,941	25.54%
Yang Wenhua (Note 2)	Interest of a control corporation	42,352,941	25.54%

Notes:

1. Star Lucky Group Limited was interest in 42,352,941 underlying Shares in connection with the convertible bonds issued by the company on 13 October 2010 in an outstanding principal amount of HK$180 million as at 31 March 2011 at the conversion price of HK$4.25 per conversion share.

2. Star Lucky Group Limited is wholly-owned by Mr. Yang Wenhua who is deemed to be interested in 42,352,941 underlying Shares. Therefore, Mr. Yang Wenhua is taken to be interested in 42,352,941 shares.

Save as disclosed above, as at 31 March 2011, no other interest or short position in the share of the company were recorded in register required to be kept under section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

Significant related party transactions entered into by the group during the year ended 31 March 2011, which do not constitute connected transactions under the Listing Rules, are disclosed in note 33 to the financial statements.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the group are set out in note 36 to the financial statements.

PUBLIC FLOAT

Based on information that is publicly available to the company and within the knowledge of directors of the company, the company maintained a sufficient public float throughout the year ended 31 March 2011.

AUDITOR

The financial statements for the year ended 31 March 2011 were audited by CCIF CPA Limited. A resolution will be submitted to the forthcoming annual general meeting to re-appoint CCIF CPA Limited as auditor of the company.

ON BEHALF OF THE BOARD

Xu Dong
Chairman

Hong Kong, 29 June 2011

CORPORATE GOVERNANCE REPORT

In view of the corporate governance practices, the company has adopted a set of clear guidelines to explain its policies, practices and procedures which aim at meeting our shareholders' expectations. The company has committed to maintain a high standard of corporate governance based on the principles of the code provisions set out in the Code of Corporate Governance Practice (the "CG Code") in Appendix 14 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The company recognizes the maintenance of good corporate governance practices is essential to the growth of the company. In the opinion of the directors, the company had complied with the CG Code throughout the year ended 31 March 2011, except for the Code A.2.1. Detail of the deviation is set out in the relevant section below.

BOARD OF DIRECTORS

COMPOSITION

The board comprises of six directors, including two executive directors, one non-executive director and three independent non-executive directors. Details of the board composition are set out in the Report of Directors.

The board formulates overall strategies and policies of the group. It also ensures the availability of adequate capital and managerial resources to implement the strategies adopted, the adequacy of systems of financial and internal controls and the conduct of business in conformity with applicable laws and regulations. Decisions requiring the board's approval include, among others, all matters of objective and strategic importance, corporate governance practices, changes in board members, major transactions and investment commitments, annual budget, all policy matters etc. The day-to-day management, administration and operation of the company are delegated to senior management which is accountable to the board for the implementation of the group's overall strategies and coordination of overall business operations.

The board members are fully committed to their roles and have always acted, individually and collectively, in the best interests of the company and its shareholders at all times. To the best knowledge of the company, there is no financial, business, family or other relevant relationship amongst directors. Biographical details of the directors are set out on page 4 and 5 under the section headed "Biographical details of the Directors, Senior Management and Company Secretary" of this annual report.

During the year ended 31 March 2011, the board held 53 full board meetings. The attendance of each member at the board meetings is set out below:

Name of Directors	Attendance/ Number of Meetings
Executive Directors:	
Xu Dong *(Chairman)* (Appointed on 27 May 2010)	49/53
Au Tat On	53/53
Non-Executive Director:	
Yu Wai Fong	53/53
Independent non-executive Directors:	
Lam Man Yui (resigned on 1 March 2011)	50/53
Lai Wai Yin, Wilson	53/53
Cao Jie Min	53/53
Tse Kwong Wah (appointed on 1 March 2011)	2/53

CORPORATE GOVERNANCE REPORT

CHAIRMAN

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the company also acted as chief executive officer of the company during the year under review, which was deviated from the requirement of the code provision A.2.1. The board considered that this structure was conductive with strong and consistent leadership, enabling the company to making and implementing decisions promptly and efficiently.

The chairman of the group takes the lead in formulating overall strategies and policies of the group which include compliance with good corporate governance practices and to facilitate active contribution of directors in board activities. He also ensures that all directors are properly briefed on issues arising at board meetings and have received adequate, complete and reliable information in a timely manner with the assistance of the company secretary.

EXECUTIVE DIRECTORS

The executive directors are responsible for running the group and executing the strategies adopted by the board. They lead the group's management team in accordance with the directions set by the board and are responsible for ensuring that proper internal control system is in place and the group's business conforms to applicable laws and regulations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive directors serve the important function of ensuring and monitoring the basis for an effective corporate governance framework. Their participations provide adequate checks and balances to safeguard the interests of the group and its shareholders. The board consists of three independent non-executive directors and one of them has appropriate professional qualifications or accounting or related financial management expertise. The company has received from each of the independent non-executive directors a confirmation of independence for the year pursuant to the Listing Rules. On this basis, the company considers all such directors to be independent.

AUDIT COMMITTEE

The company has established an audit committee which currently comprises three independent non-executive directors. The functions of the audit committee are:–

- to make recommendations to the board concerning the appointment, reappointment, retention, evaluation and termination of compensation and overseeing the work of the company's independent auditor;
- to approve all non-audit services to be provided by the company's independent auditor;
- to approve the remuneration and terms of engagement of the company's independent auditor;
- to review the relationships between the company and the independent auditor;
- to approve the hiring of any employee or former employee of the company's independent auditor who was a member of the audit team during the preceding two years;

CORPORATE GOVERNANCE REPORT

- to review the company's annual and interim financial statements, accounting policies and practices, the effectiveness of the company's disclosure controls and procedures and developments in financial reporting practices and requirements;
- to review the company's risk assessment and management policies;
- to review the adequacy and effectiveness of the company's legal and regulatory compliance procedures;
- to obtain and review reports from management and the independent auditor regarding compliance with applicable legal and regulatory requirements; and
- to perform the duties as set out in code provision C.3.3 of the CG Code.

During the year, the audit committee held 2 meetings, details of attendance are set out below:–

Members	**Attendance/ Number of meetings**
Lam Man Yui (resigned on 1 March 2011)	2/2
Lai Wai Yin, Wilson	2/2
Cao Jie Min	2/2
Tse Kwong Wah (appointed on 1 March 2011)	0/2

The audit committee during the year in conjunction with the external auditor has reviewed the internal controls, interim and annual results of the group and its other duties (if relevant) in the CG Code.

The board has not taken any different view from that of the audit committee regarding selection, appointment, resignation or dismissal of external auditor.

REMUNERATION AND NOMINATION COMMITTEE

The remuneration and nomination committee have been established by the board. The remuneration and nomination committee currently comprises three independent non-executive directors. The functions of remuneration and nomination committees are:

- to recommend to the board on the company's policies and structure for the remuneration of the directors and senior management of the group;
- to determine the remuneration packages of all executive directors and senior management
- to review and approve performance-based remuneration; and
- to review and approve the compensation payable to executive directors and senior management in connection with any loss or termination of office or appointment.

CORPORATE GOVERNANCE REPORT

In addition, the remuneration and nomination committee as a whole is responsible for reviewing the board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and succession planning of directors and assessing the independence of independent non-executive directors. Where vacancies exist, the remuneration and nomination committee will carry out the selection process by making reference to the skills, experience, professional knowledge, personal integrity and time commitments of the proposed candidates, the company's needs and other relevant statutory requirements and regulations.

For the avoidance of doubt, the directors and their associates do not participate in decisions making relating to their own remuneration.

During the year, the remuneration and nomination Committee held 3 meetings, details of attendance are set out below:–

Members	**Attendance/ Number of meetings**
Lam Man Yui (resigned on 1 March 2011)	2/3
Lai Wai Yin, Wilson	3/3
Cao Jie Min	3/3
Tse Kwong Wah (appointed on 1 March 2011)	0/3

DIRECTORS' SECURITIES TRANSACTION

The company has adopted the Model Code for Securities Transactions by Directors (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the directors.

The company had also made specific enquiry of all directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The directors acknowledge their responsibility for preparing all information and representations contained in the financial statements of the group for the year. The directors consider that the financial statements have been prepared in conformity with the generally accepted accounting standards in Hong Kong, and reflect amounts that are based on the best estimates and reasonable, informed and prudent judgment of the board and management with an appropriate consideration to materiality. The directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the company's ability to continue as a going concern. Accordingly, the directors have prepared the financial statements of the company on a going concern basis.

The statement of the auditor of the company regarding their responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 21 and 22 of this annual report.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

It is the responsibility of the board to ensure that the group maintains sound and effective internal controls to safeguard the shareholders' investments and the group's assets. The group's system of internal control includes a defined management structure with limits of authority, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to oversee the group's operational systems for the achievement of the group's business objectives. These have all been in place throughout the year under review and up to the date of this report and are reviewed regularly by the board.

AUDITOR'S REMUNERATION

An analysis of the remuneration of the company's auditor, CCIF CPA Limited, for the year is set out as follows:

Services rendered	Fee paid/payable Approximately RMB
Audit services (2010: approximately RMB783,000)	823,000
Non-audit services (2010: approximately RMB1,352,000)	1,293,000
Total:	2,116,000

COMMUNICATION WITH SHAREHOLDERS

The company endeavours to develop and maintain continuing relationships and effective communications with its shareholders and investors. To facilitate and enhance the relationships and communication, the company has established, including but not limited to, the following various channels:

1. annual general meeting provides a forum for shareholders of the company to raise comments and exchange views with the board. The chairman and the directors are available at annual general meetings to address shareholders' queries;

2. separate resolutions are proposed at general meetings on each substantially separate issue and procedures for demanding a poll in general meetings are included in circulars to the shareholders to facilitate the enforcement of shareholders' rights;

3. interim and annual results are announced as early as possible so that the shareholders are kept informed of the group's performance and operations; and

4. corporate website www.736.com.hk contains extensive information and updates on the company's business developments and operations, financial information and other information.

INDEPENDENT AUDITOR'S REPORT

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Properties Investment Holdings Limited (the "company") and its subsidiaries (together the "group") set out on pages 23 to 106, which comprise the consolidated and company statements of financial position as at 31 March 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITOR'S REPORT

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of the affairs of the company and of the group as at 31 March 2011, 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

Without qualifying our opinion, we draw attention to note 2(b)(i) and 20 to the financial statements which related to net current liabilities position of the group as at 31 March 2011 and the possible acquisition of Pure Power Holdings Limited. Pursuant to the supplemental memorandum of understanding dated 20 September 2010 and the letter of confirmation dated 21 June 2011, the company agreed to settle the balance of the deposit of US$131 million (equivalent to approximately RMB860 million) before 20 September 2011. As at the date of the report, the company has not yet arranged financing for the payment. The directors of the company considered they are still in negotiation with the vendors for the payment terms of the possible acquisition and will obtain the required facilities to settle the remaining balance before the prescribed date.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 29 June 2011

Alvin Yeung Sik Hung
Practising Certificate Number P05206

CONSOLIDATED INCOME STATEMENT

For the Year ended 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Turnover	7	**3,735**	7,750
Cost of sales		**(3,338)**	(4,370)
		397	3,380
Fair value gain on investment properties	17	**12,197**	32,347
Other revenue	8(a)	**139**	44
Other net income	8(b)	**131**	2,189
Selling expenses		**(429)**	(54)
Administrative expenses		**(30,364)**	(23,240)
Other operating expenses	9(d)	**(10,996)**	(16,005)
Loss from operations		**(28,925)**	(1,339)
Finance costs	9(a)	**(6,080)**	(9,274)
Loss before taxation	9	**(35,005)**	(10,613)
Income tax	12	**(3,049)**	(8,688)
Loss for the year		**(38,054)**	(19,301)
Attributable to:			
Owners of the company		**(37,762)**	(19,179)
Non-controlling interests		**(292)**	(122)
Loss for the year		**(38,054)**	(19,301)
			(Restated)
Loss per share			
– Basic	15(a)	**(RMB0.10)**	(RMB0.30)
– Diluted	15(b)	**(RMB0.10)**	(RMB0.30)

The notes on pages 30 to 106 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March 2011

	2011	2010
	RMB'000	RMB'000
Loss for the year	**(38,054)**	(19,301)
Other comprehensive (loss)/income for the year		
Exchange differences on translation of financial statements of overseas subsidiaries	**(4,098)**	1,145
Total other comprehensive (loss)/income for the year, net of tax	**(4,098)**	1,145
Total comprehensive loss for the year	**(42,152)**	(18,156)
Attributable to:		
Owners of the company	**(41,860)**	(18,034)
Non-controlling interests	**(292)**	(122)
Total comprehensive loss for the year	**(42,152)**	(18,156)

The notes on pages 30 to 106 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment	16	**14,859**	3,711
Investment properties	17	**198,314**	186,117
Intangible assets	19	**499,398**	499,398
Deposit for acquisition of subsidiaries	20	**124,799**	–
		837,370	689,226
Current assets			
Trade and other receivables	21	**1,765**	3,434
Trading securities	22	**150**	112
Cash and cash equivalents	23	**5,943**	73,784
		7,858	77,330
Current liabilities			
Other payables	24	**26,592**	15,322
Interest-bearing bank borrowings	25	**3,500**	3,000
Current taxation	26(a)	**–**	–
		30,092	18,322
Net current (liabilities)/assets		**(22,234)**	59,008
Total assets less current liabilities		**815,136**	748,234
Non-current liabilities			
Interest-bearing bank borrowings	25	**52,000**	55,500
Deferred tax liabilities	26(b)	**11,136**	8,087
Convertible bonds	27	**147,680**	66,428
		210,816	130,015
NET ASSETS		**604,320**	618,219
EQUITY			
Equity attributable to owners of the company			
Share capital	28	**2,833**	40,406
Reserves	30	**554,867**	332,340
		557,700	372,746
Non-controlling interests		**46,620**	245,473
Total equity		**604,320**	618,219

Approved and authorised for issue by the board of directors on 29 June 2011.

On behalf of the board

Xu Dong	**Au Tat On**
Director	*Director*

The notes on pages 30 to 106 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year ended 31 March 2011

	Attributable to owners of the company									
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Contributed surplus reserve RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	(Accumulated losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2009	15,796	206,307	(9,988)	18,689	33,264	30,524	(177,055)	117,537	–	117,537
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	245,595	245,595
Placing and subscription of new shares	7,575	73,493	–	–	–	–	–	81,068	–	81,068
Share issue expenses	–	(2,328)	–	–	–	–	–	(2,328)	–	(2,328)
Conversion of convertible bonds	17,035	177,468	–	–	–	–	–	194,503	–	194,503
Options forfeited during the year	–	–	–	–	(16,632)	–	16,632	–	–	–
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	–	–	1,145	–	1,145	–	1,145
Total comprehensive loss for the year	–	–	–	–	–	–	(19,179)	(19,179)	(122)	(19,301)
At 31 March 2010	40,406	454,940	(9,988)	18,689	16,632	31,669	(179,602)	372,746	245,473	618,219
At 1 April 2010	40,406	454,940	(9,988)	18,689	16,632	31,669	(179,602)	372,746	245,473	618,219
Acquisition of additional interest in a subsidiary through acquired the target companies (note 31)	–	–	(46,237)	–	–	–	–	(46,237)	(198,561)	(244,798)
Placing and subscription of new shares before share consolidation (note 28 (vi))	13,340	66,065	–	–	–	–	–	79,405	–	79,405
Placing and subscription of new shares after share consolidation, before capital reorganization (note 28 (vii))	28,151	8,294	–	–	–	–	–	36,445	–	36,445
Placing and subscription of new shares after capital reorganization (note 28 (viii))	23	9,197	–	–	–	–	–	9,220	–	9,220
Share issue expenses	–	(5,075)	–	–	–	–	–	(5,075)	–	(5,075)
Conversion of convertible bonds (note 28 (ix))	14,701	138,355	–	–	–	–	–	153,056	–	153,056
Capital reorganization (note 28 (iii))	(93,788)	–	–	(18,689)	–	757	111,720	–	–	–
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	–	–	(4,098)	–	(4,098)	–	(4,098)
Total comprehensive loss for the year	–	–	–	–	–	–	(37,762)	(37,762)	(292)	(38,054)
At 31 March 2011	2,833	671,776	(56,225)	–	16,632	28,328	(105,644)	557,700	46,620	604,320

The notes on pages 30 to 106 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Operating activities			
Loss before taxation		**(35,005)**	(10,613)
Adjustments for:			
Finance costs		**6,080**	9,274
Interest income on bank deposits		**(8)**	(18)
Depreciation		**2,600**	810
Fair value gains on investment properties		**(12,197)**	(32,347)
Fair value loss on convertible bonds		**10,882**	6,132
Fair value gain on trading securities		**(45)**	(28)
Loss on disposal of investment properties		**–**	7,908
Allowance for impairment of trade receivable		**114**	1,962
Reverse of allowance for impairment of trade receivables		**–**	(1,472)
Gain on disposal of plant and equipment		**–**	(8)
Foreign exchange (loss)/gain, net		**(4,829)**	657
Operating loss before changes in working capital		**(32,408)**	(17,743)
Decrease in trade and other receivables		**7,746**	13,991
Decrease in other payables		**(863)**	(8,880)
Cash used in operations		**(25,525)**	(12,632)
Tax paid		**–**	(601)
Net cash used in operating activities		**(25,525)**	(13,233)
Investing activities			
Purchase of plant and equipment		**(8,065)**	(3,317)
Deposit for acquisition of subsidiaries		**(124,799)**	–
Net cash outflow from acquisition of subsidiaries		**–**	(35,426)
Proceeds on disposal of investment property		**–**	40,000
Proceeds on disposal of property, plant and equipment		**–**	25
Interest received		**8**	18
Net cash (used in)/generated from investing activities		**(132,856)**	1,300

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year ended 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Financing activities			
Proceeds from issue of shares		**125,070**	81,068
Share issue expenses		**(5,075)**	(2,328)
Repayment of bank loans		**(3,000)**	(32,000)
Early redemption of convertible bonds		**(25,629)**	(31,860)
Proceeds from issue of zero convertible bonds		**85,425**	74,448
Interest paid		**(6,080)**	(9,274)
Acquisition of additional interest in a subsidiary through acquired the target companies	31	**(77,007)**	–
Net cash generated from financing activities		**93,704**	80,054
Net (decrease)/increase in cash and cash equivalents		**(64,677)**	68,121
Cash and cash equivalents at 1 April		**73,784**	5,631
Effect of foreign exchange rate changes, net		**(3,164)**	32
Cash and cash equivalents at 31 March	23	**5,943**	73,784

The notes on pages 30 to 106 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Plant and equipment	16	–	–
Interest in subsidiaries	18	622,460	380,777
Deposit for acquisition of subsidiaries	20	124,799	–
		747,259	380,777
Current assets			
Other receivables	21	41	243
Trading securities	22	150	112
Cash and cash equivalents	23	5,568	72,887
		5,759	73,242
Current liabilities			
Other payables	24	2,973	5,483
		2,973	5,483
Net current assets		2,786	67,759
Total assets less current assets		750,045	448,536
Non-current liabilities			
Convertible bonds	27	147,680	66,428
NET ASSETS		602,365	382,108
EQUITY			
Equity attributable to owners of the Company			
Share capital	28	2,833	40,406
Reserves	30	599,532	341,702
Total equity		602,365	382,108

Approved and authorised for issue by the board of directors on 29 June 2011.

On behalf of the board

Xu Dong	**Au Tat On**
Director	*Director*

The notes on pages 30 to 106 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

1. CORPORATE INFORMATION

China Properties Investment Holdings Limited (the "company") is an investment holding company. The principal activities of its subsidiaries are set out in note 18 to the financial statements.

The company was incorporated and domiciled in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its principal place of business is Room 2001, 20/F., Lippo Centre, Tower Two, 89 Queensway, Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange. A summary of the significant accounting policies adopted by the group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for current accounting period of the group and the company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the group for the current and prior accounting periods reflected in these financial statements.

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

i) Going Concern

The group incurred a loss attributable to owners of the company of RMB37,762,000 (2010: RMB19,179,000) and negative operating cash flows of RMB25,525,000 (2010: RMB13,233,000) and has net current liabilities of RMB22,234,000 (2010: net current assets RMB59,008,000) as at 31 March 2011.

In preparing these financial statements, the directors of the company have given careful consideration to the impact of the current and anticipated future liquidity of the group and the ability of the group to attain positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the group and to improve the group's financial position, liquidity and cash flows in the immediate foreseeable future, and to sustain the group as a going concern, the group has adopted the following measures.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

i) Going Concern (Continued)

The group completed a rights issue on 4 May 2011 and generated gross cash inflow of approximately HK$338,265,000 (approximately RMB282,891,000).

For the mining business, the group entered into a corporation agreement with independent third party to operate the production of the mine in 2012, and with a view that the group will not require to further increase capital expenditure in this operation and can generate positive cash flows and enhance the profitability of the group in a future period.

For the acquisition of Pure Power Holdings Limited ("Pure Power") (Note 20), pursuant to the supplemental memorandum of understanding dated 20 September 2010 and the letter of confirmation dated 21 June 2011, the company agreed to settle the balance of the deposit of US$131 million (equivalent to approximately RMB860 million) before 20 September 2011. As at the date of the report, the company has not yet arranged financing for the payment. The directors of the company considered they are still in negotiation with the vendors for the payment terms of the possible acquisition and will obtain the required facilities to settle the remaining balance before the prescribed date.

In the opinion of the directors of the company, in light of the measures taken to date, together with the expected results of other measures in progress, the group will have sufficient working capital for its current requirements. Accordingly, the directors of the company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

ii) Basis of measurement

The consolidated financial statements for the year ended 31 March 2011 comprise the company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that investment in equity securities, investment properties and convertible bonds are stated at their fair value as explained in the accounting policies set out in notes 2(d), 2(f) and 2(n) respectively below.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Remninbi ("RMB"), and it is also functional currency of the company. All amounts are rounded to the nearest thousand except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

ii) *Basis of measurement (Continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 5.

c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Subsidiaries are entities controlled by the group. Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra¬-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the company, and in respect of which the group has not agreed any additional terms with the holders of those interests which would result in the group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) SUBSIDIARIES AND NON-CONTROLLING INTERESTS (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the company. Non-controlling interests in the results of the group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss. Total comprehensive income is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the their interests in the subsidiary's equity were allocated against the interests of the group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the group's ownership interests in existing subsidiaries

Changes in the group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

Changes in the group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

In the company's statement of financial position, an investment in subsidiary is stated at cost less impairment losses (see note 2(i)) unless the investment is classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) OTHER INVESTMENTS IN EQUITY SECURITIES

The group's and the company's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(p)(ii) and (iii).

Investments are recognised/derecognised on the date the group commits to purchase/sell the investments or when they expire.

e) PLANT AND EQUIPMENT

Plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and equipment	5 years
Motor vehicles	4 to 5 years

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

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) PLANT AND EQUIPMENT (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

f) INVESTMENT PROPERTIES

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undertermined future use.

Investment properties are stated in the statement of financial position at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(p)(i).

When the group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(h)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(h).

g) INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Mining rights with finite useful lives are carried at cost less accumulated amortisation and impairment losses (see note 2(i)). The mining rights are amortised using the units of production method based on the proven and probable mineral reserves.

h) LEASED ASSETS

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) LEASED ASSETS (Continued)

i) Classification of assets leased to the group

Assets held by group under leases which transfer to the group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 2(f)).

ii) Operating lease charges

Where the group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

i) IMPAIRMENT OF ASSETS

i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries – see note 2(d)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

i) *Impairment of investments in equity securities and other receivables (Continued)*

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unlisted equity securities carried at cost, impairment loss is measured as the difference between the carrying amount of the financial assets and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. The assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets

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

– plant and equipment;

– investments in subsidiaries (except for those classified as being held for sale); and

– intangible assets

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) IMPAIRMENT OF ASSETS (Continued)

ii) Impairment of other assets (Continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year. (see note 2(i)).

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

j) TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment for doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(i)).

k) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) OTHER PAYABLES

Other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

m) INTEREST-BEARING BORROWINGS

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit and loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

n) CONVERTIBLE BONDS

Convertible bonds of the company consisted of the liability component and embedded derivatives, (such as embedded conversion option, and early redemption option). Conversion options that were not settled by the exchange of a fixed amount for a fixed number of the company's equity instrument was considered as embedded derivatives not closely related to the host contract (the liability component).

The group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition. At the end of such reporting period subsequent to initial recognition, the entire convertible bonds were measured at fair value, with changes in fair value recognised directly in profit or loss in the year in which they arise.

Transaction costs that were directly attributable to the issue of the convertible bonds designated as financial liabilities at fair value through profit or loss were recognised immediately in profit or loss.

o) INCOME TAX

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) INCOME TAX (Continued)

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) INCOME TAX (Continued)

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

  – the same taxable entity; or

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

p) 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 recognised in profit or loss as follows:

i) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentive granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

ii) Dividends income from listed investments

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

iv) Government grant

Government grants are recognised in the statement of financial position initially at their fair value when there is reasonable assurance that they will be received and that the group will comply with the conditions attaching to them.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised directly in other comprehensive income.

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

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e., a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal of a subsidiary that does not result in the group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

r) BORROWING COSTS

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) RELATED PARTIES

For the purposes of these financial statements, a party is considered to be related to the group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the group or exercise significant influence over the group in making financial and operating policy decisions, or has joint control over the group;

ii) the group and the party are subject to common control;

iii) the party is an associate of the group or a joint venture in which the group is a venturer;

iv) the party is a member of key management personnel of the group or the group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the group or of any entity that is a related party of the group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

t) EMPLOYEE BENEFITS

i) Short-term employee benefits and contributions to defined contribution retirement plans

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

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) EMPLOYEE BENEFITS (Continued)

ii) Share-based payments (Continued)

During the vesting period, the number of share options expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained earnings).

Share options granted to employees on or before 7 November 2002

In prior years, no amounts were recognised when employees (which terms include Directors) were granted share option over shares in the company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2 "Share-based Payment", the group recognises the fair value of such share options as an expense in the income statement. A corresponding increase is recognised in the Employee share-based compensation reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the option, the group recognises the fair value of the option granted over the vesting period. Otherwise, the group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related Employee share-based compensation reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised the related Employee share-based compensation reserve is transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the group has taken advantage of the transitional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to all options granted to employees on or before 7 November 2002.

iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

v) PROVISIONS AND CONTINGENT LIABILITIES

Other provisions and contingent liabilities

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

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

w) GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching condition will be complied with. When the grant relates to an expenses item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

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

HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (revised 2008)	Business combination
HKAS 27 (revised 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of financial statements-classification by the borrower of a term loan that contains a repayment on demand clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of improvements to HKFRSs issued in 2008

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

HKAS 27 (REVISED 2008), CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The application of HKAS 27 (revised 2008) has resulted in changes in the group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (revised 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS 27 (revised 2008), these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the group's financial statements as these changes will first be effective as and when the group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

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

AMENDMENTS TO HKAS 1 PRESENTATION OF FINANCIAL STATEMENTS (AS PART OF IMPROVEMENTS TO HKFRSS ISSUED IN 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current, provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period, notwithstanding that the entity could be required by the counterparty to settle in shares at any time.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's major financial instruments include trade and other receivables, trading securities, interest-bearing borrowings, other payables and convertible bonds. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, currency risk, interest rate risk and other price risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) CREDIT RISK

a) As at 31 March 2011, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance.

b) *Deposits with financial institutions*

The group limits its exposure to credit risk by placing deposits with financial institutions that meet the established credit rating or other criteria. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

As at 31 March 2011, the group has certain concentration of credit risk as 91% (2010: 99%) of total cash and cash equivalents were deposited at one financial institution in the Hong Kong with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

i) CREDIT RISK (Continued)

c) In respect of trade receivables, in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its tenants' financial position and condition is performed on each and every major tenant periodically. These evaluations focus on the tenant's past history of making payments when due and current ability to pay, and take into account information specific to the tenant as well as pertaining to the economic environment in which the tenant operates. The group has received rental deposits amounting to RMB1,272,000 (2010: RMB1,542,000) from the tenants as collateral. Rents are usually due upon presentation of billing.

d) In respect of trade receivables, the group's exposure to credit risk is influenced mainly by the individual characteristics of each tenant. The default risk of the industry in which tenants operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the group has a certain concentration of credit risk as 100% (2010: 25%) and 100% (2010: 100%) of the total rental receivables was due from the group's largest tenant and the five largest tenants respectively.

Further quantitative disclosures in respect of the group's exposure to credit risk arising from trade and other receivables are set out in note 21.

ii) LIQUIDITY RISK

Individual operating entities within the group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The group relies on bank borrowings as a significant source of liquidity.

The following liquidity table set out the remaining contractual maturities at the end of the reporting period of the group's and the company's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the group and the company are required to pay:

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

ii) LIQUIDITY RISK (Continued)

The group

	2011						2010					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities												
Other payables	26,592	–	–	–	26,592	26,592	15,322	–	–	–	15,322	15,322
Secured bank loan	7,354	7,590	29,906	28,901	73,751	55,500	6,773	7,077	22,664	42,699	79,213	58,500
Convertible bonds	–	–	149,920	–	149,920	147,680	–	–	71,217	–	71,217	66,428
	33,946	7,590	179,826	28,901	250,263	229,772	22,095	7,077	93,881	42,699	165,752	140,250

The company

	2011						2010					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total contractual undiscounted cash flow RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities												
Other payables	2,973	–	–	–	2,973	2,973	5,483	–	–	–	5,483	5,483
Convertible bonds	–	–	149,920	–	149,920	147,680	–	–	71,217	–	71,217	66,428
	2,973	–	149,920	–	152,893	150,653	5,483	–	71,217	–	76,700	71,911

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iii) CURRENCY RISK

The group is exposed to foreign currency risk related primarily to cash and cash equivalents, other receivables, other payables, trading securities and convertible bonds that are denominated in currencies other than the functional currency of the relevant group entities.

Most of the group's and the company's transactions, assets and liabilities are denominated in RMB, which is the same as the functional currency of the entity to which they related.

The following table details the group's and the company's exposure at the end of the reporting to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

The group

	2011 HK$'000	2010 HK$'000
Deposit for acquisition of subsidiaries	148,200	–
Other receivables	48	275
Cash and cash equivalents	6,613	82,358
Trading securities	178	127
Other payables	(3,531)	(6,195)
Convertible bonds	(175,372)	(75,060)
Overall net exposure – Hong Kong Dollars	(23,864)	1,505

The company

	2011 HK$'000	2010 HK$'000
Deposit for acquisition of subsidiaries	148,200	–
Other receivables	48	275
Cash and cash equivalents	6,613	82,358
Trading securities	178	127
Other payables	(3,531)	(6,195)
Convertible bonds	(175,372)	(75,060)
Overall net exposure – Hong Kong Dollars	(23,864)	1,505

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iii) CURRENCY RISK (Continued)

An analysis of the estimated change in the group's loss after tax and accumulated losses in response to reasonably possible changes in the foreign exchange rates to which the group has significant exposure at the end of the reporting period is presented in the following table.

The group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses RMB'000**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses RMB'000
Hong Kong Dollars	**10%**	**1,677**	10%	111
	(10%)	**(1,677)**	(10%)	(111)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities' exposure to currency risk for non-derivative financial instruments in existence at that date while all other variables remains constant. The stated changes also represent management's assessment of a reasonably possible change in foreign exchange rates until the end of the next annual reporting period. The analysis is performed on the same basis for 2010.

iv) INTEREST RATE RISK

The group's exposure to market risk for changes in interest rates related primarily to the group's fixed rate interest-bearing borrowings. The group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider to hedge significant interest rate exposures when the need is anticipated.

At 31 March 2011, it is estimated that a general increase/decrease of 1% in interest rates, with all other variables held constant, would increase/decrease the group's loss after tax and accumulated losses attributable to variable rate bank borrowings by approximately RMB555,000 (2010: RMB585,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of reporting period and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

iv) INTEREST RATE RISK (Continued)

The interest rate profile of the group's borrowings at the end of the reporting period is as follows:

	2011	2010
	RMB'000	RMB'000
Fixed rate borrowing		
Interest-bearing bank borrowings	**55,500**	58,500
Effective interest rate	**7.04%**	6.534%

v) EQUITY PRICE RISK

The group is exposed to equity price risk arising from trading of listed equity securities classified as trading securities in the statements of financial position. The sensitivity analysis has been determined based on the exposure to equity price risk.

At the end of the reporting period, if the quoted market prices of the trading securities had been 10% higher or lower while all other variables were held constant, the group's net loss would decrease or increase by approximately RMB15,000 (2010: RMB12,000) as a result of changes in fair value of investments. The group's sensitivity to equity price has not changed significantly from the prior year.

The sensitivity analysis has been determined assuming that the reasonably possible changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to the exposure to equity price in existence at that date. It also assumed that the fair values of the group's trading securities would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, that none of the group's securities investments would be considered impaired as a result of a reasonably possible decrease in the relevant stock market index or other relevant risk variable, and that all other variables remain constant. The stated changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2010.

vi) FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The following table provides an analysis of financial instruments that are measured at fair value at the end of the reporting period, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

vi) FAIR VALUE MEASUREMENTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION (Continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in this entirety.

	The group and the company							
	2011				2010			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss								
Trading securities	**150**	**–**	**–**	**150**	112	–	–	112
Financial liabilities at fair value through profit or loss								
Convertible bonds	**–**	**147,680**	**–**	**147,680**	–	66,428	–	66,428

There were no significant transfers between instruments in Level 1 and Level 2 during the year.

vii) ESTIMATION OF FAIR VALUES

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

a) *Interest-bearing bank borrowings*

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

vii) ESTIMATION OF FAIR VALUES (Continued)

b) Convertible bonds

The fair value of convertible bonds is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

c) Trading securities

Fair value for investments in listed equity securities are based on closing bid prices at the end of the reporting period.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

a) KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

i) Impairment of receivables

The group maintains impairment allowance for doubtful accounts based on the evaluation of the recoverability of the trade receivables and other receivables at the end of each reporting period. The estimates are based on the ageing of the trade receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial conditions of the debtors were to deteriorate, additional impairment allowance might be required.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

ii) *Mining right*

As disclosed in note 19 to the financial statements, the group's mining rights for copper and molybdenum will expire in November 2011. The company's directors have considered, after having obtained a PRC legal opinion that, in accordance with the relevant PRC laws and regulations, the group is entitled to renew the mining rights when they expire. The company's directors are of the opinion that there is no foreseeable circumstances which will preclude the group from obtaining a renewal of the mining rights when they expire.

iii) *Fair value of convertible bonds*

Management uses their judgement in selecting an appropriate valuation technique for convertible bonds that do not have a quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the convertible bonds.

iv) *Depreciation of plant and equipment*

Plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recovered during the year. The useful lives are based on the group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

v) *Income taxes*

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

a) KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

vi) Fair value of investment properties

Investment properties are carried in the consolidated statement of financial position at 31 March 2011 at their fair value. The fair value was based on a valuation on these properties conducted by an independent firm of professional valuers using property valuation techniques which involve certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the group's investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

b) CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In determining the carrying amounts of some assets and liabilities, the group makes assumptions for the effects of uncertain future events on those assets and liabilities at the end of the reporting period. These estimates involve assumptions about such items as cash flows and discount rates used. The group's estimates and assumptions are based on historical experience and expectations of future events and are reviewed periodically. In addition to assumptions and estimations of future events, judgements are also made during the process of applying the group's accounting policies.

i) Going concern

As mentioned in note 2(b)(i) to the financial statements, the directors are satisfied that the company and the group will be able to meet its financial obligations in full as and when they fall due in the foreseeable future. As the directors are confident that the company and the group will be able to continue in operational existence in the foreseeable future, the financial statements have been prepared on a going concern basis.

If the going concern basis is not appropriate, adjustment would have to be made to provide for any further liabilities which might arise. Such adjustments may have a significant consequential effect on the loss for the year and net liabilities of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

6. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the chief operating decision-makers ("CODM") who are the executive directors of the company for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and product perspectives. Georgraphically, management considers the performance of the segments in Hong Kong and mainland China. The group has presented the following two reportable segments. These segments are managed separately. The property investment segment and the investing in mining activities segment offer very different products and services.

1) PROPERTIES INVESTMENT

The properties investment reportable operating segment derives its revenue primarily from rental of investment properties.

2) INVESTING IN MINING ACTIVITIES

The investing in mining activities reportable segment derives its revenue from investment income for the activities of exploitation of copper and molybdenum.

No reportable operating segment has been aggregated.

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies described in note 2(u) Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge/(credit) is not allocated to a reportable segment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than trading securities and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

6. SEGMENT REPORTING (Continued)

a) *Segment results, assets and liabilities (Continued)*

All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment liabilities.

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resource allocation and assessment of segment performance for the year is set out below.

	31 March 2011			31 March 2010		
	Properties investment RMB'000	**Investing in mining activities RMB'000**	**Total RMB'000**	Properties investment RMB'000	Investing in mining activities RMB'000	Total RMB'000
Revenue from external customers	**3,735**	**–**	**3,735**	7,750	–	7,750
Reportable segment revenue	**3,735**	**–**	**3,735**	7,750	–	7,750
Reportable segment profit/(loss) before taxation	**3,903**	**(1,409)**	**2,494**	17,439	(322)	17,117
Interest revenue	**4**	**–**	**4**	16	1	17
Depreciation	**(488)**	**(538)**	**(1,026)**	(398)	(89)	(487)
Loss on disposal of investment properties	**–**	**–**	**–**	7,908	–	7,908
Reversal of impairment of trade receivables	**–**	**–**	**–**	1,472	–	1,472
Impairment of trade receivables	**(114)**	**–**	**(114)**	(1,962)	–	(1,962)
Income tax expense	**(3,049)**	**–**	**(3,049)**	(8,688)	–	(8,688)
Interest expense	**(3,840)**	**–**	**(3,840)**	(4,471)	1	(4,470)
Reportable segment assets	**201,293**	**506,137**	**707,430**	190,336	500,744	691,080
Additions to non-current assets (other than financial instruments and deferred tax assets)	**899**	**6,707**	**7,606**	83	–	83
Reportable segment liabilities	**58,676**	**14,043**	**72,719**	61,090	7,243	68,333
Deferred tax liabilities	**11,136**	**–**	**11,136**	8,087	–	8,087
Total liabilities	**69,812**	**14,043**	**83,855**	69,177	7,243	76,420

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

6. SEGMENT REPORTING (Continued)

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2011 RMB'000	2010 RMB'000
Revenue		
Total reportable segments' revenue	**3,735**	7,750
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**3,735**	7,750
Profit/(loss)		
Total reportable segments' profit	**2,494**	17,117
Unallocated corporate income	**176**	31
Depreciation	**(1,574)**	(323)
Interest revenue	**4**	1
Finance costs	**(2,240)**	(4,804)
Unallocated corporate expenses	**(33,865)**	(22,635)
Consolidated loss before taxation	**(35,005)**	(10,613)
Assets		
Total reportable segments' assets	**707,430**	691,080
Unallocated		
– corporate assets	**137,798**	75,476
Consolidated total assets	**845,228**	766,556
Liabilities		
Total reportable segments' liabilities	**(83,855)**	(76,420)
Unallocated		
– corporate liabilities	**(157,053)**	(71,917)
Consolidated total liabilities	**(240,908)**	(148,337)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

6. SEGMENT REPORTING (Continued)

c) *Revenue from major services*

The following is an analysis of the group's revenue from its major services:

	2011	2010
	RMB'000	RMB'000
Property investment	**3,735**	7,750

d) *Geographical information*

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The group's non-current assets include plant and equipment, investment properties, intangible assets and deposit for acquisition of subsidiaries. The geographical location of plant and equipment and investment properties are based on the physical location of the asset. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenues from external customers		**Non-current assets**	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Hong Kong (place of domicile)	**–**	–	**126,086**	1,780
PRC	**3,735**	7,750	**711,284**	687,446
	3,735	7,750	**837,370**	689,226

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

6. SEGMENT REPORTING (Continued)

e) *Information about major customers*

Revenues from customers contributing 10% or more of the total revenue of the group are as follows:

	Year ended	
	31/3/2011	31/3/2010
	RMB'000	RMB'000
Customer A – revenue from properties investment – PRC	**3,065**	5,223
Customer B – revenue from properties investment – PRC	**670**	–
Customer C – revenue from properties investment – PRC	**–**	1,309
Customer D – revenue from properties investment – PRC	**–**	934
	3,735	7,466

7. TURNOVER

The principal activities of the group are properties investment and investment in mining activities.

Turnover represents rental income from operating leases. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2011	2010
	RMB'000	RMB'000
Rental income from operating lease	**3,735**	7,750

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

8. OTHER REVENUE AND OTHER NET INCOME

		2011 RMB'000	2010 RMB'000
a)	**Other revenue**		
	Interest income on bank deposits	**8**	18
	Total interest income on financial assets not at fair value through profit or loss	**8**	18
	Sundry income	**131**	26
		139	44
b)	**Other net income**		
	Fair value gain on trading securities	**45**	28
	Gain on disposal of plant and equipment	**–**	8
	Government subsidy*	**86**	681
	Reversal of allowance of impairment of trade receivables	**–**	1,472
		131	2,189
		270	2,233

* Subsidy income mainly relates to cash subsidies in respect of property industry from government which are unconditional grants.

9. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

		2011 RMB'000	2010 RMB'000
a)	**Finance costs**		
	Interest expenses on bank borrowings, overdrafts and other loans wholly repayable within five years	**–**	–
	Interest expenses on bank borrowings wholly repayable after five years	**3,840**	4,470
	Total interest expense on financial liabilities not at fair value through profit or loss	**3,840**	4,470
	Interest on convertible bonds	**2,240**	4,804
	Total interest expense	**6,080**	9,274

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

9. LOSS BEFORE TAXATION (Continued)

		2011 RMB'000	2010 RMB'000
b)	**Staff costs**		
	Salaries, wages and other benefits (including directors' emoluments)	**7,111**	5,118
	Contributions to defined contribution retirement plans (including directors' emoluments)	**596**	566
		7,707	5,684
c)	**Other items**		
	Auditor's remuneration		
	– audit services	**823**	783
	– other services	**1,293**	1,352
	Depreciation	**2,600**	810
	Gross rental income from investment properties less direct outgoings of RMB3,338,000 (2010: RMB4,370,000)	**397**	3,380
	Operating lease charges: minimum lease payments	**2,473**	2,351
d)	**Other operating expenses**		
	Loss on disposal of investment properties	**–**	7,908
	Allowance for impairment of trade receivables	**114**	1,962
	Fair value loss on convertible bonds	**10,882**	6,132
	Others	**–**	3
		10,996	16,005

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

10. DIRECTORS' EMOLUMENTS

The aggregate amounts of the directors' emoluments disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	2011					
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Yu Wai Fong (resigned on 6 August 2010)*	–	316	4	320	–	320
Au Tat On	–	274	10	284	–	284
Xu Dong (appointed on 27 May 2010)*	–	1,046	10	1,056	–	1,056
	–	1,636	24	1,660	–	1,660
Independent non-executive directors						
Lam Man Yui (resigned on 1 March 2011)***	103	–	–	103	–	103
Lai Wai Yin	103	–	–	103	–	103
Cao Jie Min	103	–	–	103	–	103
Tse Kwong Wah (appointed on 1 March 2011)***	–	–	–	–	–	–
	309	–	–	309	–	309
Non-executive director						
Yu Wai Fong (appointed on 6 August 2010)*	–	975	6	981	–	981
	–	975	6	981	–	981
Total	309	2,611	30	2,950	–	2,950

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

10. DIRECTORS' EMOLUMENTS (Continued)

	2010					
	Fees RMB'000	Salaries and other benefits in kind RMB'000	Retirement scheme contributions RMB'000	Sub-total RMB'000	Share-based payments RMB'000	Total RMB'000
Executive directors						
Yu Wai Fong	–	1,203	11	1,214	–	1,214
Au Tat On	–	234	11	245	–	245
	–	1,437	22	1,459	–	1,459
Independent non-executive directors						
Wang Dong (resigned on 4 May 2009)	7	–	–	7	–	7
Lam Man Yui	107	–	–	107	–	107
Lai Wai Yin (appointed on 1 April 2009)**	107	–	–	107	–	107
Cao Jie Min (appointed on 4 May 2009)**	98	–	–	98	–	98
	319	–	–	319	–	319
Total	319	1,437	22	1,778	–	1,778

Note:

* Yu Wai Fong was re-designated from executive director to non-executive director on 6 August 2010. Xu Dong was appointed to be an executive director on 27 May 2010.

** Lai Wai Yin and Cao Jie Min were appointed to be an independent non-executive director on 1 April 2009 and 4 May 2009 respectively.

*** Lam Man Yui resigned as an independent non-executive director and Tse Kwong Wah was appointed to be an independent non-executive director on 1 March 2011.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the group, three (2010: two) are directors of the company whose emoluments are disclosed in note 10 above. The emoluments of the remaining two (2010: three) individuals are as follows:

	2011	2010
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,008**	994
Retirement scheme contributions	**83**	43
	1,091	1,037

The emoluments of the two (2010: three) individuals with the highest emoluments are within the following bands:

	Number of individuals	
	2011	2010
HK$Nil – HK$1,000,000	**2**	3

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS:

	The group	
	2011	2010
	RMB'000	RMB'000
Current tax		
Hong Kong profits tax	**–**	–
Overseas tax calculated at rates prevailing in the relevant jurisdiction	**–**	601
	–	601
Deferred tax (note 26(b))		
Origination and reversal of temporary differences	**3,049**	8,087
Tax charge	**3,049**	8,688

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

12. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

a) INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT REPRESENTS: (Continued)

No provision for Hong Kong profits tax has been provided for the year as the group had no estimated assessable profits in Hong Kong for the year (2010: Nil).

PRC enterprise income tax ("EIT") for the year ended 31 March 2011 is 25% (2010: 25%). The EIT has not been provided for as the group has incurred losses in PRC for the year.

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

No deferred tax liabilities have been recognised as the company controls the dividend policy of its subsidiaries and it has been determined that it is probable that certain of the profits earned by the group's PRC subsidiaries for the year from 1 April 2010 to 31 March 2011 will not be distributed in the foreseeable future.

b) RECONCILIATION BETWEEN TAX EXPENSE AND ACCOUNTING LOSS AT APPLICABLE TAX RATE:

	2011 **RMB'000**	2010 RMB'000
Loss before taxation	**(35,005)**	(10,613)
Notional tax on loss before taxation, calculated at the tax rate applicable in the jurisdictions concerned	**(5,672)**	(448)
Tax effect of non-taxable income	**–**	(1)
Tax effect of non-deductible expenses	**69**	796
Tax effect of deductible temporary differences not recognised	**(27)**	(223)
Tax effect on Land Appreciation Tax in PRC	**–**	601
Tax effect of unused tax losses not recognised	**8,679**	7,963
Tax charge	**3,049**	8,688

13. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the company includes a loss of approximately RMB47,550,000 (2010: loss of RMB22,496,000) which has been dealt with in the financial statements of the company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

14. DIVIDENDS

The directors did not propose the payment of any dividend for the year ended 31 March 2011 (2010: Nil) in view of the losses for the year.

15. LOSS PER SHARE

a) BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the company of RMB37,762,000 (2010: loss of RMB19,179,000) and the weighted average number of 362,611,000 ordinary shares (2010: 63,717,000 ordinary shares) in issue during the year.

Weighted average number of ordinary shares:

	2011 **Share '000**	2010 Share '000 (Restated)
Issued ordinary shares at the beginning of the year*	**4,834,168**	1,814,872
Effect of issue of new shares by placement (note 28(vi) to (viii))	**1,692,203**	607,341
Effect of issue of new shares upon conversion of convertible bonds (note 28(ix))	**330,241**	764,639
Effect of five-for-one share consolidation (note 28(ii))	**(4,751,588)**	(2,508,543)
Effect of fifty-for-one share consolidation (note 28(iii)(c))	**(1,742,413)**	(614,592)
Weighted average number of ordinary shares at the end of the year	**362,611**	63,717

* The number of ordinary shares has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which completed on 21 April 2011 to reflect the bonus element inherent in the rights issue.

b) DILUTED LOSS PER SHARE

Diluted loss per share equals to basic loss per share because the outstanding convertible bonds and share option had an anti-dilutive effect on the basic loss per share for both periods presented.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

16. PLANT AND EQUIPMENT

The group

	Leasehold improvements RMB'000	Furniture and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 April 2009	33	631	1,436	2,100
Additions	–	83	3,234	3,317
Addition upon acquisition of subsidiaries	–	222	–	222
Disposal	–	–	(102)	(102)
Exchange realignment	–	2	2	4
At 31 March 2010	33	938	4,570	5,541
At 1 April 2010	33	938	4,570	5,541
Additions	–	31	8,034	8,065
Addition upon acquisition of subsidiaries	–	17	5,742	5,759
Exchange realignment	(1)	(15)	(108)	(124)
At 31 March 2011	32	971	18,238	19,241
Accumulated depreciation				
At 1 April 2009	(3)	(387)	(713)	(1,103)
Charge for the year	(1)	(184)	(625)	(810)
Disposal	–	–	85	85
Exchange realignment	–	(1)	(1)	(2)
At 31 March 2010	(4)	(572)	(1,254)	(1,830)
At 1 April 2010	(4)	(572)	(1,254)	(1,830)
Charge for the year	(1)	(143)	(2,456)	(2,600)
Exchange realignment	–	14	34	48
At 31 March 2011	(5)	(701)	(3,676)	(4,382)
Carrying amount				
At 31 March 2011	27	270	14,562	14,859
At 31 March 2010	29	366	3,316	3,711

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

16. PLANT AND EQUIPMENT (Continued)

The company

	Furniture and equipment RMB'000
Cost	
At 1 April 2009	123
Exchange realignment	1
At 31 March 2010	124
At 1 April 2010	124
Exchange realignment	(6)
At 31 March 2011	118
Accumulated depreciation	
At 1 April 2009	(123)
Charge for the year	–
Exchange realignment	(1)
At 31 March 2010	(124)
At 1 April 2010	(124)
Charge for the year	–
Exchange realignment	6
At 31 March 2011	(118)
Carrying amount	
At 31 March 2011	–
At 31 March 2010	–

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

17. INVESTMENT PROPERTIES

The group

	RMB'000
Valuation:	
At 1 April 2009	201,678
Disposal (note b)	(47,908)
Surplus on revaluation	32,347
At 31 March 2010 (note a)	186,117
At 1 April 2010	186,117
Surplus on revaluation	12,197
At 31 March 2011 (note a)	198,314

All of the group's investment properties are held in PRC under medium-term leases.

a) All of the group's investment properties were revalued on 31 March 2011 and 31 March 2010 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties being revalued on an open market basis. The investment properties are leased to third parties under operating leases, further details of which are included in note 32(i) to the financial statements.

   All of the group's investment properties have been pledged to secure general banking facilities granted to the group (note 25).

b) On 22 June 2009, a subsidiary of the company entered into a sale and purchase agreement with certain independent third parties for the disposal of an investment property for an aggregate cash consideration of RMB40,000,000.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

18. INTEREST IN SUBSIDIARIES

	The company	
	2011	2010
	RMB'000	RMB'000
Unlisted shares, at cost	**591,457**	346,741
Amount due from subsidiaries	**139,012**	126,076
Less: Impairment losses		
At 1 April	**92,040**	91,520
Impairment loss recognised	**20,431**	–
Exchange realignment	**(4,462)**	520
At 31 March	**108,009**	92,040
Due from subsidiaries	**31,003**	34,036
	622,460	380,777

The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recovered within one year. In the opinion of the company's directors, these advances are considered as quasi-equity loans to the subsidiaries. The carrying amounts of these amounts due from subsidiaries approximate their fair value.

The subsidiaries made further losses and no sufficient income will be generated by the subsidiaries to fully repay the outstanding balance due to the company and an additional impairment of RMB20,431,000 was made in 2011. After considering the poor operating performance of the subsidiaries, the directors of the company are of the opinion that the impairment loss should not be reversed.

The following are the particulars of subsidiaries which principally affected the results, assets and liabilities of the group. The class of shares held are ordinary unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

18. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of establishment, incorporation and operation	Particulars of issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
Luck Grow Group Limited	The British Virgin Islands	US$1	100%	100%	–	Investment holding
Lok Wing Group Limited ("Lok Wing")	Hong Kong	HK$50,000,000	100%	–	100%	Investment holding
上海祥宸行置業有限公司 Shanghai Xiang Chen Hang Place The Industry Co Ltd ("Shanghai Xiang Chen Hang") * (Note (i))	PRC	US$12,571,540 (Note ii)	100%	–	100%	Property investment
Main Pacific Group Limited ("Main Pacific")	The British Virgin Islands	US$1	100%	100%	–	Investment holding
Citigain Holdings Limited	Hong Kong	HK$1	100%	–	100%	Investment holding
鼎裕投資諮詢(深圳)有限公司 Dingyu Investment Consulting (Shenzhen) Company Limited* (Note (i))	PRC	HK$1,000,000	100%	–	100%	Investment holding
上海卓衡實業有限公司 Shanghai Zhuoheng Shiye Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding
克什克騰旗大地礦業有限責任公司 Keshi Ketengqi Great Land Mine Industries Company Limited ("Keshi Ketengqi")* (Note (iv)	PRC	RMB10,000,000	91% (Note v)	–	100%	Mining

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

18. INTEREST IN SUBSIDIARIES (Continued)

Name	Place of establishment, incorporation and operation	Particulars of issued and paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the company	Held by a subsidiary	Principal activities
上海吉譯實業有限公司 Shanghai Jivi Shiye Company Limited* (Note (iv))	PRC	RMB20,000,000	85%	–	85%	Investment holding
Allied China Development Limited ("Allied China")	The British Virgin Islands	US$1	100%	100%	–	Investment holding
Main Pacific Holdings Limited ("Main Pacific Holdings")	Hong Kong	HK$1	100%	–	100%	Investment holding
Universe Prosper Limited ("Universe") (Note (iii))	The British Virgin Islands	US$1	100%	100%	–	Investment holding
Sinowood Holdings Limited ("Sinowood")	Hong Kong	HK$1	100%	–	100%	Investment holding
東匯科技（深圳）有限公司 Dong Hui Yuan Technology (Shenzhen) Company Limited* (Note (i))	PRC	RMB500,000	100%	–	100%	Investment holding
上海躍寶商貿有限責任公司 Shanghai Yue Bao Trade Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding
北京海創天元貿易有限公司 Beijing Hai Chong Tianyuan Trading Company Limited* (Note (iv))	PRC	RMB500,000	100%	–	100%	Investment holding

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

18. INTEREST IN SUBSIDIARIES (Continued)

i) Registered under the laws of the PRC as a wholly-foreign-owned enterprise.

ii) The registered capital of Shanghai Xiang Chen Hang is US$17,000,000 and US$12,571,540 has been paid up. In accordance with the relevant rules and regulation, the remaining unpaid registered capital have to be paid up on or before 29 August 2008. According to《中華人民共和國外資企業法實施細則》(Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises), Lok Wing, an immediate parent of Shanghai Xiang Chen Hang, is required to settle all the outstanding amount (i.e., US$4,428,460) of the registered capital on or before 29 August 2008. Otherwise, the Certificate of Incorporation of Shanghai Xiang Chen Hang will become invalid with immediate effect.

On 24 November 2008, the board of directors passed a resolution relating to the reduction of registered capital from US$17,000,000 to US$12,571,540. The application was submitted to Shanghai Municipal Commission of Commerce ("Shanghai Commerce"). The application was approved by Shanghai Commerce on 2 June 2009.

iii) On 18 August 2010, the company entered into a sale and purchase agreement with an independent third party for the acquisition of the entire equity interest in Universe and its subsidiaries for a consideration of approximately RMB257 million (equivalent to HK$300 million). The fair value of the total consideration given was approximately RMB244,715,000. ("Acquisition") (note 31). The acquisition was completed on 13 October 2010.

iv) These companies are registered under the laws of the PRC as limited liability companies.

v) During the year, the group acquired a further 40% equity interest in Keshi Ketengqi through acquisition of Universe. Upon the completion of the acquisition, the equity interest of Keshi Ketengqi attributable to the company was increased to 91%.

* For identification only.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

19. INTANGIBLE ASSETS

The Group

	RMB'000
Cost	
Addition upon acquisition from subsidiaries	499,398
At 31 March 2010 and 31 March 2011	499,398
Carrying amount	
At 31 March 2011	499,398
At 31 March 2010	499,398

a) During the year 2010, the group acquired the subsidiaries which hold the mining rights for copper and molybdenum in Inner Mongolia in the PRC at a consideration of RMB499,398,000.

b) The mining rights are stated at cost less accumulated amortisation and any impairment losses.

No amortisation was made during the year as the mine is at its development stage and no mining activities are conducted up to the end of the reporting period.

c) At 31 March 2011, the fair value of the mining rights was RMB536,000,000 (2010: RMB741,317,000), which was based on a valuation performed by Roma Appraisals Limited, an independent firm of professionally qualified valuers, using discounted cash flow method under an income approach. The decreased in the fair value of the mining rights was mainly due to the change of the mining operation plan. Previously, the group planned to operate the mines on its own. However, in June 2011, the group entered into a co-operation agreement with an independent contractor under which the group will provide all required documents and information related to the procedures of mine construction and processing. The contractor is responsible for the construction of mining and processing equipment, infrastructure and other ancillary facilities. After completion of the construction, the contractor will further account for the operation of the mine. The Group will share 30% – 60% of the profit generated from the mine on a progressive basis throughout the term of the co-operation agreement in accordance with the relevant terms and conditions of the co-operation agreement, and the contractor shall share the remaining profit (i.e. 70% to 40%) of the mine during the term of the co-operation agreement. The term of the co-operation agreement is 15 years and it can be renewed with the mutual agreement between the company and the contractor. In the opinion of the company's directors, no impairment to the carrying value of the mining rights as at 31 March 2011 is required since its fair value as at the date of the report is higher than its carrying amount of RMB499,398,000.

d) The group's mining rights at 31 March 2011 were as follows:

Mining rights	Location	Expiry date
永勝礦區	內蒙古自治區赤峰市克什克騰旗三義鄉永勝村經柵鎮	26 November 2011

e) As at 31 March 2011, the group's mining rights for copper and molybdenum will expire in November 2011. The group has obtained PRC legal opinion that, in accordance with the relevant PRC laws and regulations, the group is entitled to renew the mining rights when they expire. The directors are of the opinion that there is no circumstance which will preclude the group from obtaining a renewal of the mining rights. Regarding the duration of the mining rights, the PRC legal opinion indicated that there is no relevant stipulation under the PRC laws governing the interpretation of the duration.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

20. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 21 June 2010, the company entered into the Memorandum of Understanding ("MOU of Pure Power") with the independent third parties in relation to the possible acquisition of the 100% interest in Pure Power which owns a 100% of the legal and beneficial interest in Bright Sky Energy & Minerals, INC(" Bright Sky"), a company incorporated in Nevada, USA. Bright Sky is the holder of the oil and gas lease which gives Pure Power a 100% effective interest in the exploration and exploitation rights for oil and gas leases owned by Bright Sky.

According to the Supplemental Memorandum of Understanding (the "SMOU") signed on 20 September 2010, the total deposit of the transaction is US$150 million (approximately equivalent to RMB985 million). According to the letter of confirmation signed on 21 June 2011, the group has to settle the balance of purchase consideration of US$131 million (equivalent to approximately RMB860 million) before 20 September 2011.

In accordance with the terms of the MOU of Pure Power, the MOU of Pure Power shall have a term of three months. The company has requested and the BVI companies have agreed to extend the term of the MOU of Pure Power for another one month to until 20 October 2010 by entering into the SMOU. Pursuant to the SMOU, the company shall have the rights to extend the New Term. The exclusivity period has also been extended for one month to 20 October 2010.

On 20 October 2010, the company entered into a letter of confirmation with the BVI companies whereby, inter alia, the term of the MOU as amended by the SMOU was further extended to 20 December 2010. The letter of confirmation was extended several times to 20 September 2011 during the year.

As at the date of the report, the group has not yet arranged financing for payment. The directors of the company considered they are still in negotiation with the vendors for the payment terms of the possible acquisition and will obtain the required facilities to settle the remaining balance before the prescribed date.

21. TRADE AND OTHER RECEIVABLES

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	**2,956**	4,120	**–**	–
Less: allowance for impairment of doubtful debts	**(2,838)**	(2,724)	**–**	–
Trade receivables (net)	**118**	1,396	**–**	–
Other receivables	**565**	1,060	**–**	–
Loans and receivables	**683**	2,456	**–**	–
Prepayments and deposits	**1,082**	978	**41**	243
	1,765	3,434	**41**	243

All of the trade and other receivables are expected to be recovered or expensed out within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

21. TRADE AND OTHER RECEIVABLES (Continued)

a) AGEING ANALYSIS

Trade receivables are net of allowance for doubtful debts of RMB2,838,000 (2010: RMB2,724,000) with the following age analysis presented based on invoice date as of the end of the reporting period:

	The group	
	2011	2010
	RMB'000	RMB'000
Current	**–**	–
1 to 3 months	**118**	1,396
More than 3 months but less than 12 months	**–**	–
	118	1,396

Trade receivables are due after the date of billing. Further details on the group's credit policy are set out in note 4.

b) IMPAIRMENT OF TRADE RECEIVABLES

Impairment losses in respect of trade receivables are recorded using an allowance account unless the group is satisfied that the recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

The movements in the allowance for impairment of doubtful debts are as follows:

	The group	
	2011	2010
	RMB'000	RMB'000
At 1 April	**2,724**	2,234
Impairment losses recognised (Note 1)	**114**	1,962
Impairment losses reversed (Note 2)	**–**	(1,472)
At 31 March	**2,838**	2,724

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

21. TRADE AND OTHER RECEIVABLES (Continued)

b) IMPAIRMENT OF TRADE RECEIVABLES (Continued)

Notes:

1. As at 31 March 2011, trade receivables of the group amounting to approximately RMB114,000 (2010: RMB1,962,000) were individually determined to be impaired and full allowance for impairment loss had been made. These individually impaired receivables were outstanding for over 180 days as at the end of the reporting period and the management considered the recoverability of the amount is low.

2. The group succeeded in recovering certain long-outstanding debts which were fully impaired in previous years.

c) TRADE RECEIVABLES THAT ARE NOT IMPAIRED

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

	The group	
	2011	2010
	RMB'000	RMB'000
Neither past due nor impaired	**–**	–
Past due but not impaired		
– Within 3 months past due	**118**	1,396
– More than 3 months but less than 12 months past due	**–**	–
	118	1,396

Receivables that were past due but not impaired relate to a number of independent tenants that have a good track record with the group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The group holds rental deposits of RMB372,000 (2010: RMB1,542,000) as collateral over these balances.

22. TRADING SECURITIES

	The group and the company	
	2011	2010
	RMB'000	RMB'000
Listed equity securities, at market value in Hong Kong	**150**	112

The market value of listed equity securities is based on the closing bid prices of the securities at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

23. CASH AND CASH EQUIVALENTS

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash at bank and on hand	**5,943**	73,784	**5,568**	72,887
Cash and cash equivalents in the consolidated statement of financial position and consolidated statement of cash flows	**5,943**	73,784	**5,568**	72,887

Deposit with banks carry interest at market rates ranging from 0.01% to 0.40% (2010: 0.01% to 0.36%) per annum.

24. OTHER PAYABLES

	The group		The company	
	2011	2010	**2011**	2010
	RMB'000	RMB'000	**RMB'000**	RMB'000
Other payables and accruals	**17,827**	11,229	**2,973**	5,483
Rental deposits received	**1,272**	1,542	**–**	–
Amounts due to a related party (Note 2)	**7,493**	1,418	**–**	–
Amount due to non-controlling interests (Note 2)	**–**	1,133	**–**	–
Financial liabilities measured at amortised cost	**26,592**	15,322	**2,973**	5,483

Notes:

1. All of the other payables (including amounts due to a related party and amounts due to non-controlling interests) are expected to be settled or recognised as income within one year or are repayable on demand.

2. The amounts are unsecured, interest-free and repayable within one year.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

25. INTEREST-BEARING BANK BORROWINGS

At 31 March 2011, the secured bank borrowings was repayable as follows:

	The group	
	2011	2010
	RMB'000	RMB'000
Bank loans		
Within 1 year or on demand	**3,500**	3,000
After 1 year but within 2 years	**4,000**	3,500
After 2 years but within 5 years	**21,000**	13,500
After 5 years	**27,000**	38,500
	52,000	55,500
Total	**55,500**	58,500

All of the non-current interest-bearing borrowings are carried at amortised cost. None of the non-current interest-bearing borrowings is expected to be settled within one year.

The range of effective interest-rates (which also equals to the contracted interest rates) on the group's bank borrowings are as follows:

	2011	2010
Effective interest rates:		
Fixed-rate borrowings	**7.04%**	6.534%

i) At 31 March 2011, the bank loan was secured by the investment properties of the group with a total carrying amount of approximately RMB198,314,000 (2010: approximately RMB186,117,000) (see note 17).

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

a) CURRENT TAXATION IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION REPRESENTS:

	2011	2010
	RMB'000	RMB'000
Provision for Hong Kong profits tax	**–**	–
Provision for PRC enterprise income tax	**–**	–
	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

b) DEFERRED TAX LIABILITIES RECOGNISED

The group

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

	Revaluation of investment properties	Total
	RMB'000	RMB'000
Deferred tax liabilities arising from:		
At 1 April 2009	–	–
Deferred tax charged to the profit or loss	**8,087**	8,087
At 31 March 2010	**8,087**	8,087
At 1 April 2010	**8,087**	8,087
Deferred tax charged to the profit or loss	**3,049**	3,049
At 31 March 2011	**11,136**	11,136

c) DEFERRED TAX ASSETS NOT RECOGNISED

At the end of the reporting period the group has unused tax losses arising in Hong Kong of HK$29,869,273 (2010: HK$29,869,273) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of tax losses due to the unpredictability of future profits streams.

In addition, the group has unused tax losses of RMB25,345,100 (2010: RMB15,831,844) available for offset against future profits that may be carried forward for five years for PRC Enterprise Income tax purposes. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

No deferred tax liabilities for the withholding tax have been recognised as the group's PRC subsidiaries incurred losses for the period since 1 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

27. CONVERTIBLE BONDS

i) 3% COUPON BONDS I

On 27 July 2009, the company issued convertible bonds with an aggregate principal amount of HK$260,000,000 (equivalent to approximately RMB231,140,000) which bears interest at 3% per annum payable annually in arrear. The bondholder has the option to convert the bonds into fully paid shares at HK$0.2 per share at any time within three years from the date of issue. Apart from the adjustments upon occurrence of the usual adjusting events, the conversion price of the convertible bonds can be reset (if necessary) 12 times (i.e., on the last business day of each month) in each calendar year before the date of its maturity in the event that the average closing price of the shares as quoted on the Stock Exchange for the last three consecutive trading days up to and including the Reset Date (the "Reset Price") is lower than the conversion price of the convertible bonds. When such situation takes place, the conversion price of the convertible bonds will be adjusted downwards to the Reset Price with effect from the next trading day, and in any case the reset conversion price should not be less than the par value of the share of HK$0.01 each.

The average closing price of the shares of the company for the last three consecutive trading days in July 2009 was HK$0.121 per share, which was lower than the initial conversion price of HK$0.20. Therefore, the conversion price of the convertible bonds was reset to HK$0.121 per share with effect from 3 August 2009.

The average closing price of the shares of the company for the last three consecutive trading days in November 2009 was HK$0.115, which was lower than the reset price of HK$0.121 with effect from 3 August 2009. Therefore, the conversion price of the convertible bonds was reset to HK$0.115 per share with effect from 30 November 2009.

The average closing price of the shares of the company for the last three consecutive trading days in December 2009 was HK$0.081, which was lower than the reset price of HK$0.115 which took effect from 30 November 2009. Therefore, the conversion price of the convertible bonds was reset to HK$0.081 per share with effect from 4 January 2010.

The average closing price of the shares of the company for the last three consecutive trading days in May 2010 was HK$0.06 per share, which was lower than the reset price of HK0.081 which took effect as from 4 January 2010. Therefore, the conversion price of the convertible bonds was reset to HK0.06 per share with effect from 1 June 2010.

The average closing price of the shares of the company for the last three consecutive trading days in June 2010 was HK$0.033 per share, which was lower than the reset price of HK0.06 which took effect as from 1 June 2010. Therefore, the conversion price of the convertible bonds was reset to HK0.033 per share with effect from 2 July 2010.

The average closing price of the shares of the company for the last three consecutive trading days in July 2010 was HK$0.106 per share, which was lower than the reset price of HK0.165 (after the consolidation of five issued and unissued shares into one consolidated shares) which took effect as from 2 July 2010. Therefore, the conversion price of the convertible bonds was reset to HK0.106 per share with effect from 2 August 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

27. CONVERTIBLE BONDS (Continued)

i) 3% COUPON BONDS I (Continued)

The average closing price of the shares of the company for the last three consecutive trading days in August 2010 was HK$0.073 per share, which was lower than the reset price of HK0.106 which took effect as from 2 August 2010. Therefore, the conversion price of the convertible bonds was reset to HK0.073 per share with effect from 1 September 2010.

The average closing price of the shares of the company for the last three consecutive trading days in September 2010 was HK$0.041 per share, which was lower than the par value of the shares of HK$0.05 each after the effective date of share consolidation of five issued and unissued shares into one consolidated share. Therefore, the conversion price of the convertible bonds was reset to HK0.05 per share with effect from 4 October 2010.

Immediately prior to the capital reorganisation becoming effective on 11 October 2010, the conversion price of the convertible bonds was adjusted from HK0.05 per share to HK2.5 per share.

The company redeemed part of the convertible bond amounting to HK$36,000,000 (equivalent to approximately RMB32,004,000) in 2009. The bondholder converted bonds amounting to HK$61,000,000 (equivalent to approximately RMB54,229,000) and HK$85,000,000 (equivalent to approximately RMB75,565,000) on 4 August 2009 and 9 September 2009 respectively into ordinary shares of the company at the conversion price of HK$0.121 respectively.

The bondholder converted bonds amounting to HK$6,000,000 (equivalent to approximately RMB5,293,000), HK$33,000,000 (equivalent to approximately RMB28,935,000), HK$12,000,000 (equivalent to approximately RMB10,536,000), HK$11,000,000 (equivalent to approximately RMB9,424,000) and HK$16,000,000 (equivalent to approximately RMB13,678,000) on 4 June 2010, 13 July 2010, 11 August 2010, 13 October 2010 and 26 October 2010 respectively into ordinary shares of the company.

The company may at any time before the maturity date with the consent of the holder of the convertible bonds redeem in whole or in part the convertible bonds. Unless previously converted, purchased and cancelled, the company shall pay the outstanding principal amount under the convertible bonds by cash on the date of maturity of the convertible bonds.

At the end of the reporting period, the convertible bonds were fully converted.

ii) ZERO COUPON BONDS I

On 15 August 2009, the company entered into a placing agreement (the "Placing Agreement") with Cheong Lee Securities Limited (the "Placing Agent") pursuant to which the Placing Agent conditionally agreed to procure the independent placees to subscribe in cash for the 2-year zero coupon convertible redeemable bonds up to the maximum principal amount of HK$600,000,000 (equivalent to approximately RMB533,400,000) (the "zero coupon convertible bonds"). The Placing Agreement was approved by the shareholders of the company at the special general meeting on 21 September 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

27. CONVERTIBLE BONDS (Continued)

ii) ZERO COUPON BONDS I (Continued)

On 10 February 2010, the Placing Agent procured two placees to subscribe for two tranches of the zero coupon convertible bonds in principal amounts of HK$10,620,000 (equivalent to approximately RMB9,428,000) per tranche. The subscription agreement for the two tranches was entered into between the two placees and the company on 10 February 2010.

On 9 March 2010, the Placing Agent procured six additional placees to subscribe for six tranches of zero coupon convertible bonds in the principal amounts of HK$10,620,000 (equivalent to approximately RMB9,428,000) per tranche and a subscription agreement was entered into between the Company and each placee on 9 March 2010.

As at 31 March 2010, the placing of the eight tranches of zero coupon convertible bonds had been completed for an aggregate principal amount of HK$84,960,000 (equivalent to approximately RMB75,190,000). Based on the conversion price of HK$0.118 per conversion share, a maximum number of 720,000,000 conversion shares had been allotted and issued upon exercise of the conversion rights attached to the eight tranches of zero coupon convertible bonds. After completion of the placement of the said eight tranches in February and March 2010, zero coupon convertible bonds up to an aggregate principal amount of HK$515,040,000 have not been placed.

The date of fulfillment of the conditions precedent under the Placing Agreement was 20 March 2010, being 180 days after the date of the SGM (or such other time and date as the Placing Agent and the Company shall agree in writing). On 10 March 2010, the Placing Agent and the company mutually agreed in writing that the fulfillment date of the Placing Agreement would be extended to 20 June 2010.

On 19 June 2010, the placing agent and the company signed a letter of confirmation and mutually agreed in writing that, subject to shareholders' approval in a special general meeting of the shareholders, the fulfillment date will be further extended to 20 December 2010.

On 20 September 2010, the company and the placing agent entered into a termination agreement to terminate the Placing Agreement. Pursuant to the termination agreement, the parties thereto shall have no obligation and liabilities towards each other under the Placing Agreement.

There is no placing and conversion of zero coupon bonds I, during the year ended 31 March 2011 and there is no outstanding amount as at 31 March 2011.

iii) ZERO COUPON BONDS II

On 20 September 2010, the company and the Placing Agent entered into a placing agreement pursuant to which the Placing Agent has agreed to procure for not less than six independent placees to subscribe in cash for convertible bonds of up to an aggregate principal amount of HK$100,000,000.

The placing agreement was approved by the shareholders of the company at the special general meeting on 22 October 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

27. CONVERTIBLE BONDS (Continued)

iii) ZERO COUPON BONDS II (Continued)

The group completed the placing of the total amount of HK$100,000,000 convertible bonds on 9 November 2010 and 14 December 2010. The bondholder converted 34,340,657 and 50,000,000 ordinary shares of HK$0.001, each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds II at a conversion price of HK$1.456 per share and HK$1 per share respectively. The total net cash inflow of HK$48,200,000 (equivalent to approximately RMB42,770,000) and HK$48,410,000 (equivalent to approximately RMB42,655,000) respectively. There is no outstanding zero coupon bonds II as at 31 March 2011.

iv) 3% COUPON BONDS II

On 13 October 2010, the company issued convertible bonds with a total principal amount of HK$210,000,000 (equivalent to approximately RMB179,907,000) which bear interest at 3% per annum payable annually in arrear. The fair value of the 3% coupon bonds II was approximately RMB167,612,000 at the completion date. The bondholder has the option to convert the bonds into fully paid shares at HK0.085 per share at any time within three years from the date of issue.

The conversion price of the convertible bonds was adjusted from HK$0.085 per share to HK$4.25 per share as the capital reorganisation became effective on 11 October 2010.

The company redeemed partly of the convertible bonds amounting to HK$30,000,000 (equivalent to approximately RMB25,629,000) with the consent of bond holders during the year. There is no conversion of 3% coupon bonds II during the year.

The carrying amount of convertible bonds was as follows:

	3% coupon bonds I RMB'000	3% coupon bonds II RMB'000	Zero coupon bonds II RMB'000	Total RMB'000
At 1 April 2010	66,428	–	–	66,428
Proceeds received/fair value at date of issue	–	167,612	85,425	253,037
Redemption	–	(25,629)	–	(25,629)
Conversion	(67,866)	–	(85,190)	(153,056)
Fair value change	668	17,476	(7,262)	10,882
Exchange difference	770	(11,779)	7,027	(3,982)
At 31 March 2011	–	147,680	–	147,680
Capitalization rate	5.41%-5.77%	5.55%-6.13%	5.56%-5.59%	

Convertible bonds of the company consisted of the liability component and embedded conversion option. The group elected to designate its convertible bonds with embedded derivatives as financial liabilities at fair value through profit or loss on initial recognition.

The fair value of the convertible bonds was determined based on discounted cash flow calculations. The fair value of convertible bonds is affected by the market interest rate, credit spread of the group and the time to maturity.

As at 31 March 2011, the entire convertible bonds were measured at fair value. In determining the fair value of the entire convertible bonds, the valuer, namely Castores Magi (Hong Kong) Limited, an independent professional valuer, which has among its staff members possessing recognised and relevant professional qualifications and experience, had assessed the value of financial liability which is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms. For the conversion option, Black-Scholes model had been used.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

28. SHARE CAPITAL

	At 31 March 2011		At 31 March 2010	
	No. of shares	Amount	No. of shares	Amount
	'000	RMB'000	'000	RMB'000
Authorised				
Ordinary shares of HK0.01 each				
Beginning of year	30,000,000	266,996	3,500,000	31,346
Increase during the year (note i)	–	–	26,500,000	235,650
Share consolidation I (note ii)	(24,000,000)	–	–	–
Ordinary shares of HK0.05 each after the share consolidation	6,000,000	266,996	30,000,000	266,996
Share subdivision (note iii (a))	14,994,000,000	–	–	–
Reduction of capital (note iii (b))	(14,500,000,000)	(249,197)	–	–
Share consolidation II (note iii (c))	(490,000,000)	–	–	–
Ordinary shares of HK$0.001 each				
At the end of year	10,000,000	17,799	30,000,000	266,996

	At 31 March 2011		At 31 March 2010	
	No. of shares		No. of shares	
	'000	RMB'000	'000	RMB'000
Issued and fully paid				
At the beginning of year	4,542,909	40,406	1,763,698	15,796
Placing and subscription of new shares (note iv)	–	–	852,600	7,575
Conversion of convertible bonds (note v)	–	–	1,926,611	17,035
Placing and subscription of new shares before share consolidation I (note vi)	1,510,000	13,340	–	–
Share consolidation I (note ii)	(4,922,328)	–	–	–
Placing and subscription of new shares after share consolidation, and before capital reorganization (note vii)	640,000	28,151	–	–
Share consolidation II (note iii (c))	(2,140,114)	–	–	–
Reduction of par value in the shares (note iii (b))	–	(93,788)	–	–
Placing and subscription of new shares after capital reorganization (note viii)	27,000	23	–	–
Conversion of convertible bonds (note ix)	508,348	14,701	–	–
At the end of year	165,815	2,833	4,542,909	40,406

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

28. SHARE CAPITAL (Continued)

i) By an ordinary resolution passed at a special general meeting held on 16 July 2009, the company's authorised share capital was increased to HK$300,000,000 (equivalent to approximately RMB266,996,000) by the creation of an additional 26,500,000,000 ordinary shares of HK$0.01 each.

ii) SHARE CONSOLIDATION I

On 9 July 2010, the shareholders approved the resolution for the consolidation of the company's then existing shares in a special general meeting under which every 5 issued and unissued shares of HK$0.01 each were to be consolidated into one consolidated share of HK$0.05 each. The share consolidation became effective on 12 July 2010.

iii) CAPITAL REORGANIZATION

a) Share subdivision

On 8 October 2010, the shareholders approved the subdivision of each authorized but unissued share into 2,500 subdivided shares of HK$0.00002 each in the special general meeting. The share consolidation became effective on 11 October 2010.

b) Reduction of capital

On 8 October 2010, the shareholders approved a reduction in the par value of the company's shares in a special general meeting from HK$0.05 to HK$0.00002 by cancelling the amount of HK0.04998 on each issued and paid-up share. The share consolidation became effective on 11 October 2010.

c) Share consolidation II

On 8 October 2010, the shareholders approved resolution for the consolidation of the company's then existing shares in a special general meeting under which every 50 issued and unissued shares of HK$0.00002 each were to be consolidated into one consolidated share of HK$0.01 each. The share consolidation became effective on 11 October 2010.

iv) PLACING AND SUBSCRIPTION OF NEW SHARES 2010

On 22 May 2009, Ms. Yu Wai Fong ("Ms. Yu"), the company and Get Nice Securities Limited (the "Placing Agent") entered into a placing and subscription agreement pursuant to which the Placing Agent agreed to place 350,000,000 placing shares at the placing price of HK$0.133 per placing share to not less than six independent placees. In addition, Ms. Yu also agreed to subscribe for and the company agreed to issue a total of 350,000,000 subscription shares at a price of HK$0.133 per subscription share. The net proceeds of the share subscription, after reduction of the relevant expenses, are approximately HK$45,100,000 (equivalent to approximately (RMB40,168,000). The net proceeds was used for general working capital and/or finance the acquisition of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

28. SHARE CAPITAL (Continued)

iv) PLACING AND SUBSCRIPTION OF NEW SHARES 2010 (Continued)

On 6 July 2009, Ms. Yu, the company and the Placing Agent entered into a placing and subscription agreement pursuant to which the Placing Agent agreed to place 412,600,000 placing shares at the placing price of HK$0.09 per placing share to not less than six independent placees. In addition, Ms. Yu also agreed to subscribe for and the company agreed to issue a total of 412,600,000 subscription shares at a price of HK$0.09 per subscription share. The net proceeds of the share subscription, after deduction of the relevant expenses, are approximately HK$36,072,000 (equivalent to approximately RMB32,082,000). The net proceeds was used for general working capital and to repay liabilities of the group.

On 26 March 2010, the company and the placing agent entered into a placing and subscription agreement pursuant to which the placing agent agreed to place 90,000,000 placing shares at the price of HK$0.084 per placing share. The net proceeds of the share subscription, after deduction of the relevant expenses are approximately HK$7,333,000 (equivalent to approximately RMB6,490,000). The net proceeds was used for the possible acquisition and general working capital.

The total net proceeds of the above share subscription, after deduction of the relevant expenses, are approximately HK$88,505,000 (equivalent to approximately RMB78,740,000).

v) During the year ended 31 March 2010, 1,206,611,000 and 720,000,000 ordinary shares of HK$0.01 each were issued pursuant to the exercise of the conversion rights attached to the company's convertible bonds at a conversion price of HK$0.121 per share and HK$0.118 per share respectively.

vi) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 BEFORE SHARE CONSOLIDATION

On 27 March 2010, Ms. Yu, the director of the company, the company and Cheong Lee Securities Limited (the "second Placing Agent") entered into a placing agreement pursuant to which the second Placing Agent agreed to place 510,000,000 placing shares at the price of HK$0.084 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 510,000,000 subscription shares at a price of HK$0.084 per subscription share. The placing and subscription were completed on 1 April 2010. The proceeds of the share subscription amount to approximately HK$42,840,000 (equivalent to approximately RMB37,912,000).

On 27 May 2010, Ms. Yu, the company and the second Placing Agent entered into a placing agreement pursuant to which the second Placing Agent agreed to place 500,000,000 placing shares at the price of HK$0.055 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company agreed to issue a total of 500,000,000 subscription shares at a price of HK$0.055 per subscription share. The proceeds of the share subscription amounted to approximately HK$27,500,000 (equivalent to approximately RMB24,283,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

28. SHARE CAPITAL (Continued)

vi) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 BEFORE SHARE CONSOLIDATION (Continued)

On 17 June 2010, Ms. Yu, the company and the second Placing Agent entered into a placing agreement pursuant to which the second Placing Agent has agreed to place 500,000,000 placing shares at the price of HK$0.039 per placing share to not less than six independent placees. In addition, Ms. Yu also subscribed for and the company issued a total of 500,000,000 subscription shares at a price of HK$0.039 per subscription share. The proceeds of the shares subscription amounted to approximately HK$19,500,000 (equivalent to approximately RMB17,210,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK$86,597,000 (equivalent to approximately RMB76,538,000).

vii) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 AFTER SHARE CONSOLIDATION, AND BEFORE CAPITAL REORGANIZATION

On 5 August 2010, Ms. Yu, the company and the second Placing Agent entered into a placing agreement with the company. Pursuant to the placing agreement, the second Placing Agent agreed to place to not less than six independent placees for up to 100,000,000 existing shares at a price of HK$0.076 per placing share, for and on behalf of Ms. Yu. Pursuant to the subscription agreement, Ms. Yu subscribed for such number of new shares as equaled to the number of placing shares successfully placed by the second Placing Agent at a price of HK$0.076 per subscription share.

Simultaneously upon signing of the placing agreement, the company also entered into a new share placing agreement with the second Placing Agent pursuant to which the second Placing Agent agreed to place to not less than six independent placees for up to 180,000,000 new shares at a price of HK$0.076 per new placing share.

The proceeds of the shares subscription of 280,000,000 shares amounted to approximately HK$21,280,000 (equivalent to approximately RMB18.683,000).

On 6 September 2010, the company entered into a placing agreement with the second Placing Agent pursuant to which the second Placing Agent agreed to place to not less than six independent placees for up to 360,000,000 new shares at a price of HK$0.056 per placing share, for and on behalf of the company. The proceeds of the shares subscription, are approximately HK$20,160,000 (equivalent to approximately RMB17,762,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK$39,868,000 (equivalent to approximately RMB35,063,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

28. SHARE CAPITAL (Continued)

viii) PLACING AND SUBSCRIPTION OF NEW SHARES 2011 AFTER CAPITAL REORGANIZATION

On 27 January 2011, the company entered into a placing agreement with the Pico Zeman Securities (HK) Limited ("third Placing Agent") pursuant to which the third Placing Agent agreed to place to not less than six independent placees for up to 270,000,000 new shares at a price of HK$0.405 per placing share The proceeds of the shares subscription amounted to approximately HK$10,935,000 (equivalent to approximately RMB9,221,000).

The total net proceeds of the above share subscription, after deduction of the relevant expenses amounted to approximately HK$10,607,000 (equivalent to approximately RMB8,943,000).

ix) CONVERSION OF CONVERTIBLE BONDS

3% coupon bonds I

During the year ended 31 March 2011, 100,000,000, 200,000,000, 113,207,547, 4,400,000 and 6,400,000 ordinary shares of HK$0.01, HK$0.01, HK$0.05, HK$0.001 and HK0.001 each were issued pursuant to the exercise of the conversion rights attached to the company's 3% coupon bonds I at a conversion price of HK$0.06 per share, HK$0.165 per share, HK$0.106 per share, HK$2.5 per share and HK2.5 per share respectively. The bondholder converted 3% coupon bonds I amounting to HK$6,000,000 (equivalent to approximately RMB5,293,000), HK$33,000,000 (equivalent to approximately RMB28,935,000), HK$12,000,000 (equivalent to approximately RMB10,536,000), HK$11,000,000 (equivalent to approximately RMB9,424,000) and HK$16,000,000 (equivalent to approximately RMB13,678,000).

As at 31 March 2011, the 3% coupon bonds I bondholder converted total 424,007,547 ordinary shares.

Zero coupon bonds II

For the zero coupon bonds II, 34,340,657 and 50,000,000 ordinary shares of HK$0.001, each were issued pursuant to the exercise of the conversion rights attached to the company's zero coupon bonds II at a conversion price of HK$1.456 per share and HK$1 per share respectively.

The bondholder converted zero coupon bonds II amounting to HK$48,200,000 (equivalent to approximately RMB42,770,000), and HK$48,410,000 (equivalent to approximately RMB42,655,000).

As at 31 March 2011, the zero coupon bonds II bondholder converted total 84,340,657 ordinary shares.

29. SHARE OPTION SCHEME

The company has a share option scheme which was adopted on 4 October 2002 whereby the directors of the company are authorised, at their discretion, to invite the company's directors (including independent non-executive directors), other employees of the group, suppliers of goods or services to the group, customers of the group, persons or entities that provided research, development or other technological support to the group and any non-controlling interest in the company's subsidiaries, to take up options at a nominal consideration to subscribe for shares of the company. The exercise price of options should be the highest of the nominal value of the shares, the closing price of the shares on the SEHK on the date of grant and the average closing price of the shares on the SEHK for the five business days immediately preceding the date of grant. The options vest immediately from the date of the grant. The options are exercisable after the vesting date but within the period from 28 November 2007 to 3 October 2012. The options give the holder the right to subscribe for ordinary shares in the company.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

29. SHARE OPTION SCHEME (Continued)

a) THE TERMS AND CONDITIONS OF THE GRANTS THAT EXISTED DURING THE YEARS ARE AS FOLLOWS:

Date of grant	Exercisable period	Exercise price	Number of shares issuable under options
i) Options granted to directors			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	214,850,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	91,160,000
			306,010,000
ii) Options grant to employees			
30 October 2002	30 October 2002 to 29 October 2012	RMB0.01	103,500,000
28 November 2007	28 November 2007 to 3 October 2012	RMB0.60	141,080,000
			244,580,000
			550,590,000

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

29. SHARE OPTION SCHEME (Continued)

a) THE TERMS AND CONDITIONS OF THE GRANTS THAT EXISTED DURING THE YEARS ARE AS FOLLOWS: (Continued)

For the year ended 31 March 2011

Name or category of participant	Number of shares issuable under options: Outstanding at 1 April 2010	Granted during the year	Exercise during the year	Forfeited during the year	Adjustments during the year***	Expired during the year	Outstanding at 31 March 2011	Date of grant of share options*	Exercisable period of share options	Exercise price of share options**
										HK$
Directors										
Ms. Yu Wai Fong	17,635,000	–	–	–	(17,564,460)	–	70,540	28-11-2007	28-11-2007 to 03-10-2012	150
Mr. Au Tat On	17,635,000	–	–	–	(17,564,460)	–	70,540	28-11-2007	28-11-2007 to 03-10-2012	150
	35,270,000	–	–	–	(35,128,920)	–	141,080			
Employees										
Other employees	35,270,000	–	–	–	(35,128,920)	–	141,080	28-11-2007	28-11-2007 to 03-10-2012	150
	35,270,000	–	–	–	(35,128,920)	–	141,080			
Total shares issuable under options	70,540,000	–	–	–	(70,257,840)	–	282,160			

* The share options vested immediately from the date of the grant.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the company's share capital.

*** As a result of the share consolidation and capital reorganisation that became effective on 12 July 2010 and 11 October 2010 respectively, the exercise price and the total number of shares to be issued upon exercise of the outstanding options were adjusted to HK150 and 282,160 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

29. SHARE OPTION SCHEME (Continued)

a) THE TERMS AND CONDITIONS OF THE GRANTS THAT EXISTED DURING THE YEARS ARE AS FOLLOWS: (Continued)

For the year ended 31 March 2010

Name or category of participant	Number of shares issuable under options						Date of grant of share options*	Exercisable period of share options	Exercise price of share options**
	Outstanding at 1 April 2009	Granted during the year	Exercise during the year	Forfeited during the year	Expired during the year	Outstanding at 31 March 2010			HK$
Directors									
Ms. Yu Wai Fong	17,635,000	–	–	–	–	17,635,000	28-11-2007	28-11-2007 to 03-10-2012	0.6
Mr. Au Tat On	17,635,000	–	–	–	–	17,635,000	28-11-2007	28-11-2007 to 03-10-2012	0.6
	35,270,000	–	–	–	–	35,270,000			
Employees									
Other employees	105,810,000	–	–	(70,540,000)	–	35,270,000	28-11-2007	28-11-2007 to 03-10-2012	0.6
	105,810,000	–	–	(70,540,000)	–	35,270,000			
Total shares issuable under options	141,080,000	–	–	(70,540,000)	–	70,540,000			

* The share options vested immediately from the date of the grant.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other relevant changes in the company's share capital.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

29. SHARE OPTION SCHEME (Continued)

b) THE NUMBER AND WEIGHTED AVERAGE EXERCISE PRICE OF SHARE OPTIONS ARE AS FOLLOWS:

	2011		2010	
	Weighted average exercise price HK$	**Number of shares issuable under options**	Weighted average exercise price HK$	Number of shares issuable under options
Outstanding at 1 April	**0.6**	**70,540,000**	0.6	141,080,000
Forfeited during the year	**–**	**–**	0.6	(70,540,000)
Effect of share consolidation (note (i))	**3**	**(56,432,000)**		–
Effect of capital reorganisation (note (ii))	**150**	**(13,825,840)**		–
Outstanding at 31 March	**150**	**282,160**	0.6	70,540,000
Issuable at the end of the year	**150**	**282,160**	0.6	70,540,000
Exercisable at end of the year	**150**	**282,160**	0.6	70,540,000

i) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$3 and 14,108,000 new shares after the consolidation of shares on the basis of every five issued and unissued shares of HK$0.1 each into one consolidated share of HK$0.05 each, with effect from 12 July 2010.

ii) The exercise price and the number of shares to be issued under the share option scheme have been adjusted to HK$150 and 282,160 new shares after the consolidation of shares on the basis of every fifty issued and unissued shares of HK$0.00002 each into one consolidated share of HK$0.01 each with effect from 11 October 2010.

iii) The weighted average share price at the date of exercise of share options during the year was HK$Nil (2010: HK$Nil) since no share options was exercised during the year.

iv) The options outstanding at 31 March 2011 had an exercise price of HK$150 (2010: HK$0.6) per share and a weighted average remaining contractual life of 1.9 years (2010: 2.9 years).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

30. RESERVES

a) THE GROUP

	Share premium RMB'000	Special reserve RMB'000	Contributed surplus RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 April 2009	206,307	(9,988)	18,689	33,264	30,524	(177,055)	101,741	–	101,741
Acquisitions of subsidiaries	–	–	–	–	–	–	–	245,595	245,595
Options forfeited during the year	–	–	–	(16,632)	–	16,632	–	–	–
Placing and subscription of new shares	73,493	–	–	–	–	–	73,493	–	73,493
Share issues expenses	(2,328)	–	–	–	–	–	(2,328)	–	(2,328)
Conversion of convertible bonds	177,468	–	–	–	–	–	177,468	–	177,468
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	–	1,145	–	1,145	–	1,145
Total comprehensive income/(loss) for the year	–	–	–	–	–	(19,179)	(19,179)	(122)	(19,301)
At 31 March 2010	454,940	(9,988)	18,689	16,632	31,669	(179,602)	332,340	245,473	577,813
At 1 April 2010	454,940	(9,988)	18,689	16,632	31,669	(179,602)	332,340	245,473	577,813
Acquisitions of additional interest in a subsidiary through acquired target companies	–	(46,237)	–	–	–	–	(46,237)	(198,561)	(244,798)
Placing and subscription of new shares before share consolidation (note 28 (vi))	66,065	–	–	–	–	–	66,065	–	66,065
Placing and subscription of new shares after share consolidation, before capital reorganization (note 28 (vii))	8,294	–	–	–	–	–	8,294	–	8,294
Placing and subscription of new shares after capital reorganization (note 28 (viii))	9,197	–	–	–	–	–	9,197	–	9,197
Share issue expenses	(5,075)	–	–	–	–	–	(5,075)	–	(5,075)
Conversion of convertible bonds (note 28 (ix))	138,355	–	–	–	–	–	138,355	–	138,355
Capital reorganisition (note 28 (iii))	–	–	(18,689)	–	757	111,720	93,788	–	93,788
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	–	(4,098)	–	(4,098)	–	(4,098)
Total comprehensive loss for the year	–	–	–	–	–	(37,762)	(37,762)	(292)	(38,054)
At 31 March 2011	671,776	(56,225)	–	16,632	28,328	(105,644)	554,867	46,620	601,487

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

30. RESERVES (Continued)

b) THE COMPANY

	Share premium RMB'000	Contributed surplus RMB'000	Employee share-based compensation reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 April 2009	206,307	18,689	33,264	1,804	(145,774)	114,290
Options forfeited during the year	–	–	(16,632)	–	16,632	–
Placing and subscription of new shares	73,493	–	–	–	–	73,493
Share issue expenses	(2,328)	–	–	–	–	(2,328)
Conversion of convertible bonds	177,468	–	–	–	–	177,468
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	1,275	–	1,275
Total comprehensive loss for the year	–	–	–	–	(22,496)	(22,496)
At 31 March 2010	454,940	18,689	16,632	3,079	(151,638)	341,702
At 1 April 2010	454,940	18,689	16,632	3,079	(151,638)	341,702
Placing and subscription of new shares before share consolidation (note 28 (vi))	66,065	–	–	–	–	66,065
Placing and subscription of new shares after share consolidation, before capital reorganization (note 28 (vii))	8,294	–	–	–	–	8,294
Placing and subscription of new shares after capital reorganization (note 28 (viii))	9,197	–	–	–	–	9,197
Share issue expenses	(5,075)	–	–	–	–	(5,075)
Conversion of convertible bonds (note 28 (ix))	138,355	–	–	–	–	138,355
Capital reorganisation (note 28 (iii))	–	(18,689)	–	757	111,720	93,788
Other comprehensive loss Exchange difference on translation of financial statements of the subsidiaries	–	–	–	(5,244)	–	(5,244)
Total comprehensive loss for the year	–	–	–	–	(47,550)	(47,550)
At 31 March 2011	671,776	–	16,632	(1,408)	(87,468)	599,532

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

30. RESERVES (Continued)

c) NATURE AND PURPOSES OF THE RESERVES

i) *Share premium*

The application of the share premium is governed by section 40 of the Bermuda Companies Act 1981. The share premium of the company is distributable to the owners of the company in the form of fully paid bonus shares.

ii) *Special reserve*

The group's special reserve represents the difference between the nominal value of the shares and the share premium of the subsidiaries acquired pursuant to the group reorganisation in prior years, over the nominal value of the company's shares issued in exchange therefore and the difference between the total consideration and the net assets value of the subsidiaries acquired for the year ended 31 March 2011.

iii) *Contributed surplus*

The contributed surplus arose from the capital reduction and share premium reduction on 21 May 2007. Pursuant to the scheme, the issued share capital was reduced from 419,392,885 shares of HK$0.2 each to 419,392,885 shares of HK$0.01 each by cancelling HK$0.19 from each share together with the associated share premium of HK$40.9 million and a credit of approximately HK$120.6 million was transferred to the contributed surplus account. Part of the contributed surplus amounting to approximately HK$99.7 million was applied to eliminate the accumulated loss. A surplus of approximately HK$20.9 million standing to the credit of the contributed surplus account remained after the completion of the capital reorganisation. The contributed surplus may be utilised by the directors in accordance with the bye-laws of the company and all applicable laws, including to apply such credit against the accumulated losses of the company. During the year ended, the contributed surplus was set off against the accumulated losses when the capital organisation became effective on 8 October 2010.

iv) *Employee share-based compensation reserve*

The employee share-based compensation reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the company recognised in accordance with the accounting policy adopted for share-based payments in note 2(t)(ii).

v) *Exchange fluctuation reserve*

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2(q).

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

30. RESERVES (Continued)

d) DISTRIBUTABILITY OF RESERVES

At 31 March 2011, the aggregate amount of reserves available for distribution to owners of the company was approximately RMB584,308,000 (2010: approximately RMB321,991,000) subject to the restriction on the share premium account as stated above.

e) CAPITAL MANAGEMENT

The group's objectives when managing capital are to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest– bearing bank borrowings and convertible bonds) less cash and cash equivalents. Adjusted capital comprises all components of equity plus adjusted net debt.

During the year ended 31 March 2011, the group's strategy, which was unchanged from 2010, was to maintain a gearing ratio of within 20% to 30%. The gearing ratios at 31 March 2011 and 2010 were as follows:

	2011	2010
	RMB'000	RMB'000
Total borrowings		
Interest-bearing bank borrowings (Note 25)	**55,500**	58,500
Convertible bonds (Note 27)	**147,680**	66,428
	203,180	124,928
Less: Cash and cash equivalents (Note 23)	**5,943**	73,784
Net debt	**197,237**	51,144
Total equity	**604,320**	618,219
Total capital	**801,557**	669,363
Gearing ratio	**32%**	8%

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

30. RESERVES (Continued)

e) CAPITAL MANAGEMENT (Continued)

As at 31 March 2011, the gearing ratio of the group was 32%, which was higher than the range set by the group. The group completed a rights issue on 4 May 2011 and generated cash inflow of approximately HK$338,265,000 (approximately RMB282,891,000). Neither the company nor its subsidiaries are subject to externally imposed capital requirements.

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE

On 18 August 2010, the company entered into a sale and purchase agreement with non-controlling interest of the group for the acquisition of the entire equity interest in Universe Prosper Limited ("Universe") and its subsidiaries for a consideration of approximately RMB257 million (equivalent to HK$300 million). The fair value of the total consideration given was approximately RMB244,715,000. Universe directly and indirectly owned 100% equity interest of 3 subsidiaries – Sinowood Holdings Limited, Dong Hui Yuan Technology (Shenzhen) Company Limited and Shanghai Yue Bao Trade Company Limited (the "Target Companies"). The Target Companies' principal activities are the indirect holding of a 40% equity interest of the Group's subsidiary – Keshi Ketengqi, which hold the mining right. The group indirectly holds 51% equity interest of Keshi Ketengqi before this acquisition. After completion of the acquisition, the group indirectly holds 91% equity interest of Keshi Ketengqi. The completion date of the transaction was 13 October 2010, which is also the acquisition date for accounting purposes. The Group accounted for the acquisition of subsidiary as an asset acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE (Continued)

The allocation of acquisition consideration on the Target Companies and the 40% interest of the mining rights as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Previous carrying amount RMB'000	**Allocation of acquisition consideration** RMB'000
Net assets acquired		
Amount due from fellow subsidiary	1,159	1,159
Plant and equipment	5,759	5,759
Intangible assets (note ii)	27,000	–
Other receivables	5,034	5,034
Cash and cash equivalent	96	96
Other payables	(12,131)	(12,131)
	26,917	(83)
Carrying amount of non-controlling interests acquired (40% equity Interest of Keshi Ketengqi)		198,561
Consideration		(244,715)
Excess of consideration paid recognised in special reserve within equity		(46,237)
Total consideration satisfied by:		
Cash consideration		77,103
Fair value of convertible bonds (Note 27)		167,612
		244,715
Net cash outflow arising on acquisition:		
Cash consideration paid		(77,103)
Cash and cash equivalents acquired		96
Net cash outflow of cash and cash equivalents in respect of acquisition of subsidiaries		(77,007)

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

31. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY THROUGH ACQUISITION OF UNIVERSE (Continued)

i) The subsidiaries acquired did not contribute any turnover to the group but added net loss of RMB1,373,502 to the consolidated net loss for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 April 2010, total group revenue for the year would not change and the loss for the year would have been increased by approximately RMB591,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2010, nor is it intended to be a projection of future results.

ii) As 100% interest of the intangible assets (note 19) was consolidated to the group before the acquisition, so no further purchase consideration should be allocated to this item.

32. COMMITMENTS

OPERATING LEASE COMMITMENTS

i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from two to ten years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases with its tenants falling due as follows:

	2011	2010
	RMB'000	RMB'000
Within one year	**5,344**	11,041
In the second to fifth year, inclusive	**21,593**	29,047
Over five years	**26,773**	15,649
	53,710	55,737

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

32. COMMITMENTS (Continued)

OPERATING LEASE COMMITMENTS (Continued)

ii) The group as lessee:

At the end of the reporting period, the group had total future minimum lease payments payable under non-cancellable operating leases falling due as follows:

	2011 RMB'000	2010 RMB'000
Within one year	**3,382**	3,356
In the second to fifth years, inclusive	**8,703**	2,698
Over five years	**8,734**	990
	20,819	7,044

33. MATERIAL RELATED PARTY TRANSACTIONS

a) KEY MANAGEMENT PERSONNEL EMOLUMENTS

Emoluments for key management personnel, including amounts paid to the company's directors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11 are as follows:

	2011 RMB'000	2010 RMB'000
Short-term employee benefits	**2,139**	2,028
Post-employment benefits	**86**	49
	2,225	2,077

Total emoluments is included in "staff costs" (see note 9(b)).

b) OUTSTANDING BALANCES WITH RELATED PARTIES

	2011 RMB'000	2010 RMB'000
Amounts due to a related party (note 24)	**7,493**	1,418

The amount represented the advance from a director of a subsidiary in 2009. The director of a subsidiary further advanced approximately RMB6,075,000 during the year 2010. The balances with these related parties are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

34. LITIGATION

In 1998, the company instituted legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of RMB40 million being the economic loss suffered by the company together with interest and legal cost. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when the solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

35. RETIREMENT BENEFITS SCHEME

The group operates a Mandatory Provident Fund ("MPF") scheme for all Hong Kong eligible employees including executive directors. The assets of the MPF scheme are held separately from those of the group in funds under the control of trustees.

The retirement benefit cost for the MPF scheme charged to the consolidated income statement represents contributions payable to the MPF scheme by the group at 5% specified in the rules of the MPF scheme.

Employees who are employed in the PRC are members of the state-sponsored pension scheme operated by the PRC government. The group is required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the group with respect to the pension scheme is to make the required contributions under the scheme.

36. NON-ADJUSTING POST BALANCE SHEET EVENTS

On 6 April 2011, the company proposed to issue 4,974,493,440 rights shares at the subscription price of HK$0.068 per rights share on the basis of thirty right shares for every one existing issued share. 4,974,493,440 shares were fully issued when the rights issue completed on 21 April 2011 and approximately HK$338,265,000 (equivalent to approximately RMB282,891,000) were raised.

NOTES TO THE FINANCIAL STATEMENTS

For the Year ended 31 March 2011

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2011

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2011 and which have not been adopted in these financial statements.

The group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[3]
HKAS 24 (Revised in 2009)	Related Party Disclosures[6]
HKAS 27 (Revised 2011)	Separate financial statements[4]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[4]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosure for First-Time Adopters[2]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangement[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.

The group is in the progress of making an assessment of what impact of these amendments is expected to be in the period of initial application.

Except for the above, so far it has concluded the adoption of them will have no material impact on the consolidated financial statements.

38. COMPARATIVE FIGURES

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

FIVE YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**3,735**	7,750	17,254	17,859	5,772
Profit/(Loss) before tax	**(35,005)**	(10,613)	(245,432)	(34,491)	14,956
Income tax	**(3,049)**	(8,688)	54,487	7,074	(4,823)
Profit/(Loss) for the year from continuing operations	**(38,054)**	(19,301)	(190,945)	(27,417)	10,133
Loss for the year from discontinued operation	**–**	–	–	–	(29,122)
Loss for the year	**(38,054)**	(19,301)	(190,945)	(27,417)	(18,989)

ASSETS AND LIABILITIES

	Year ended 31 March				
	2011	2010	2009	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total Assets	**845,228**	766,556	212,439	463,409	270,304
Total Liabilities	**(240,908)**	(148,337)	(94,902)	(156,778)	(234,005)
Net assets	**604,320**	618,219	117,537	306,631	36,299

PROPERTIES HELD BY THE GROUP FOR INVESTMENT

As at 31 March 2010

	Location	Existing Use	Term of Lease
1.	Unit Nos. 201 and 202 on Mezzanine Level, Yun Hai Building, Nos. 1329 and 1331 Huai Hai Zhong Road, Xuhui District, Shanghai, The PRC.	Commercial	Medium term
2.	Whole of Levels 1 and 2, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term
3.	Whole of Levels 3 and 4, Shimei Mansion, No. 445 Jiangning Road, Jingan District, Shanghai, The PRC.	Commercial	Medium term